

A bill for an act

relating to taxation; making policy, technical, administrative, payment, enforcement, collection, refund, and other changes to income, franchise, property, sales and use, motor vehicle sales, estate, cigarette and tobacco products, gasoline, liquor, insurance premiums, mortgage and deed, healthcare gross revenues, and other taxes and tax-related provisions; conforming to certain changes in the Internal Revenue Code; providing accelerated sales tax payments; providing for licensure of assessors; changing provisions relating to the sustainable forest resource management incentive program; providing for aids to local governments; providing for state debt collection; changing border city allocation, tax increment financing, and economic development powers and incentives; authorizing and providing terms and conditions related to the issuance of obligations and the financing of public improvements and services; extending the time for certain publications of notices; requiring notices and publication of information; authorizing and validating trusts to pay certain public postemployment benefits; changing revenue recapture, local impact notes, data practices, and securities filing fees; providing penalties; amending Minnesota Statutes 2006, sections 3.987, subdivision 1; 3.988, subdivision 3; 3.989, subdivisions 2, 3; 16A.103, subdivision 2; 16D.04, subdivisions 1, 2; 16D.11, subdivisions 2, 7; 62I.06, subdivision 6; 71A.04, subdivision 1; 97A.061, subdivision 2; 118A.03, subdivision 3; 123B.61; 127A.48, subdivision 2; 216B.1646; 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 2; 270A.10; 270C.306; 270C.34, subdivision 1; 270C.446, subdivision 2; 270C.56, subdivision 1; 270C.63, subdivision 9; 272.02, by adding subdivisions; 272.115, subdivision 1; 273.05, by adding a subdivision; 273.111, subdivision 3; 273.117; 273.121; 273.124, subdivision 13, by adding a subdivision; 273.125, subdivision 8; 273.128, subdivision 1; 273.13, subdivisions 22, 24, 25, by adding a subdivision; 273.1315; 273.1398, subdivision 4; 273.33, subdivision 2; 273.37, subdivision 2; 273.371, subdivision 1; 274.01, subdivision 1; 274.13, subdivision 1; 275.025, subdivision 3; 275.065, subdivision 5a, by adding a subdivision; 275.066; 275.067; 275.61, subdivision 1; 276.04, subdivision 2, by adding a subdivision; 277.01, subdivision 2; 278.05, subdivision 6; 279.01, subdivision 1; 279.37, subdivision 1a; 280.39; 287.22; 287.2205; 289A.02, subdivision 7; 289A.08, subdivision 11; 289A.09, subdivision 2; 289A.12, subdivisions 4, 14; 289A.18, subdivision 1; 289A.20, subdivision 4; 289A.38, subdivision 7; 289A.40, subdivision 2; 289A.56, by adding a subdivision; 289A.60, subdivisions 8, 12, 15, 25, 27, by adding

subdivisions; 290.01, subdivisions 19a, 19c, 19d; 290.06, subdivisions 2c, 33; 290.067, subdivision 2b; 290.0671, subdivision 7; 290.0677, subdivision 1; 290.091, subdivision 3; 290.0921, subdivision 3; 290.10; 290.17, subdivision 2; 290.191, subdivision 8; 290.92, by adding a subdivision; 290A.03, subdivision 7; 290B.03, subdivision 2; 290C.02, subdivision 3; 290C.04; 290C.05; 290C.07; 290C.11; 291.005, subdivision 1; 291.215, subdivision 1; 295.52, subdivisions 4, 4a; 295.54, subdivision 2; 296A.18, subdivision 4; 297A.61, subdivisions 3, 4, 7, 10, 24, by adding subdivisions; 297A.63, subdivision 1; 297A.665; 297A.668, by adding a subdivision; 297A.669, subdivisions 3, 13, 14, by adding subdivisions; 297A.67, subdivisions 7, 8, 9; 297A.68, subdivisions 11, 16, 35; 297A.69, subdivision 2; 297A.70, subdivision 7, by adding a subdivision; 297A.72; 297A.90, subdivision 2; 297A.99, subdivision 1; 297B.035, subdivision 1; 297F.06, subdivision 4; 297F.09, subdivision 10; 297F.21, subdivision 3; 297F.25, by adding a subdivision; 297G.09, subdivision 9; 297I.06, subdivisions 1, 2; 297I.15, by adding a subdivision; 297I.20, subdivision 2; 297I.40, subdivision 5; 331A.05, subdivision 2; 360.031; 365A.02; 365A.04; 365A.08; 365A.095; 373.01, subdivision 3; 373.40, subdivision 4; 375B.09; 383A.80, subdivision 4; 383A.81, subdivisions 1, 2; 383B.117, subdivision 2; 383B.77, subdivisions 1, 2; 383B.80, subdivision 4; 410.32; 412.301; 435.193; 453A.02, subdivision 3; 469.169, by adding a subdivision; 469.1734, subdivision 6; 469.174, subdivisions 10, 10a; 469.175, subdivisions 1, 3; 469.176, subdivisions 1, 2, 4l, 7; 469.1761, subdivision 1; 469.1763, subdivision 2; 469.177, subdivision 1; 469.178, subdivision 7; 469.1791, subdivision 3; 473.39, by adding subdivisions; 475.51, subdivision 4; 475.52, subdivision 6; 475.53, subdivision 1; 475.58, subdivisions 1, 3b; 477A.011, subdivision 36; 477A.013, subdivisions 8, 9; Minnesota Statutes 2007 Supplement, sections 270A.03, subdivision 5; 272.02, subdivision 64; 273.124, subdivision 14; 275.065, subdivision 3; 290.01, subdivisions 19, 19b, 31; 290A.03, subdivision 15; 424A.10, subdivision 3; Laws 1973, chapter 393, section 1, as amended; Laws 1980, chapter 511, section 1, subdivision 2, as amended; Laws 1988, chapter 645, section 3, as amended; Laws 1989, chapter 211, section 8, subdivision 4, as amended; Laws 1993, chapter 375, article 9, section 45, subdivisions 2, as amended, 3, as amended, 4, as amended; Laws 1994, chapter 587, article 9, section 14, subdivisions 1, 2, 3; Laws 1995, chapter 264, article 5, sections 44, subdivision 4, as amended; 45, subdivision 1, as amended; Laws 1999, chapter 243, article 4, section 18, subdivisions 1, 3, 4; Laws 2003, chapter 128, article 1, section 172, as amended; Laws 2005, First Special Session chapter 3, article 5, section 39; article 10, section 23, as amended; Laws 2006, chapter 259, article 11, section 3; proposing coding for new law in Minnesota Statutes, chapters 270; 270C; 273; 274; 290C; 297A; 360; 383C; 383D; 383E; 471; 475; repealing Minnesota Statutes 2006, sections 16A.1522; 270.073; 270.41, subdivision 4; 270.43; 270.51; 270.52; 270.53; 295.60; 297A.61, subdivision 20; 297A.668, subdivision 6; 297A.67, subdivision 22; 469.174, subdivision 29; Laws 1973, chapter 393, section 2; Laws 1994, chapter 587, article 9, section 8, subdivision 1, as amended; Laws 1998, chapter 389, article 11, section 18.

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

ARTICLE 1

AIDS TO LOCAL GOVERNMENTS

Section 1. Minnesota Statutes 2006, section 477A.011, subdivision 36, is amended to read:

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Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

(i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

(ii) the city portion of the tax capacity rate exceeds 100 percent; and

(iii) its city aid base is less than \$60 per capita.

(c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

(i) the city has a population in 1994 of 2,500 or more;

(ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;

(iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

(i) the city was incorporated as a statutory city after December 1, 1993;

(ii) its city aid base does not exceed \$5,600; and

(iii) the city had a population in 1996 of 5,000 or more.

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

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

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

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

(f) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

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(1) the city has a population that is greater than 1,000 and less than 2,500;
(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(g) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

- (1) the city had a population in 1997 of 2,500 or more;
(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;
(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;
(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

(h) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

- (1) the city has a population in 1997 of 2,000 or more;
(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;
(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and
(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(i) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

- (1) the city has a population in 1998 that is greater than 200 but less than 500;
(2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;

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(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and

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

(j) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

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

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

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

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

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

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

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

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

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

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

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

(2) \$2,500,000.

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

- (1) the city is located in the seven-county metropolitan area;
- (2) its population in 2000 is between 10,000 and 20,000; and
- (3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(n) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only, provided that:

- (1) the city had a population of at least 3,000 but no more than 4,000 in 1999;
- (2) its home county is located within the seven-county metropolitan area;
- (3) its pre-1940 housing percentage is less than 15 percent; and
- (4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

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

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

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

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

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

(t) The city aid base for a city is increased by \$80,000 in ~~2007 only~~ 2009 and thereafter and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$80,000 in calendar year ~~2007~~ 2009 only, if:

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

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2009 and thereafter.

Sec. 2. Minnesota Statutes 2006, section 477A.013, subdivision 8, is amended to read:

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

~~(i) zero percent for aids payable in 2004;~~

~~(ii) 25 percent for aids payable in 2005;~~

~~(iii) 50 percent for aids payable in 2006;~~

~~(iv) 75 percent for aids payable in 2007; and~~

~~(v) 100 percent for aids payable in 2008 and thereafter.~~

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

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

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

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2009 and thereafter.

Sec. 3. Minnesota Statutes 2006, section 477A.013, subdivision 9, is amended to read:

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

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

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

~~(c) For aids payable in 2004 only, the total aid for a city with a population less than 2,500 may not be less than the amount it was certified to receive in 2003 minus the greater of (1) the reduction to this aid payment in 2003 under Laws 2003, First Special Session chapter 21, article 5, or (2) five percent of its 2003 aid amount.~~ (d) For aids payable in 2005 2009 and thereafter, the total aid for a city with a population less than 2,500 must not

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be less than the amount it was certified to receive in the previous year minus the lesser of \$15 multiplied by its population, or five percent of its 2003 certified aid amount.

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

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Sec. 4. Laws 2006, chapter 259, article 11, section 3, is amended to read:

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

Subdivision 1. **Aid appropriation.** (a) \$600,000 is appropriated annually from the general fund to the commissioner of revenue to be used to make payments to compensate for the loss of property tax revenue due to the placement of land located in the city of Mahnomen that was put in trust status by the United States Department of the Interior, Bureau of Indian Affairs, during calendar year 2006 related to the trust conversion application of the Shooting Star Casino. The commissioner shall pay the county of Mahnomen, \$450,000; the city of Mahnomen, \$80,000; and Independent School District No. 432, Mahnomen, \$70,000. The payments shall be made on July 20, 2006 of 2008 and each subsequent year.

(b) Payments under this section must be reduced in any year by the amount, if any, of payments in lieu of property taxes to that political subdivision made during the previous calendar year by the owner of the land that was placed in trust.

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

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

Sec. 5. MAHNOMEN COUNTY; CITY, COUNTY, AND SCHOOL DISTRICT TAX BASE ADJUSTMENTS.

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

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

EFFECTIVE DATE. This section is effective for aids and levies payable in 2009 and thereafter.

Sec. 6. UTILITY PROPERTY; TAX BASE ADJUSTMENTS FOR CALCULATION OF SCHOOL DISTRICT AIDS AND LEVIES.

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

Sec. 7. UTILITY PROPERTY; TAX BASE ADJUSTMENTS FOR CALCULATION OF COUNTY, CITY, AND TOWN AIDS.

For purposes of calculating aid for towns and cities under section 477A.013, and for counties under section 477A.0124, for payment in 2008, 2009, and 2010 only, the commissioner of revenue shall calculate the adjusted net tax capacity of cities and counties, as defined in sections 477A.011 and 477A.0124, as if the tax base changes

resulting from the amendments to Minnesota Rules, chapter 8100, including the phase-in provisions of Minnesota Rules, part 8100.0800, were effective one year earlier.

ARTICLE 2
PROPERTY TAXES

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

Subd. 2. **Allocation.** (a) Except as provided in subdivision 3, the county treasurer shall allocate the payment among the county, towns, and school districts on the same basis as if the payments were taxes on the land received in the year. Payment of a town's or a school district's allocation must be made by the county treasurer to the town or school district within 30 days of receipt of the payment to the county. The county's share of the payment shall be deposited in the county general revenue fund.

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

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

EFFECTIVE DATE. This section is effective retroactively for aid payments made in 2007 and thereafter.

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

Subd. 2. **Methodology.** In making its annual assessment/sales ratio studies, the Department of Revenue must use a methodology consistent with the most recent Standard on Assessment Ratio Studies published by the assessment standards committee of the International Association of Assessing Officers. The commissioner of revenue shall supplement this general methodology with specific procedures necessary for execution of the study in accordance with other Minnesota laws impacting the assessment/sales ratio study. The commissioner shall document these specific procedures in writing and shall publish the procedures in the State Register, but these procedures will not be considered "rules" pursuant to the Minnesota Administrative Procedure Act. When property is

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12.1 sold and the purchaser changes its use in a manner that would result in a change of
12.2 classification of the property, the assessment sales ratio study under this subdivision must
12.3 take into account that changed classification as soon as practicable. A change in status
12.4 from homestead to nonhomestead or from nonhomestead to homestead is not a change
12.5 under this subdivision. For purposes of this section, sections 270.12, subdivision 2,
12.6 clause (8), and 278.05, subdivision 4, the commissioner of revenue shall exclude from
12.7 the assessment/sales ratio study the sale of any nonagricultural property which does not
12.8 contain an improvement, if (1) the statutory basis on which the property's taxable value
12.9 as most recently assessed is less than market value as defined in section 273.11, or (2)
12.10 the property has undergone significant physical change or a change of use since the most
12.11 recent assessment.

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

12.13 Sec. 3. Minnesota Statutes 2006, section 216B.1646, is amended to read:

12.14 **216B.1646 RATE ~~REDUCTION~~ ADJUSTMENT; PROPERTY TAX**
12.15 **~~REDUCTION~~ CHANGE.**

12.16 (a) The commission shall, by any method the commission finds appropriate, ~~reduce~~
12.17 adjust the rates each ~~electric~~ utility subject to rate regulation by the commission charges
12.18 its customers to reflect, on an ongoing basis, the amount by which each utility's property
12.19 tax, if applicable, on the personal property of its electric system ~~from taxes payable in~~
12.20 ~~2001 to taxes payable in 2002 is reduced~~ or pipeline system transporting or distributing
12.21 natural gas is changed under this act. The commission must ensure that, to the extent
12.22 feasible, each dollar of personal property tax ~~reduction allocated to Minnesota consumers~~
12.23 ~~retroactive to January 1, 2002,~~ change in taxes payable in 2009 and subsequent years
12.24 results in a dollar of savings adjustment to the utility's ~~customers~~ rates. ~~A utility may~~
12.25 ~~voluntarily pass on any additional property tax savings allocated in the same manner as~~
12.26 ~~approved by the commission under this paragraph.~~ The adjustment under this paragraph is
12.27 outside of a general rate case proceeding under section 216B.16.

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

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

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

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

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

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

13.10 Sec. 4. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision
13.11 to read:

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

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

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

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

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

13.19 (5) is situated on a temporary foundation.

13.20 (b) The exemption under this subdivision is allowable for up to five assessment
13.21 years after the date it becomes located on the property, provided that the modular home
13.22 continues to meet all of the criteria under this subdivision each year. The owner of a
13.23 modular model home must notify the county assessor within 60 days that it has been
13.24 constructed or located on the property and must again notify the assessor if the modular
13.25 home ceases to meet any of the criteria. If more than one modular home is constructed or
13.26 situated on a property, the owner must notify the assessor within 60 days for each of the
13.27 models placed on the property.

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

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14.1 **EFFECTIVE DATE.** This section is effective for assessment year 2008 and
14.2 thereafter, for taxes payable in 2009 and thereafter. The five-year assessment time period
14.3 begins with the 2008 assessment for a modular model home currently situated provided
14.4 it meets all of the criteria and the county assessor is notified within 90 days of the day
14.5 following final enactment.

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

14.8 Subd. 86. **Apprenticeship training facilities.** All or a portion of a building used
14.9 exclusively for a state-approved apprenticeship program through the Department of Labor
14.10 and Industry is exempt if (1) it is owned and operated by a nonprofit corporation, (2) the
14.11 program participants receive no compensation, and (3) it is located in the Minneapolis and
14.12 St. Paul standard metropolitan statistical area as determined by the 2000 federal census or
14.13 in a city outside the Minneapolis and St. Paul standard metropolitan statistical area that
14.14 has a population of 7,500 or greater according to the most recent federal census. This
14.15 exemption does not include land.

14.16 **EFFECTIVE DATE.** This section is effective for assessment year 2008 and
14.17 thereafter, for taxes payable in 2009 and thereafter.

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

14.20 Subd. 87. **Monosloped roofs for feedlots and manure storage areas.** A
14.21 monosloped, single-pitched roof installed over a feedlot or manure storage area to prevent
14.22 runoff is exempt.

14.23 **EFFECTIVE DATE.** This section is effective for assessment year 2008 for property
14.24 taxes payable in 2009, and thereafter.

14.25 Sec. 7. Minnesota Statutes 2006, section 272.115, subdivision 1, is amended to read:

14.26 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5,
14.27 whenever any real estate is sold for a consideration in excess of \$1,000, whether by
14.28 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,
14.29 grantee or the legal agent of either shall file a certificate of value with the county
14.30 auditor in the county in which the property is located when the deed or other document
14.31 is presented for recording. Contract for deeds are subject to recording under section
14.32 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of

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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, and shall include any proposed change in use of the property known to the person filing the certificate that could change the classification 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. If the property is being acquired as part of a like-kind exchange under section 1031 of the Internal Revenue Code of 1986, as amended through December 31, 2006, that must be indicated on the certificate. 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. The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

EFFECTIVE DATE. This section is effective for certificates filed after June 30, 2008.

Sec. 8. Minnesota Statutes 2007 Supplement, section 273.124, subdivision 14, is amended to read:

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

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

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

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

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

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

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

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

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

(1) the property consists of at least 40 acres including undivided government lots and correctional 40's;

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

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

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

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

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

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

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

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

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

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

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

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

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

19.21 (i) Agricultural land and buildings that were class 2a homestead property under
19.22 section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain
19.23 classified agricultural homesteads for subsequent assessments if:

19.24 (1) the property owner abandoned the homestead dwelling located on the agricultural
19.25 homestead as a result of damage caused by the August 2007 floods;

19.26 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted,
19.27 Steele, Wabasha, or Winona;

19.28 (3) the agricultural land and buildings remain under the same ownership for the
19.29 current assessment year as existed for the 2007 assessment year;

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

19.32 (5) the owner notifies the county assessor that the relocation was due to the August
19.33 2007 floods, and the owner furnishes the assessor any information deemed necessary by
19.34 the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the
19.35 owner must notify the assessor by December 1, 2008. Further notifications to the assessor

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are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

EFFECTIVE DATE. This section is effective for assessment year 2008, taxes payable in 2009 and thereafter.

Sec. 9. Minnesota Statutes 2006, section 273.124, is amended by adding a subdivision to read:

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

EFFECTIVE DATE. This section is effective July 1, 2008.

Sec. 10. Minnesota Statutes 2006, section 273.125, subdivision 8, is amended to read:

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

(b) Except as provided in paragraph (c), a manufactured home that meets each of the following criteria must be valued and assessed as an improvement to real property, the appropriate real property classification applies, and the valuation is subject to review and the taxes payable in the manner provided for real property:

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

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

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

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

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

21.10 (2) the unit is affixed to the land by a permanent foundation or is installed at its
21.11 location in accordance with the Manufactured Home Building Code contained in sections
21.12 327.31 to 327.34, and the rules adopted under those sections, or is affixed to the land like
21.13 other real property in the taxing district; and

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

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

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

21.26 (f) A storage shed, deck, or similar improvement constructed on property that is
21.27 leased or rented as a site for a manufactured home, sectional structure, park trailer, or
21.28 travel trailer is taxable as provided in this section. In the case of property that is leased or
21.29 rented as a site for a travel trailer, a storage shed, deck, or similar improvement on the
21.30 site that is considered personal property under this paragraph is taxable only if its total
21.31 estimated market value is over ~~\$500~~ \$1,000. The property is taxable as personal property
21.32 to the lessee of the site if it is not owned by the owner of the site. The property is taxable
21.33 as real estate if it is owned by the owner of the site. As a condition of permitting the owner
21.34 of the manufactured home, sectional structure, park trailer, or travel trailer to construct
21.35 improvements on the leased or rented site, the owner of the site must obtain the permanent

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22.1 home address of the lessee or user of the site. The site owner must provide the name
22.2 and address to the assessor upon request.

22.3 **EFFECTIVE DATE.** This section is effective for assessment year 2008 and
22.4 thereafter, for taxes payable in 2009 and thereafter.

22.5 Sec. 11. Minnesota Statutes 2006, section 273.128, subdivision 1, is amended to read:

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

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

22.12 (2) the units are rent-restricted and income-restricted units of a qualified low-income
22.13 housing project receiving tax credits under section 42(g) of the Internal Revenue Code of
22.14 1986, as amended;

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

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

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

22.29 **EFFECTIVE DATE.** This section is effective for property taxes payable in 2009,
22.30 and thereafter.

22.31 Sec. 12. Minnesota Statutes 2006, section 273.13, subdivision 22, is amended to read:

22.32 Subd. 22. **Class 1.** (a) Except as provided in subdivision 23 and in paragraphs (b)
22.33 and (c), real estate which is residential and used for homestead purposes is class 1a. In the

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case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

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

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

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

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

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

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

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

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

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first ~~\$32,000~~ \$50,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a class rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real and personal property that abuts ~~a lakeshore line~~ public water as defined in section 103G.005, subdivision 15, and is

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24.1 devoted to temporary and seasonal residential occupancy for recreational purposes but
24.2 not devoted to commercial purposes for more than 250 days in the year preceding the
24.3 year of assessment, and that includes a portion used as a homestead by the owner, which
24.4 includes a dwelling occupied as a homestead by a shareholder of a corporation that owns
24.5 the resort, a partner in a partnership that owns the resort, or a member of a limited liability
24.6 company that owns the resort even if the title to the homestead is held by the corporation,
24.7 partnership, or limited liability company. For purposes of this clause, property is devoted
24.8 to a commercial purpose on a specific day if any portion of the property, excluding the
24.9 portion used exclusively as a homestead, is used for residential occupancy and a fee is
24.10 charged for residential occupancy. Class 1c property must contain three or more rental
24.11 units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room,
24.12 or individual camping site equipped with water and electrical hookups for recreational
24.13 vehicles. Class 1c property must provide recreational activities such as the rental of ice
24.14 fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment;
24.15 provide marina services, launch services, or guide services; or sell bait and fishing tackle.
24.16 Any unit in which the right to use the property is transferred to an individual or entity
24.17 by deeded interest, or the sale of shares or stock, no longer qualifies for class 1c even
24.18 though it may remain available for rent. A camping pad offered for rent by a property
24.19 that otherwise qualifies for class 1c is also class 1c, regardless of the term of the rental
24.20 agreement, as long as the use of the camping pad does not exceed 250 days. The portion of
24.21 the property used as a homestead is class 1a property under paragraph (a). The remainder
24.22 of the property is classified as follows: the first \$500,000 of market value is tier I, the
24.23 next \$1,700,000 of market value is tier II, and any remaining market value is tier III.
24.24 The class rates for class 1c are: tier I, 0.55 percent; tier II, 1.0 percent; and tier III, 1.25
24.25 percent. If a class 1c resort property has any market value in tier III, the entire property
24.26 must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for
24.27 class 1c treatment under this paragraph. Owners of real and personal property devoted to
24.28 temporary and seasonal residential occupancy for recreation purposes in which all or a
24.29 portion of the property was devoted to commercial purposes for not more than 250 days in
24.30 the year preceding the year of assessment desiring classification as class 1c, must submit a
24.31 declaration to the assessor designating the cabins or units occupied for 250 days or less in
24.32 the year preceding the year of assessment by January 15 of the assessment year. Those
24.33 cabins or units and a proportionate share of the land on which they are located must be
24.34 designated as class 1c as otherwise provided. The remainder of the cabins or units and
24.35 a proportionate share of the land on which they are located must be designated as class
24.36 3a commercial. The owner of property desiring designation as class 1c property must

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provide guest registers or other records demonstrating that the units for which class 1c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 1c.

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

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

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

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

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

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

EFFECTIVE DATE. The amendments of this section to paragraph (b) are effective for taxes payable in 2009 and thereafter. The rest of this section is effective for taxes payable in 2010 and thereafter.

Sec. 13. Minnesota Statutes 2006, section 273.13, subdivision 24, is amended to read:

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

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

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

~~(2) All Personal property that is: (i) part of an electric generation, transmission, or distribution system; or (ii), including tools, implements, and machinery, has a class rate of 2.5 percent for taxes payable in 2009, and 2.8 percent for taxes payable in 2010, and thereafter.~~

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

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

~~(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the~~ (5) Personal property consisting of mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a class rate as provided under clause (1) for the remaining market value in excess of the first tier.

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

EFFECTIVE DATE. This section is effective for taxes payable in 2009, and thereafter.

Sec. 14. Minnesota Statutes 2006, section 273.13, subdivision 25, is amended to read:

Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner

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as a residence for rental periods of 30 days or more, excluding property qualifying for class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.25 percent.

(b) Class 4b includes:

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

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

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

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

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

(c) Class 4bb includes:

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

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

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

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

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), or subdivision 23, paragraph (b), clause (1), real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes, including real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 4c property must provide recreational activities such as renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina

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28.1 services, launch services, or guide services; or sell bait and fishing tackle. A camping
28.2 pad offered for rent by a property that otherwise qualifies for class 4c is also class 4c
28.3 regardless of the term of the rental agreement, as long as the use of the camping pad
28.4 does not exceed 250 days. In order for a property to be classified as class 4c, seasonal
28.5 residential recreational for commercial purposes, at least 40 percent of the annual gross
28.6 lodging receipts related to the property must be from business conducted during 90
28.7 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests
28.8 during the year must be for periods of at least two consecutive nights; or (ii) at least 20
28.9 percent of the annual gross receipts must be from charges for rental of fish houses, boats
28.10 and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina
28.11 services, launch services, and guide services, or the sale of bait and fishing tackle. For
28.12 purposes of this determination, a paid booking of five or more nights shall be counted as
28.13 two bookings. Class 4c also includes commercial use real property used exclusively
28.14 for recreational purposes in conjunction with class 4c property devoted to temporary
28.15 and seasonal residential occupancy for recreational purposes, up to a total of two acres,
28.16 provided the property is not devoted to commercial recreational use for more than 250
28.17 days in the year preceding the year of assessment and is located within two miles of the
28.18 class 4c property with which it is used. Owners of real and personal property devoted to
28.19 temporary and seasonal residential occupancy for recreation purposes and all or a portion
28.20 of which was devoted to commercial purposes for not more than 250 days in the year
28.21 preceding the year of assessment desiring classification as class ~~1c or~~ 4c, must submit a
28.22 declaration to the assessor designating the cabins or units occupied for 250 days or less in
28.23 the year preceding the year of assessment by January 15 of the assessment year. Those
28.24 cabins or units and a proportionate share of the land on which they are located ~~will~~ must be
28.25 designated class ~~1c or~~ 4c as otherwise provided. The remainder of the cabins or units and
28.26 a proportionate share of the land on which they are located will be designated as class 3a.
28.27 The owner of property desiring designation as class ~~1c or~~ 4c property must provide guest
28.28 registers or other records demonstrating that the units for which class ~~1c or~~ 4c designation
28.29 is sought were not occupied for more than 250 days in the year preceding the assessment if
28.30 so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop,
28.31 (4) conference center or meeting room, and (4) (5) other nonresidential facility operated
28.32 on a commercial basis not directly related to temporary and seasonal residential occupancy
28.33 for recreation purposes shall does not qualify for class ~~1c or~~ 4c;
28.34 (2) qualified property used as a golf course if:
28.35 (i) it is open to the public on a daily fee basis. It may charge membership fees or
28.36 dues, but a membership fee may not be required in order to use the property for golfing,

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29.1 and its green fees for golfing must be comparable to green fees typically charged by
29.2 municipal courses; and

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

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

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

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

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

29.17 For purposes of this clause,

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

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

29.22 (C) a "nonprofit community service oriented organization" means any corporation,
29.23 society, association, foundation, or institution organized and operated exclusively for
29.24 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from
29.25 federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue
29.26 Code of 1986, as amended through December 31, 1990. ~~For purposes of this clause; and~~

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

29.33 Any portion of the property qualifying under item (i) which is used for revenue-producing
29.34 activities for more than six days in the calendar year preceding the year of assessment
29.35 shall be assessed as class 3a. The use of the property for social events open exclusively
29.36 to members and their guests for periods of less than 24 hours, when an admission is

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30.1 not charged nor any revenues are received by the organization shall not be considered a
30.2 revenue-producing activity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31.20 (e) Class 4d property is qualifying low-income rental housing certified to the assessor
31.21 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion
31.22 of the units in the building qualify as low-income rental housing units as certified under
31.23 section 273.128, subdivision 3, only the proportion of qualifying units to the total number
31.24 of units in the building qualify for class 4d. The remaining portion of the building shall be
31.25 classified by the assessor based upon its use. Class 4d also includes the same proportion of
31.26 land as the qualifying low-income rental housing units are to the total units in the building.
31.27 For all properties qualifying as class 4d, the market value determined by the assessor must
31.28 be based on the normal approach to value using normal unrestricted rents.

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

31.30 **EFFECTIVE DATE.** The part of this section relating to class 4c resorts in
31.31 paragraph (d), clause (1), is effective for assessment year 2009 and thereafter, for taxes
31.32 payable in 2010 and thereafter. The part of this section relating to nonprofit community
31.33 service oriented organizations is effective for assessment year 2008 and thereafter, for
31.34 taxes payable in 2009 and thereafter, except that the application date in paragraph (d),
31.35 clause (3), item (ii), for the 2008 assessment is extended to September 1, 2008.

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Sec. 15. Minnesota Statutes 2006, section 273.13, is amended by adding a subdivision to read:

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for assessment year 2008 and thereafter, for taxes payable in 2009 and thereafter.

Sec. 16. Minnesota Statutes 2006, section 273.1315, is amended to read:

273.1315 CERTIFICATION OF CLASS 1B PROPERTY.

Subdivision 1. **Class 1b homestead declaration before 2009.** Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), on or before October 1, 2008, shall file with the commissioner of revenue a 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

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

(b) any additional information prescribed by the commissioner.

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

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

Subd. 2. **Class 1b homestead declaration 2009 and thereafter.** (a) Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), after October 1, 2008, shall file with the county assessor a class 1b homestead declaration, on a form prescribed by the commissioner of revenue. The declaration must contain the following information:

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

(2) any additional information prescribed by the commissioner.

(b) The declaration must be filed on or before October 1 to be effective for property taxes payable during the succeeding calendar year. The Social Security numbers and income and medical information received from the property owner pursuant to this subdivision are private data on individuals as defined in section 13.02. If approved by the assessor, the declaration remains in effect until the property no longer qualifies under section 273.13, subdivision 22, paragraph (b). Failure to notify the assessor within 30

days that the property no longer qualifies under that paragraph because of a sale, change in occupancy, or change in the status or condition of an occupant shall result in the penalty provided in section 273.124, subdivision 13, computed on the basis of the class 1b benefits for the property, and the property shall lose its current class 1b classification.

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

Sec. 17. Minnesota Statutes 2006, section 275.025, subdivision 3, is amended to read:

Subd. 3. **Seasonal residential recreational tax capacity.** For the purposes of this section, "seasonal residential recreational tax capacity" means the tax capacity of tier III of class 1c under section 273.13, subdivision 22, and all class 4c(1) and 4c(3)(ii) property under section 273.13, subdivision 25, except that the first \$76,000 of market value of each noncommercial class 4c(1) property has a tax capacity for this purpose equal to 40 percent of its tax capacity under section 273.13.

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

Sec. 18. Minnesota Statutes 2006, section 275.065, is amended by adding a subdivision to read:

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

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

(c) Upon the adoption of a resolution by the county board to hold a joint public hearing, the county shall notify each city with a population over 500 and each school district located wholly or partially within the county of its intention to hold the joint hearing and ask each of the taxing authorities if it would like to participate. Participation is voluntary, and participation in the joint hearing is in lieu of the requirement for the

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governing body to hold a separate public hearing under subdivision 6. If a participating city or school district is located in more than one county, the hearing under this subdivision is in lieu of the requirement to hold a separate public hearing if 75 percent or more of that city or school district's previous year's net tax capacity is in the county where the hearing is held.

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

The county board shall obtain a meeting space to hold the joint hearing, preferably at a public building such as the courthouse, school, or community center. The location shall be as centrally located within the county as possible. The meeting shall generally be structured in the following general manner:

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

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

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

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

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

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

"NOTICE OF JOINT PUBLIC HEARING

PROPOSED TOTAL PROPERTY TAXES

FOR PARTICIPATING TAXING AUTHORITIES

The property tax amounts below compare that portion of the current budget levied in property taxes in the county, cities, and school districts for (year) with the property

taxes the county, cities, and school districts propose to collect in (year) for those taxing authorities participating in the joint public hearing.

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

ATTEND THE JOINT PUBLIC HEARING

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

(Month/Day/Year/Time)

(Location/Address)

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

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

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

Sec. 19. Minnesota Statutes 2006, section 275.066, is amended to read:

275.066 SPECIAL TAXING DISTRICTS; DEFINITION.

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

- (1) watershed districts under chapter 103D;
- (2) sanitary districts under sections 115.18 to 115.37;
- (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- (4) regional public library districts under section 134.201;
- (5) park districts under chapter 398;
- (6) regional railroad authorities under chapter 398A;

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- 37.1 (7) hospital districts under sections 447.31 to 447.38;
- 37.2 (8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;
- 37.3 (9) Duluth Transit Authority under sections 458A.21 to 458A.37;
- 37.4 (10) regional development commissions under sections 462.381 to 462.398;
- 37.5 (11) housing and redevelopment authorities under sections 469.001 to 469.047;
- 37.6 (12) port authorities under sections 469.048 to 469.068;
- 37.7 (13) economic development authorities under sections 469.090 to 469.1081;
- 37.8 (14) Metropolitan Council under sections 473.123 to 473.549;
- 37.9 (15) Metropolitan Airports Commission under sections 473.601 to 473.680;
- 37.10 (16) Metropolitan Mosquito Control Commission under sections 473.701 to 473.716;
- 37.11 (17) Morrison County Rural Development Financing Authority under Laws 1982,
- 37.12 chapter 437, section 1;
- 37.13 (18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section
- 37.14 6;
- 37.15 (19) East Lake County Medical Clinic District under Laws 1989, chapter 211,
- 37.16 sections 1 to 6;
- 37.17 (20) Floodwood Area Ambulance District under Laws 1993, chapter 375, article
- 37.18 5, section 39;
- 37.19 (21) Middle Mississippi River Watershed Management Organization under sections
- 37.20 103B.211 and 103B.241;
- 37.21 (22) emergency medical services special taxing districts under section 144F.01;
- 37.22 (23) a county levying under the authority of section 103B.241, 103B.245, or
- 37.23 103B.251;
- 37.24 (24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home
- 37.25 under Laws 2003, First Special Session chapter 21, article 4, section 12; ~~and~~
- 37.26 (25) an airport authority created under section 360.0426; and
- 37.27 (26) any other political subdivision of the state of Minnesota, excluding counties,
- 37.28 school districts, cities, and towns, that has the power to adopt and certify a property tax
- 37.29 levy to the county auditor, as determined by the commissioner of revenue.

37.30 **EFFECTIVE DATE.** This section is effective for taxes payable in 2009, and

37.31 thereafter.

37.32 Sec. 20. Minnesota Statutes 2006, section 276.04, subdivision 2, is amended to read:

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

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

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

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38.1 statement of the dollar amount due to each taxing authority and the amount of the state
38.2 tax from the parcel of real property for which a particular tax statement is prepared. The
38.3 dollar amounts attributable to the county, the state tax, the voter approved school tax, the
38.4 other local school tax, the township or municipality, and the total of the metropolitan
38.5 special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must
38.6 be separately stated. The amounts due all other special taxing districts, if any, may be
38.7 aggregated except that any levies made by the regional rail authorities in the county of
38.8 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A
38.9 shall be listed on a separate line directly under the appropriate county's levy. If the county
38.10 levy under this paragraph includes an amount for a lake improvement district as defined
38.11 under sections 103B.501 to 103B.581, the amount attributable for that purpose must be
38.12 separately stated from the remaining county levy amount. In the case of Ramsey County,
38.13 if the county levy under this paragraph includes an amount for public library service
38.14 under section 134.07, the amount attributable for that purpose may be separated from the
38.15 remaining county levy amount. The amount of the tax on homesteads qualifying under the
38.16 senior citizens' property tax deferral program under chapter 290B is the total amount of
38.17 property tax before subtraction of the deferred property tax amount. The amount of the
38.18 tax on contamination value imposed under sections 270.91 to 270.98, if any, must also
38.19 be separately stated. The dollar amounts, including the dollar amount of any special
38.20 assessments, may be rounded to the nearest even whole dollar. For purposes of this section
38.21 whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar.
38.22 The amount of market value excluded under section 273.11, subdivision 16, if any, must
38.23 also be listed on the tax statement.

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

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

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

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

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

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

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

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

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

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

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

~~(7) (6)~~ the net tax payable in the manner required in paragraph (a).

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

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

EFFECTIVE DATE. This section is effective for property tax statements for property taxes payable in 2009 and thereafter.

Sec. 21. Minnesota Statutes 2006, section 278.05, subdivision 6, is amended to read:

Subd. 6. **Dismissal of petition; exclusion of certain evidence.** (a) In cases where the petitioner contests the valuation of income-producing property, information, including income and expense figures in the form of (1) year-end financial statements for the year prior to the assessment date, (2) year-end financial statements for the year of the assessment date, and (3) rent rolls on the assessment date including tenant name, lease start and end dates, option terms, base rent, square footage leased and vacant space, verified net rentable areas in the form of net rentable square footage of the building or buildings, and anticipated income and expenses in the form of proposed budgets for the year subsequent to the year of the assessment date, for income-producing property must be provided to

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the county assessor no later than 60 days after the applicable filing deadline contained in section 278.01, subdivision 1 or 4. Failure to provide the information required in this paragraph shall result in the dismissal of the petition, unless (1) the failure to provide it was due to the unavailability of the evidence at the time that the information was due, or (2) the petitioner was not aware of or informed of the requirement to provide the information.

If the petitioner proves that the requirements under clause (2) are met, the petitioner has an additional 30 days to provide the information from the time the petitioner became aware of or was informed of the requirement to provide the information, otherwise the petition shall be dismissed.

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

EFFECTIVE DATE. This section is effective for petitions filed on or after July 1, 2008.

Sec. 22. Minnesota Statutes 2006, section 279.37, subdivision 1a, is amended to read:

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

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

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

41.1 (d) The amounts entered in judgment bear interest at the rate provided in section
41.2 279.03, subdivision 1a, commencing with the date the judgment is entered. The interest
41.3 rate is subject to change each year on the unpaid balance in the manner provided in section
41.4 279.03, subdivision 1a.

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

41.6 Sec. 23. Minnesota Statutes 2006, section 280.39, is amended to read:

41.7 **280.39 DELINQUENT TAXES MAY BE PAID IN INVERSE ORDER.**

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

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

41.14 Sec. 24. Minnesota Statutes 2006, section 290C.07, is amended to read:

41.15 **290C.07 CALCULATION OF INCENTIVE PAYMENT.**

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

41.18 (1) the difference between the property tax that would be paid on the land using the
41.19 previous year's statewide average total township tax rate and the class rate for class 2b
41.20 timberland under section 273.13, subdivision 23, paragraph (b), if the land were valued
41.21 at (i) the average statewide timberland market value per acre calculated under section
41.22 290C.06, and (ii) the average statewide timberland current use value per acre calculated
41.23 under section 290C.02, subdivision 5; or

41.24 (2) two-thirds of the property tax amount determined by using the previous year's
41.25 statewide average total township tax rate, the estimated market value per acre as calculated
41.26 in section 290C.06, and the class rate for 2b timberland under section 273.13, subdivision
41.27 23, paragraph (b); ~~or~~

41.28 ~~(3) \$1.50,~~ provided that the payment shall be no less than \$7 per acre for each acre
41.29 enrolled in the sustainable forest incentive program.

41.30 **EFFECTIVE DATE.** This section is effective for payments made after June 30,
41.31 2008.

Sec. 25. Minnesota Statutes 2006, section 360.031, is amended to read:

360.031 DEFINITION OF MUNICIPALITY.

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

Sec. 26. **[360.0425] GENERAL POWERS OF AUTHORITY.**

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

Sec. 27. **[360.0426] CREATION OF AN AIRPORT AUTHORITY; DISSOLUTION.**

Subdivision 1. **Members; definition.** A city together with another city, county, town, or an Indian tribe may create an airport authority. For purposes of this chapter, "airport authority" means a governmental entity created pursuant to this section for the purpose of acquiring, establishing, constructing, maintaining, improving, and operating airports and other air navigation facilities.

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

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

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

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

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

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

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

Subd. 7. Process to decrease size of authority. An airport authority may be decreased in size if each of the governmental entities that are members of the authority and the current commissioners consent to change and make provisions for the retention or disposition of its assets and liabilities.

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

Sec. 28. [360.0427] TAX LEVY MAY BE CERTIFIED BY AN AIRPORT AUTHORITY.

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

EFFECTIVE DATE. This section is effective for taxes payable in 2009, and thereafter.

Sec. 29. Minnesota Statutes 2006, section 435.193, is amended to read:

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

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

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

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

(b) Any county, statutory or home rule charter city, or town electing to defer special assessments shall adopt an ordinance or resolution establishing standards and guidelines for determining the existence of a hardship and for determining the existence of a disability, but nothing herein shall be construed to prohibit the determination of hardship on the basis of exceptional and unusual circumstances not covered by the standards and guidelines where the determination is made in a nondiscriminatory manner and does not give the applicant an unreasonable preference or advantage over other applicants.

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

Sec. 30. Laws 1973, chapter 393, section 1, as amended by Laws 1974, chapter 153, section 1, is amended to read:

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

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

Sec. 31. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243, article 6, section 9, and Laws 2000, chapter 490, article 6, section 15, is amended to read:

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

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

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

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

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

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

Sec. 32. Laws 1989, chapter 211, section 8, subdivision 4, as amended by Laws 2002, chapter 390, section 24, and Laws 2003, chapter 127, article 2, section 22, subdivision 4, is amended to read:

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

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

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

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

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

Sec. 33. **LAKEVIEW CEMETERY ASSOCIATION.**

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

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

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

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

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

Sec. 34. **REPEALER.**

(a) Laws 1973, chapter 393, section 2, is repealed.

(b) Laws 1994, chapter 587, article 9, section 8, subdivision 1, as amended by Laws 2005, First Special Session chapter 3, article 1, section 36, is repealed, effective for the same levy year in which the association initially levies under section 33.

ARTICLE 3
INDIVIDUAL INCOME TAXES

Section 1. Minnesota Statutes 2006, section 289A.12, subdivision 4, is amended to read:

Subd. 4. **Returns by persons, corporations, cooperatives, governmental entities, or school districts.** (a) The commissioner may by notice and demand require to the extent required by section 6041 of the Internal Revenue Code, a person, corporation, or cooperative, the state of Minnesota and its political subdivisions, and a city, county, and school district in Minnesota, making payments in the regular course of a trade or business during the taxable year to any person or corporation of \$600 or more on account of rents or royalties, or of \$10 or more on account of interest, or \$10 or more on account of dividends or patronage dividends, or \$600 or more on account of either wages, salaries, commissions, fees, prizes, awards, pensions, annuities, or any other fixed or determinable gains, profits or income, not otherwise reportable under section 289A.09, subdivision 2, or on account of earnings of \$10 or more distributed to its members by savings associations or credit unions chartered under the laws of this state or the United States, (1) to file with the commissioner a return (except in cases where a valid agreement to participate in the combined federal and state information reporting system has been entered into, and the return is filed only with the commissioner of internal revenue under the applicable filing and informational reporting requirements of the Internal Revenue Code) with respect to the payments in excess of the amounts named, giving the names and addresses of the persons to whom the payments were made, the amounts paid to each, and (2) to make a return with respect to the total number of payments and total amount of payments, for each category of income named, which were in excess of the amounts named. This subdivision does not apply to the payment of interest or dividends to a person who was a nonresident of Minnesota for the entire year.

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

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

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

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

48.10 **EFFECTIVE DATE.** This section is effective for forms required to be filed by
48.11 federal law after December 31, 2009.

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

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

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

48.19 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
48.20 Code, except the portion of the exempt-interest dividends derived from interest income
48.21 on obligations of the state of Minnesota or its political or governmental subdivisions,
48.22 municipalities, governmental agencies or instrumentalities, but only if the portion of the
48.23 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
48.24 95 percent or more of the exempt-interest dividends that are paid by the regulated
48.25 investment company as defined in section 851(a) of the Internal Revenue Code, or the
48.26 fund of the regulated investment company as defined in section 851(g) of the Internal
48.27 Revenue Code, making the payment; and

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

48.31 (2) the amount of income or sales and use taxes paid or accrued within the taxable
48.32 year under this chapter and the amount of taxes based on net income paid or sales and use
48.33 taxes paid to any other state or to any province or territory of Canada, to the extent allowed
48.34 as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not
48.35 be more than the amount by which the itemized deductions as allowed under section 63(d)

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49.1 of the Internal Revenue Code exceeds the amount of the standard deduction as defined
49.2 in section 63(c) of the Internal Revenue Code. For the purpose of this paragraph, the
49.3 disallowance of itemized deductions under section 68 of the Internal Revenue Code of
49.4 1986, income or sales and use tax is the last itemized deduction disallowed;

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

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

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

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

49.18 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
49.19 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
49.20 in the taxable year generates a deduction for depreciation under section 168(k) and the
49.21 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
49.22 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
49.23 limited to excess of the depreciation claimed by the activity under section 168(k) over the
49.24 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
49.25 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
49.26 under section 168(k) is allowed;

49.27 (8) 80 percent of the amount by which the deduction allowed by section 179 of the
49.28 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
49.29 Revenue Code of 1986, as amended through December 31, 2003;

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

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

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

50.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
50.2 December 31, 2007, for disallowed expenses assessed after the date of final enactment
50.3 of this act.

50.4 Sec. 3. Minnesota Statutes 2007 Supplement, section 290.01, subdivision 19b, is
50.5 amended to read:

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

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

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

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

50.34 (4) income as provided under section 290.0802;

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

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

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

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

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

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

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

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subdivision 5c, but "active service" excludes services performed exclusively for purposes of basic combat training, advanced individual training, annual training, and periodic inactive duty training; special training periodically made available to reserve members; and service performed in accordance with section 190.08, subdivision 3;

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

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

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

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

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

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

53.5 **EFFECTIVE DATE.** This section is effective retroactively for tax years beginning
53.6 after December 31, 2004, except that clause (17) is effective for tax years beginning
53.7 after December 31, 2007.

53.8 Sec. 4. Minnesota Statutes 2006, section 290.0677, subdivision 1, is amended to read:

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

53.13 (b) For active service performed after September 11, 2001, and before December 31,
53.14 2006, the individual may claim the credit in the taxable year beginning after December 31,
53.15 2005, and before January 1, 2007.

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

53.18 ~~(d) If a Minnesota domiciliary is killed while performing active military service in a~~
53.19 ~~designated area, the individual's surviving spouse or dependent child may take the credit~~
53.20 ~~in the taxable year of the death. If a Minnesota domiciliary was killed while performing~~
53.21 ~~active military service in a designated area between September 11, 2001, and December~~
53.22 ~~31, 2006, the individual's surviving spouse or dependent child may claim this credit in~~
53.23 ~~the taxable year beginning after December 31, 2005, and before January 1, 2007 an~~
53.24 individual entitled to the credit died prior to January 1, 2006, the individual's estate or
53.25 heirs at law, if the individual's probate estate has closed or the estate was not probated,
53.26 may claim the credit.

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

53.29 Sec. 5. Minnesota Statutes 2006, section 290.10, is amended to read:

53.30 **290.10 NONDEDUCTIBLE ITEMS.**

53.31 Subdivision 1. **Expenses, interest, and taxes.** Except as provided in section 290.17,
53.32 subdivision 4, paragraph (i), in computing the net income of a taxpayer no deduction
53.33 shall in any case be allowed for expenses, interest and taxes connected with or allocable

54.1 against the production or receipt of all income not included in the measure of the tax
54.2 imposed by this chapter, except that for corporations engaged in the business of mining
54.3 or producing iron ore, the mining of which is subject to the occupation tax imposed by
54.4 section 298.01, subdivision 4, this shall not prevent the deduction of expenses and other
54.5 items to the extent that the expenses and other items are allowable under this chapter and
54.6 are not deductible, capitalizable, retainable in basis, or taken into account by allowance
54.7 or otherwise in computing the occupation tax and do not exceed the amounts taken for
54.8 federal income tax purposes for that year. Occupation taxes imposed under chapter 298,
54.9 royalty taxes imposed under chapter 299, or depletion expenses may not be deducted
54.10 under this ~~clause~~ subdivision.

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

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

54.19 (1) the taxpayer establishes:

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

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

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

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

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

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

54.32 (1) a nongovernmental entity which exercises self-regulatory powers, including
54.33 imposing sanctions, in connection with a qualified board or exchange, as defined in section
54.34 1256(g)(7) of the Internal Revenue Code, or;

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2007, and for fines, fees, and penalties assessed after the date of enactment.

Sec. 6. Minnesota Statutes 2006, section 290.17, subdivision 2, is amended to read:

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

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

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

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

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

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

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

~~(4) Wages, otherwise assigned to this state under clause (1) and not qualifying under clause (3), are not taxable under this chapter if the following conditions are met:~~

~~(i) the recipient was not a resident of this state for any part of the taxable year in which the wages were received; and~~

~~(ii) the wages are for work performed while the recipient was a resident of this state.~~

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on a bet made by an individual while in Minnesota is assigned to this state. In this paragraph, "bet" has the meaning given in section 609.75, subdivision 2, as limited by section 609.75, subdivision 3, clauses (1), (2), and (3).

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

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57.1 (f) For the purposes of this section, working as an employee shall not be considered
57.2 to be conducting a trade or business.

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

57.5 Sec. 7. Minnesota Statutes 2006, section 290.92, is amended by adding a subdivision
57.6 to read:

57.7 Subd. 31. **Payments to persons who are not employees.** (a) For purposes of this
57.8 subdivision, "contractor" means a person carrying on a trade or business described in
57.9 industry code numbers 23 through 238990 of the North American Industry Classification
57.10 System.

57.11 (b) A contractor or a third-party bulk filer acting on behalf of a contractor, who
57.12 makes payments to an individual, carrying on a trade or business described in paragraph
57.13 (a) as a sole proprietorship, must deduct and withhold two percent of the payment as
57.14 Minnesota withholding tax when the amount the contractor paid to that individual during
57.15 the calendar year exceeds \$600.

57.16 (c) A payment subject to withholding under this subdivision must be treated as if
57.17 the payment were a wage paid by an employer to an employee. The requirements in the
57.18 definitions of "employee" and "employer" in subdivision 1 relating to geographic location
57.19 apply in determining whether withholding tax applies under this subdivision, but without
57.20 regard to whether the contractor or the individual otherwise satisfy the definition of an
57.21 employer or an employee. Each recipient of a payment subject to withholding under this
57.22 subdivision must furnish the contractor with a statement of the recipient's name, address,
57.23 and Social Security account number.

57.24 **EFFECTIVE DATE.** This section is effective for payments made after December
57.25 31, 2008.

57.26 Sec. 8. **AUDIT AND REPORT TO LEGISLATURE.**

57.27 The commissioner must conduct a random sample audit of withholdings under
57.28 Minnesota Statutes, section 290.92, subdivision 31, and returns associated with those
57.29 withholdings. The commissioner must report on the findings of the audit to the committees
57.30 of the senate and house of representatives with jurisdiction over taxes, in compliance with
57.31 Minnesota Statutes, sections 3.195 and 3.197, no later than February 1, 2011. The report
57.32 must also include information on the number and amount of payments received, and on

58.1 the types of contractors making payments, grouped by specialty skills definitions provided
58.2 in the North American Industry Classification System.

58.3 **ARTICLE 4**

58.4 **FEDERAL UPDATE**

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

58.7 Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, "Internal
58.8 Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~May 18,~~
58.9 ~~2006~~ December 31, 2007.

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

58.11 Sec. 2. Minnesota Statutes 2007 Supplement, section 290.01, subdivision 19, is
58.12 amended to read:

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

58.19 In the case of a regulated investment company or a fund thereof, as defined in section
58.20 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment
58.21 company taxable income as defined in section 852(b)(2) of the Internal Revenue Code,
58.22 except that:

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

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

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

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59.1 The net income of a real estate investment trust as defined and limited by section
59.2 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust
59.3 taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

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

59.7 The Internal Revenue Code of 1986, as amended through May 18, 2006, shall be in
59.8 effect for taxable years beginning after December 31, 1996, and before January 1, 2006,
59.9 and for taxable years beginning after December 31, ~~2006~~ 2007. The Internal Revenue
59.10 Code of 1986, as amended through December 31, 2006, is in effect for taxable years
59.11 beginning after December 31, 2005, and before January 1, 2007. The Internal Revenue
59.12 Code of 1986, as amended through December 31, 2007, is in effect for taxable years
59.13 beginning after December 31, 2006, and before January 1, 2008.

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

59.17 **EFFECTIVE DATE.** This section is effective the day after final enactment.

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

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

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

59.25 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue
59.26 Code, except the portion of the exempt-interest dividends derived from interest income
59.27 on obligations of the state of Minnesota or its political or governmental subdivisions,
59.28 municipalities, governmental agencies or instrumentalities, but only if the portion of the
59.29 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
59.30 95 percent or more of the exempt-interest dividends that are paid by the regulated
59.31 investment company as defined in section 851(a) of the Internal Revenue Code, or the
59.32 fund of the regulated investment company as defined in section 851(g) of the Internal
59.33 Revenue Code, making the payment; and

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

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

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

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

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

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

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

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

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

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

(11) for taxable years beginning after December 31, 2006, and before January 1, 2008, the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income; and

(12) for taxable years beginning after December 31, 2006, and before January 1, 2008, the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income.

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

Sec. 4. Minnesota Statutes 2007 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, for taxable years beginning before January 1, 2006, and after December 31, ~~2006~~ 2007, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through May 18, 2006; ~~and~~ for taxable years beginning after December 31, 2005, and before January 1, 2007, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2006; and for taxable years beginning after December 31, 2006, and before January 1, 2008, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2007.

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

Sec. 5. Minnesota Statutes 2006, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving

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62.1 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by
62.2 applying to their taxable net income the following schedule of rates:

- 62.3 (1) On the first \$25,680, 5.35 percent;
- 62.4 (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- 62.5 (3) On all over \$102,030, 7.85 percent.

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

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

- 62.11 (1) On the first \$17,570, 5.35 percent;
- 62.12 (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- 62.13 (3) On all over \$57,710, 7.85 percent.

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

- 62.17 (1) On the first \$21,630, 5.35 percent;
- 62.18 (2) On all over \$21,630, but not over \$86,910, 7.05 percent;
- 62.19 (3) On all over \$86,910, 7.85 percent.

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

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

- 62.31 (1) the numerator is the individual's Minnesota source federal adjusted gross income
62.32 as defined in section 62 of the Internal Revenue Code and increased by the additions
62.33 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), ~~and~~ (9),
62.34 (11), and (12) and reduced by the Minnesota assignable portion of the subtraction for
62.35 United States government interest under section 290.01, subdivision 19b, clause (1),
62.36 and the subtractions under section 290.01, subdivision 19b, clauses (9), (10), (14), (15),

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63.1 and (16), after applying the allocation and assignability provisions of section 290.081,
63.2 clause (a), or 290.17; and

63.3 (2) the denominator is the individual's federal adjusted gross income as defined in
63.4 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in
63.5 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), ~~and (9), (11), and (12)~~ and
63.6 reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (9),
63.7 (10), (14), (15), and (16).

63.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
63.9 December 31, 2006.

63.10 Sec. 6. Minnesota Statutes 2007 Supplement, section 290A.03, subdivision 15, is
63.11 amended to read:

63.12 Subd. 15. **Internal Revenue Code.** For taxable years beginning before January 1,
63.13 2006, and after December 31, ~~2006~~ 2007, "Internal Revenue Code" means the Internal
63.14 Revenue Code of 1986, as amended through May 18, 2006; ~~and~~ for taxable years
63.15 beginning after December 31, 2005, and before January 1, 2007, "Internal Revenue Code"
63.16 means the Internal Revenue Code of 1986, as amended through December 31, 2006;
63.17 and for taxable years beginning after December 31, 2006, and before January 1, 2008,
63.18 "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through
63.19 December 31, 2007.

63.20 **EFFECTIVE DATE.** This section is effective for property tax refunds based on
63.21 property taxes payable on or after December 31, 2006, and rent paid on or after December
63.22 31, 2005.

63.23 Sec. 7. Minnesota Statutes 2006, section 291.005, subdivision 1, is amended to read:

63.24 Subdivision 1. **Scope.** Unless the context otherwise clearly requires, the following
63.25 terms used in this chapter shall have the following meanings:

63.26 (1) "Federal gross estate" means the gross estate of a decedent as valued and
63.27 otherwise determined for federal estate tax purposes by federal taxing authorities pursuant
63.28 to the provisions of the Internal Revenue Code.

63.29 (2) "Minnesota gross estate" means the federal gross estate of a decedent after (a)
63.30 excluding therefrom any property included therein which has its situs outside Minnesota,
63.31 and (b) including therein any property omitted from the federal gross estate which is
63.32 includable therein, has its situs in Minnesota, and was not disclosed to federal taxing
63.33 authorities.

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(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~May 18, 2006~~ December 31, 2007.

(9) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as defined by section 2011(b)(3) of the Internal Revenue Code, increased by the amount of deduction for state death taxes allowed under section 2058 of the Internal Revenue Code.

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

ARTICLE 5
SALES AND USE TAX

Section 1. Minnesota Statutes 2006, section 297A.668, is amended by adding a subdivision to read:

Subd. 8. Manufactured and modular housing. (a) Notwithstanding other subdivisions of this section, a sale of a manufactured or modular home shall be sourced to the site where the housing is first set up or installed.

(b) For purposes of this section, "manufactured home" has the meaning given in section 327.31, subdivision 6. For purposes of this section, "modular home" means a building or structural unit that has been substantially manufactured or constructed,

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65.1 in whole or in part, at an off-site location, with the final assembly occurring on-site
65.2 alone or with other units and attached to a permanent foundation site and occupied
65.3 as a single-family dwelling. Modular home construction must comply with applicable
65.4 standards adopted in Minnesota Rules authorized under chapter 16B. A modular home
65.5 does not include a structure subject to the requirements of the National Manufactured
65.6 Home Construction and Safety Standards Act of 1974 or a manufactured home.

65.7 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
65.8 June 30, 2008.

65.9 Sec. 2. Minnesota Statutes 2006, section 297A.99, subdivision 1, is amended to read:

65.10 Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may
65.11 impose a general sales tax if permitted by special law enacted prior to January 1, 2009, or
65.12 if the political subdivision enacted and imposed the tax before the effective date of section
65.13 477A.016 and its predecessor provision.

65.14 (b) This section governs the imposition of a general sales tax by the political
65.15 subdivision. The provisions of this section preempt the provisions of any special law:

65.16 (1) enacted before June 2, 1997, or

65.17 (2) enacted on or after June 2, 1997, that does not explicitly exempt the special law
65.18 provision from this section's rules by reference.

65.19 (c) This section does not apply to or preempt a sales tax on motor vehicles or a
65.20 special excise tax on motor vehicles.

65.21 (d) From June 1, 2008, through December 31, 2010, a political subdivision must not
65.22 advertise, promote, expend funds, or hold a referendum to support imposing a local option
65.23 sales tax unless authorized by a special law enacted prior to June 1, 2008.

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

65.25 Sec. 3. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991,
65.26 chapter 291, article 8, section 22, and Laws 1998, chapter 389, article 8, section 25, and
65.27 Laws 2003, First Special Session chapter 21, article 8, section 11, is amended to read:

65.28 Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law,
65.29 ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance,
65.30 impose an additional sales tax of up to ~~one and one-half~~ two and one-quarter percent on
65.31 sales transactions which are described in Minnesota Statutes 2000, Section 297A.01,
65.32 Subdivision 3, Clause (c). When the city council determines that the taxes imposed
65.33 under this subdivision and under Laws 1998, chapter 389, article 8, section 26, at a rate

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of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements to the Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this subdivision is reduced ~~to~~ by one-half of one percent. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions. When the city council determines that the taxes imposed under this subdivision at a rate of three-quarters of one percent and other sources of revenue produce revenue sufficient to pay debt service on bonds in the principal amount of \$37,931,000 plus issuance and discount costs, issued for capital improvements at the Duluth Entertainment and Convention Center, which include a new arena, the rate of tax under this subdivision must be reduced by three-quarters of one percent.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 4. Laws 1993, chapter 375, article 9, section 45, subdivision 2, as amended by Laws 1997, chapter 231, article 7, section 36, is amended to read:

Subd. 2. Use of revenues. (a) Revenues received from taxes authorized by subdivision 1 shall be used by Cook county to pay the cost of collecting the tax and to pay all or a portion of the costs of expanding and improving the health care facility located in the county and known as North Shore hospital. Authorized costs include, but are not limited to, securing or paying debt service on bonds or other obligations issued to finance the expansion and improvement of North Shore hospital. The total capital expenditures payable from bond proceeds, excluding investment earnings on bond proceeds and tax revenues, shall not exceed \$4,000,000.

(b) Additional revenues received from taxes authorized by subdivision 1 may be used by Cook county to pay all or a portion of the costs of betterment of North Shore care center and providing additional improvements to North Shore hospital. Authorized costs include, but are not limited to, securing or paying debt service on bonds or other obligations issued to finance the remodeling of North Shore care center and additional improvements to North Shore hospital. The total capital expenditures payable from bond proceeds, excluding investment earnings on bond proceeds and tax revenues, shall not exceed \$2,200,000.

(c) If approved by the voters at a general or special election held before December 31, 2009, additional revenues received from taxes authorized by subdivision 1 may be used by Cook County to pay for the following projects:

(1) construction and improvements to community centers, museums, interpretive centers, associated trails, and recreation areas, including, but not limited to, improvements and additions to the skateboard park, hockey rink, ball fields, community center addition, county parking area, tennis courts, and all associated improvements;

(2) construction and improvement to the Grand Marais pool;

(3) construction and improvement to the Grand Marais Public Library;

(4) debt service to retire bonds for improvements to the Superior National Golf Course; and

(5) infrastructure and communications equipment for disaster mitigation and fire protection and prevention.

Authorized expenses include, but are not limited to, paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

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

Sec. 5. Laws 1993, chapter 375, article 9, section 45, subdivision 3, as amended by Laws 1997, chapter 231, article 7, section 37, is amended to read:

Subd. 3. **Expiration of taxing authority and expenditure limitation.** The authority granted by subdivision 1 to Cook county to impose a sales tax shall expire ~~when the principal and interest on any bonds or obligations issued under subdivision 4, paragraph (a), to finance the expansion and improvement of North Shore hospital described in subdivision 2, paragraph (a), have been paid, or at an earlier time as the county shall, by resolution, determine~~ when the county determines that the amount of revenues received is sufficient to pay for the principal and interest on any bonds or obligations issued to finance the projects in subdivision 2. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the county.

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

Sec. 6. Laws 1993, chapter 375, article 9, section 45, subdivision 4, as amended by Laws 1997, chapter 231, article 7, section 38, is amended to read:

Subd. 4. **Bonds.** (a) Cook county may issue general obligation bonds in an amount not to exceed \$4,000,000 for the expansion and improvement of North Shore hospital.

(b) Additionally, Cook county may issue general obligation bonds in an amount not to exceed \$2,200,000 for the betterment of North Shore care center and additional improvements to North Shore hospital.

(c) The bonds may be issued without election under Minnesota Statutes, chapter 475, on the question of issuance of the bonds or a property tax to pay them. The debt represented by the bonds shall not be included in computing any debt limitations applicable to Cook county, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds shall not be subject to any levy limitation or be included in computing or applying any levy limitation applicable to the county.

(d) Cook County may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the improvements authorized in subdivision 2, paragraph (c), in an amount that does not exceed \$14,000,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61. The debt represented by the bonds is not included in computing any debt limitation applicable to the county, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

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

Sec. 7. Laws 1999, chapter 243, article 4, section 18, subdivision 1, is amended to read:

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section ~~297A.48, subdivision 1a,~~ 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the first municipal general election held after the date of final enactment of this act or at a special election held November 2, 1999, the city of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. The provisions of Minnesota Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

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

Sec. 8. Laws 1999, chapter 243, article 4, section 18, subdivision 3, is amended to read:

Subd. 3. **Use of revenues.** (a) Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for construction and improvement of the following city facilities:

(1) streets; and

(2) constructing and equipping the Proctor community activity center.

Authorized expenses include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of an authorized facility, and paying debt service on bonds or other obligations, including lease obligations, issued to finance the construction, expansion, or improvement of an authorized facility. The capital expenses for all projects authorized under this paragraph that may be paid with these taxes is limited to \$3,600,000, plus an amount equal to the costs related to issuance of the bonds.

(b) Additional revenues received from taxes authorized by subdivision 1, may be used by the city to pay for the following capital improvement projects: public utilities, including water, sanitary sewer, storm sewer, and electric; bikeways and trails; and parks and recreation.

EFFECTIVE DATE. This section is effective the day following final enactment, upon compliance by the city of Proctor with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 9. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to read:

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects described in subdivision 3. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and ~~279.61~~ 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(d) For projects described in subdivision 3, paragraph (a), the aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements, may not exceed \$3,600,000, plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds. For projects described in subdivision 3, paragraph (b), the aggregate principal amount of bonds may not exceed \$7,200,000, plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds.

(e) The sales and use and excise taxes authorized in this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them only if the bonds and any refunding bonds are general obligations of the city.

EFFECTIVE DATE. This section is effective the day following final enactment, upon compliance by the city of Proctor with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 10. Laws 2005, First Special Session chapter 3, article 5, section 39, is amended to read:

Sec. 39. CITY OF BEMIDJI.

Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the city voters at the general election held on November 5, 2002, and at the general election held November 7, 2006, the city of Bemidji may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. **Use of revenues.** Revenues received from the tax authorized by subdivision 1 must be used for the cost of collecting and administering the tax and to pay for the projects listed in this subdivision:

(1) To pay all or part of the capital or administrative costs of the acquisition, construction, and improvement of parks and trails within the city, as provided for in the city of Bemidji's parks, open space, and trail system plan, adopted by the Bemidji City Council on November 21, 2001. Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities and improvements, and securing and paying debt service on bonds or other obligations issued to finance acquisition, construction, improvement, or development of parks and trails within the city of Bemidji.

(2) To pay all or part of the city's share of costs for acquisition, design, and construction of a regional event center, not to exceed \$40,000,000 plus any associated bond costs. Authorized expenses include, but are not limited to, acquiring property, paying demolition and construction expenses, improving associated infrastructure, and purchasing furniture, fixtures, and equipment for the regional event center, and securing and paying debt service on bonds or other obligations issued to finance the regional event center project.

Subd. 3. **Bonds.** (a) Pursuant to the approval of the city voters at the general election held on November 5, 2002, the city of Bemidji may issue, without an additional election, general obligation bonds of the city in an amount not to exceed \$9,826,000 to pay capital and administrative expenses for the acquisition, construction, improvement,

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and development of parks and trails as specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

(b) Pursuant to the approval of the city voters at the general election held on November 7, 2006, the city of Bemidji may issue, without an additional election, general obligation bonds of the city in an amount not to exceed \$40,000,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and development of the regional event center specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

Subd. 4. **Termination of tax.** The tax imposed under subdivision 1 expires when the Bemidji City Council determines that the amount described in subdivision 3, paragraph (a), has been received from the tax to finance the capital and administrative costs for acquisition, construction, improvement, and development of parks and trails and to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the park and trail improvements under subdivision 3, paragraph (a), plus the earlier of (1) 30 years, or (2) when the city council first determines that the additional revenues received from the extension of the tax equals or exceeds the amount authorized to be spent for the regional event center under subdivision 2, clause (2). Any funds remaining after completion of the ~~park and trail improvements~~ authorized projects and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Bemidji and its chief clerical officer with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. **CITY OF CLEARWATER; TAXES AUTHORIZED.**

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 7, 2006, the city of Clearwater may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota

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Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. Excise tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Clearwater may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. Use of revenues. The proceeds of the tax imposed under this section shall be used to pay for the costs of acquisition, construction, improvement, and development of a pedestrian bridge, and land and buildings for a community and recreation center.

Subd. 4. Bonding authority. The city of Clearwater may issue bonds in an amount not to exceed \$12,000,000 under Minnesota Statutes, chapter 475, to finance the capital expenditures and improvements authorized by the referendum under subdivision 3. An election to approve the bonds under Minnesota Statutes, section 475.59, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60 or 275.61. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitation.

Subd. 5. Termination of tax. The tax authorized under subdivision 1 terminates at the earlier of (1) 20 years after the date of initial imposition of the tax, or (2) when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of the improvements described in subdivision 3, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the projects specified in subdivision 3 and retirement or redemption of the bonds in subdivision 4 may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of Clearwater with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. CITY OF NORTH MANKATO; TAXES AUTHORIZED.

Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the voters on November 7, 2006, the city of North Mankato may impose

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by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this subdivision.

Subd. 2. Use of revenues. Revenues received from the tax authorized by subdivision 1 must be used to pay all or part of the capital costs of the following projects:

(1) the local share of the Trunk Highway 14/County State Aid Highway 41 interchange project;

(2) development of regional parks and hiking and biking trails;

(3) expenses of the North Mankato Taylor library;

(4) lake improvement projects; and

(5) riverfront development.

The total amount of revenues from the tax in subdivision 1 that may be used to fund these projects is \$6,000,000 plus any associated bond costs.

Subd. 3. Bonds. (a) The city of North Mankato, pursuant to the approval of the voters at the November 7, 2006, referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in subdivision 2, in an amount that does not exceed \$6,000,000. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

Subd. 4. Termination of taxes. The tax imposed under subdivision 1 expires when the city council determines that the amount of revenues received from the taxes to pay for the projects under subdivision 2, first equals or exceeds \$6,000,000 plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 3, including interest on the bonds. Any funds remaining after completion of the projects and retirement or redemption of the bonds shall be placed in a capital facilities and equipment replacement fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after compliance by the governing body of the city of North Mankato with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 13. CITY OF WINONA; TAXES AUTHORIZED.

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74.1 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section
74.2 477A.016, or any other provision of law, ordinance, or city charter, if approved by the
74.3 voters at a general or special election held before December 31, 2008, the city of Winona
74.4 may impose by ordinance a sales and use tax of up to one-half of one percent for the
74.5 purpose specified in subdivision 2. Except as otherwise provided in this section, the
74.6 provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,
74.7 collection, and enforcement of the tax authorized under this subdivision.

74.8 Subd. 2. **Use of revenues.** The proceeds of the tax imposed under this section shall
74.9 be used to pay the city-borne costs for the construction of a street connection from the city
74.10 of Winona to Minnesota State Highways 61 and 43. The construction will provide access
74.11 to the city's newly built industrial park and additional access to a hospital.

74.12 Subd. 3. **Bonding authority.** The city of Winona may issue bonds in an amount
74.13 not to exceed \$8,000,000 under Minnesota Statutes, chapter 475, to finance the capital
74.14 expenditures under subdivision 2. An election to approve the bonds under Minnesota
74.15 Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is
74.16 not subject to Minnesota Statutes, section 275.60 or 275.61. The debt represented by the
74.17 bonds must not be included in computing any debt limitations applicable to the city, and
74.18 the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or
74.19 any interest on the bonds must not be subject to any levy limitation.

74.20 Subd. 4. **Termination of tax.** The tax authorized under subdivision 1 terminates
74.21 at the earlier of: (1) five years after the date of initial imposition of the tax; or (2) when
74.22 the city council determines that sufficient funds have been raised from the tax to finance
74.23 the capital and administrative costs of the project described in subdivision 2, plus the
74.24 additional amount needed to pay the costs related to issuance of bonds under subdivision
74.25 3, including interest on the bonds. Any funds remaining after completion of the project
74.26 specified in subdivision 2 and retirement or redemption of the bonds in subdivision 3 may
74.27 be placed in the general fund of the city. The tax imposed under subdivision 1 may expire
74.28 at an earlier time if the city so determines by ordinance.

74.29 **EFFECTIVE DATE.** This section is effective the day after compliance by
74.30 the governing body of the city of Winona with Minnesota Statutes, section 645.021,
74.31 subdivisions 2 and 3.

ARTICLE 6

JUNE ACCELERATED TAX PAYMENTS

Section 1. Minnesota Statutes 2006, section 289A.20, subdivision 4, is amended to read:

Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit ~~78~~ 81 percent of the estimated June liability to the commissioner.

(2) On or before August 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of:

(1) \$20,000 or more in the fiscal year ending June 30, 2005; or

(2) \$10,000 or more in the fiscal year ending June 30, 2006, and fiscal years thereafter,

must remit all liabilities on returns due for periods beginning in the subsequent calendar year by electronic means on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for ~~78~~ 81 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

EFFECTIVE DATE. This section is effective beginning with June 2009 tax liabilities.

Sec. 2. Minnesota Statutes 2006, section 289A.60, subdivision 15, is amended to read:

Subd. 15. **Accelerated payment of June sales tax liability; penalty for underpayment.** For payments made after December 31, 2006, if a vendor is required by law to submit an estimation of June sales tax liabilities and ~~78~~ 81 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty

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must not be imposed, however, if the amount remitted in June equals the lesser of ~~78~~ 81 percent of the preceding May's liability or ~~78~~ 81 percent of the average monthly liability for the previous calendar year.

EFFECTIVE DATE. This section is effective beginning with June 2009 tax liabilities.

Sec. 3. Minnesota Statutes 2006, section 297F.09, subdivision 10, is amended to read:

Subd. 10. Accelerated tax payment; cigarette or tobacco products distributor.

A cigarette or tobacco products distributor having a liability of \$120,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the distributor shall remit the actual May liability and ~~78~~ 81 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the distributor shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June, less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

(1) ~~78~~ 81 percent of the actual June liability; or

(2) ~~78~~ 81 percent of the preceding May's liability.

EFFECTIVE DATE. This section is effective beginning with June 2009 tax liabilities.

Sec. 4. Minnesota Statutes 2006, section 297G.09, subdivision 9, is amended to read:

Subd. 9. Accelerated tax payment; penalty. A person liable for tax under this chapter having a liability of \$120,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the taxpayer shall remit the actual May liability and ~~78~~ 81 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the taxpayer shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid

in June less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

(1) ~~78~~ 81 percent of the actual June liability; or

(2) ~~78~~ 81 percent of the preceding May liability.

EFFECTIVE DATE. This section is effective beginning with June 2009 tax liabilities.

ARTICLE 7 SPECIAL TAXES

Section 1. Minnesota Statutes 2006, section 291.215, subdivision 1, is amended to read:

Subdivision 1. **Determination.** All property includable in the Minnesota gross estate of a decedent shall be valued in accordance with the provisions of sections 2031 or 2032 and, if applicable, 2032A, of the Internal Revenue Code and any elections made in valuing the federal gross estate shall be applicable in valuing the Minnesota gross estate. ~~Values for purposes of the estate tax on both probate and nonprobate assets shall be the same as those finally determined for purposes of the federal estate tax on a decedent's estate.~~

The value of all property includable in the Minnesota gross estate of a decedent may be independently determined under those sections for Minnesota estate tax purposes except:

(1) as otherwise provided in section 291.075; or

(2) if the Internal Revenue Service, after receiving the estate's federal estate tax return, either conducts a separate appraisal of an asset reported on the return or proposes a change in the reported valuation of an asset in the estate, in which case the federal final determination of the value controls.

EFFECTIVE DATE. This section is effective retroactively for estates of decedents dying after December 31, 2006.

Sec. 2. Minnesota Statutes 2006, section 296A.18, subdivision 4, is amended to read:

Subd. 4. **All-terrain vehicle.** Approximately ~~0.15~~ 0.27 of one percent of all gasoline received in or produced or brought into this state, except gasoline used for aviation purposes, is being used for the operation of all-terrain vehicles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax, ~~0.15~~ 0.27 of one percent is the amount of tax on fuel used in all-terrain vehicles operated in this state.

EFFECTIVE DATE. This section is effective for revenue received after June 30, 2008.

78.1 Sec. 3. Minnesota Statutes 2006, section 297F.21, subdivision 3, is amended to read:

78.2 Subd. 3. **Inventory; judicial determination; appeal; disposition of seized**
78.3 **property.** (a) Within ten days after the seizure of any alleged contraband, the person
78.4 making the seizure shall serve by certified mail an inventory of the property seized on the
78.5 person from whom the seizure was made, if known, and on any person known or believed
78.6 to have any right, title, interest, or lien in the property, at the last known address, and file
78.7 a copy with the commissioner. The notice must include an explanation of the right to
78.8 demand a judicial forfeiture determination.

78.9 (b) Within 60 days after the date of service of the inventory, which is the date of
78.10 mailing, the person from whom the property was seized or any person claiming an interest
78.11 in the property may file a demand for a judicial determination of the question as to whether
78.12 the property was lawfully subject to seizure and forfeiture. The demand must be in the
78.13 form of a civil complaint and must be filed with the court administrator in the county in
78.14 which the seizure occurred, together with proof of service of a copy of the complaint
78.15 on the commissioner of revenue, and the standard filing fee for civil actions unless the
78.16 petitioner has the right to sue in forma pauperis under section 563.01. If the value of the
78.17 seized property is \$7,500 or less, the claimant may file an action in conciliation court for
78.18 recovery of the property. If the value of the seized property is less than \$500, the claimant
78.19 does not have to pay the conciliation court filing fee.

78.20 (c) The complaint must be captioned in the name of the claimant as plaintiff and
78.21 the seized property as defendant, and must state with specificity the grounds on which
78.22 the claimant alleges the property was improperly seized and the plaintiff's interest in the
78.23 property seized. No responsive pleading is required of the commissioner, and no court
78.24 fees may be charged for the commissioner's appearance in the matter. The proceedings
78.25 are governed by the Rules of Civil Procedure. Notwithstanding any law to the contrary,
78.26 an action for the return of property seized under this section may not be maintained by
78.27 or on behalf of any person who has been served with an inventory unless the person has
78.28 complied with this subdivision. The court shall decide whether the alleged contraband is
78.29 contraband, as defined in subdivision 1. The court shall hear the action without a jury and
78.30 shall try and determine the issues of fact and law involved.

78.31 (d) When a judgment of forfeiture is entered, ~~the commissioner may~~, unless the
78.32 judgment is stayed pending an appeal, either the commissioner:

78.33 (1) ~~deliver the forfeited cigarette packages or tobacco products to the commissioner~~
78.34 ~~of human services for use by patients in state institutions~~ may authorize the forfeited
78.35 property to be used for the purpose of enforcing a criminal provision of state or federal law;

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(2) ~~shall cause the property in clause (1) forfeited cigarette packages or tobacco products not used under clause (1) to be destroyed; or and products used under clause (1) to be destroyed upon the completion of use; and~~

(3) may cause the forfeited property, other than forfeited cigarette packages or tobacco products, to be sold at public auction as provided by law.

The person making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation. The balance of the proceeds must be paid 75 percent to the Department of Revenue for deposit as a supplement to its operating fund or similar fund for official use, and 25 percent to the county attorney or other prosecuting agency that handled the court proceeding, if there is one, for deposit as a supplement to its operating fund or similar fund for prosecutorial purposes. If there is no prosecuting authority involved in the forfeiture, the 25 percent of the proceeds otherwise designated for the prosecuting authority must be deposited into the general fund.

(e) If no demand for judicial determination is made, the property seized is considered forfeited to the state by operation of law and may be disposed of by the commissioner as provided in the case of a judgment of forfeiture.

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

Sec. 4. Minnesota Statutes 2006, section 297I.15, is amended by adding a subdivision to read:

Subd. 11. Premiums paid to certain foreign insurance companies. With respect to the state employees group insurance program established under sections 43A.23 to 43A.31, premiums paid for life insurance and accidental death and dismemberment insurance for eligible employees and dependents, including premiums paid by employees or dependents for optional coverage, are exempt from the taxes imposed under this chapter to the extent the premiums are paid to a foreign insurance company domiciled in a state that exempts its state employee group life insurance program from premium taxes.

EFFECTIVE DATE. This section is effective for premiums paid after December 31, 2007.

Sec. 5. Minnesota Statutes 2006, section 383A.80, subdivision 4, is amended to read:

80.1 Subd. 4. **Expiration.** The authority to impose the tax under this section expires
80.2 January 1, ~~2008~~ 2013.

80.3 **EFFECTIVE DATE.** This section is effective the day following final enactment
80.4 and the tax may be imposed on or after that date.

80.5 Sec. 6. Minnesota Statutes 2006, section 383A.81, subdivision 1, is amended to read:

80.6 Subdivision 1. **Creation.** An environmental response fund is created for the
80.7 purposes specified in this section. The taxes imposed by section 383A.80 must be
80.8 deposited in the fund. The board of county commissioners shall administer the fund either
80.9 as a county board, ~~or a housing and redevelopment authority, or a regional rail authority.~~

80.10 Sec. 7. Minnesota Statutes 2006, section 383A.81, subdivision 2, is amended to read:

80.11 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the
80.12 following purposes:

80.13 (1) acquisition through purchase or condemnation of lands or property which are
80.14 polluted or contaminated with hazardous substances;

80.15 (2) paying the costs associated with indemnifying or holding harmless the
80.16 entity taking title to lands or property from any liability arising out of the ownership,
80.17 remediation, or use of the land or property;

80.18 (3) paying for the costs of remediating the acquired land or property; or

80.19 (4) paying the costs associated with remediating lands or property which are polluted
80.20 or contaminated with hazardous substances; ~~or~~

80.21 ~~(5) paying for the costs associated with improving the property for economic~~
80.22 ~~development, recreational, housing, transportation or rail traffic.~~

80.23 Sec. 8. Minnesota Statutes 2006, section 383B.80, subdivision 4, is amended to read:

80.24 Subd. 4. **Expiration.** The authority to impose the tax under this section expires
80.25 January 1, ~~2008~~ 2013.

80.26 **EFFECTIVE DATE.** This section is effective the day following final enactment
80.27 and the tax may be imposed on or after that date.

80.28 Sec. 9. **[383C.798] COUNTY DEED AND MORTGAGE TAX.**

80.29 Subdivision 1. **Authority to impose; rate.** (a) The governing body of St. Louis
80.30 County may impose a mortgage registry and deed tax.

80.31 (b) The rate of the mortgage registry tax equals .0001 of the principal.

81.1 (c) The rate of the deed tax equals .0001 of the amount.

81.2 Subd. 2. **General law provisions apply.** The taxes under this section apply to
81.3 the same base and must be imposed, collected, administered, and enforced in the same
81.4 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
81.5 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in
81.6 subdivision 1, the term "St. Louis County" must be substituted for "the state," and the
81.7 revenue must be deposited as provided in subdivision 3.

81.8 Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of the
81.9 St. Louis County Board of Commissioners and must be deposited in the county's
81.10 environmental response fund under section 383C.799.

81.11 Subd. 4. **Initial implementation.** Documents presented for recording within 60
81.12 days after the date of imposition of the tax by the county that are acknowledged, sworn to
81.13 before a notary, or certified before the imposition date, must not be rejected for failure to
81.14 include the tax imposed under this section.

81.15 Subd. 5. **Expiration.** The authority to impose the tax under this section expires
81.16 January 1, 2013.

81.17 Sec. 10. **[383C.799] ENVIRONMENTAL RESPONSE FUND.**

81.18 Subdivision 1. **Creation.** An environmental response fund is created for the
81.19 purposes specified in this section. The taxes imposed under section 383C.798 must be
81.20 deposited in the fund. The Board of County Commissioners shall administer the fund
81.21 either as a county board or a housing and redevelopment authority.

81.22 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the
81.23 following purposes:

81.24 (1) acquisition through purchase or condemnation of lands or property which are
81.25 polluted or contaminated with hazardous substances;

81.26 (2) paying the costs associated with indemnifying or holding harmless the
81.27 entity taking title to lands or property from any liability arising out of the ownership,
81.28 remediation, or use of the land or property;

81.29 (3) paying for the costs of remediating the acquired land or property; or

81.30 (4) paying the costs associated with remediating lands or property which are polluted
81.31 or contaminated with hazardous substances.

81.32 Subd. 3. **Matching funds.** In expending funds under this section, the county shall
81.33 seek matching funds from contamination cleanup funds administered by the commissioner
81.34 of the Department of Employment and Economic Development, the federal government,
81.35 the private sector, and any other source.

82.1 Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by
82.2 section 383C.798 to bonds issued under this section and chapters 462, 469, and 475.

82.3 Subd. 5. **Land sales.** Land or property acquired under this section may be resold
82.4 at fair market value. Proceeds from the sale of the land must be deposited in the
82.5 environmental response fund.

82.6 Sec. 11. **[383D.75] COUNTY DEED AND MORTGAGE TAX.**

82.7 Subdivision 1. **Authority to impose; rate.** (a) The governing body of Dakota
82.8 County may impose a mortgage registry and deed tax.

82.9 (b) The rate of the mortgage registry tax equals .0001 of the principal.

82.10 (c) The rate of the deed tax equals .0001 of the amount.

82.11 Subd. 2. **General law provisions apply.** The taxes under this section apply to
82.12 the same base and must be imposed, collected, administered, and enforced in the same
82.13 manner as provided under chapter 287 for the state mortgage registry and deed taxes.
82.14 All the provisions of chapter 287 apply to these taxes, except the rate is as specified in
82.15 subdivision 1, the term "Dakota County" must be substituted for "the state," and the
82.16 revenue must be deposited as provided in subdivision 3.

82.17 Subd. 3. **Deposit of revenues.** All revenues from the tax are for the use of
82.18 the Dakota County Board of Commissioners and must be deposited in the county's
82.19 environmental response fund under section 383D.76.

82.20 Subd. 4. **Initial implementation.** Documents presented for recording within 60
82.21 days after the date of imposition of the tax by the county that are acknowledged, sworn to
82.22 before a notary, or certified before the imposition date, must not be rejected for failure to
82.23 include the tax imposed under this section.

82.24 Subd. 5. **Expiration.** The authority to impose the tax under this section expires
82.25 January 1, 2013.

82.26 Sec. 12. **[383D.76] ENVIRONMENTAL RESPONSE FUND.**

82.27 Subdivision 1. **Creation.** An environmental response fund is created for the
82.28 purposes specified in this section. The taxes imposed under section 383D.75 must be
82.29 deposited in the fund. The Board of County Commissioners shall administer the fund
82.30 either as a county board or a housing and redevelopment authority.

82.31 Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the
82.32 following purposes:

82.33 (1) acquisition through purchase or condemnation of lands or property which are
82.34 polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property; or

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances.

Subd. 3. Matching funds. In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the Metropolitan Council, the federal government, the private sector, and any other source.

Subd. 4. Bonds. The county may pledge the proceeds from the taxes imposed by section 383D.75 to bonds issued under this chapter and chapters 462, 469, and 475.

Subd. 5. Land sales. Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Sec. 13. **[383E.235] COUNTY DEED AND MORTGAGE TAX.**

Subdivision 1. Authority to impose; rate. (a) The governing body of Anoka County may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals .0001 of the principal.

(c) The rate of the deed tax equals .0001 of the amount.

Subd. 2. General law provisions apply. The taxes under this section apply to the same base and must be imposed, collected, administered, and enforced in the same manner as provided under chapter 287 for the state mortgage registry and deed taxes. All the provisions of chapter 287 apply to these taxes, except the rate is as specified in subdivision 1, the term "Anoka County" must be substituted for "the state," and the revenue must be deposited as provided in subdivision 3.

Subd. 3. Deposit of revenues. All revenues from the tax are for the use of the Anoka County Board of Commissioners and must be deposited in the county's environmental response fund under section 383E.236.

Subd. 4. Initial implementation. Documents presented for recording within 60 days after the date of imposition of the tax by the county that are acknowledged, sworn to before a notary, or certified before the imposition date, must not be rejected for failure to include the tax imposed under this section.

Subd. 5. Expiration. The authority to impose the tax under this section expires January 1, 2013.

Sec. 14. **[383E.236] ENVIRONMENTAL RESPONSE FUND.**

Subdivision 1. **Creation.** An environmental response fund is created for the purposes specified in this section. The taxes imposed under section 383E.235 must be deposited in the fund. The Board of County Commissioners shall administer the fund either as a county board or a housing and redevelopment authority.

Subd. 2. **Uses of fund.** The fund created in subdivision 1 must be used for the following purposes:

(1) acquisition through purchase or condemnation of lands or property which are polluted or contaminated with hazardous substances;

(2) paying the costs associated with indemnifying or holding harmless the entity taking title to lands or property from any liability arising out of the ownership, remediation, or use of the land or property;

(3) paying for the costs of remediating the acquired land or property; or

(4) paying the costs associated with remediating lands or property which are polluted or contaminated with hazardous substances.

Subd. 3. **Matching funds.** In expending funds under this section, the county shall seek matching funds from contamination cleanup funds administered by the commissioner of the Department of Employment and Economic Development, the Metropolitan Council, the federal government, the private sector, and any other source.

Subd. 4. **Bonds.** The county may pledge the proceeds from the taxes imposed by section 383E.235 to bonds issued under this section and chapters 462, 469, and 475.

Subd. 5. **Land sales.** Land or property acquired under this section may be resold at fair market value. Proceeds from the sale of the land must be deposited in the environmental response fund.

Subd. 6. **DOT assistance.** The commissioner of transportation shall collaborate with the county and any affected municipality by providing technical assistance and support in cleaning up a contaminated site related to a trunk highway or railroad improvement.

Sec. 15. Laws 2003, chapter 128, article 1, section 172, as amended by Laws 2005, First Special Session chapter 1, article 4, section 118, is amended to read:

Sec. 172. **TEMPORARY PETROFUND FEE EXEMPTION FOR MINNESOTA COMMERCIAL AIRLINES.**

(a) A commercial airline providing regularly scheduled jet service and with its corporate headquarters in Minnesota is exempt from the fee established in Minnesota Statutes, section 115C.08, subdivision 3, until July 1, ~~2007~~ 2009, provided the airline develops a plan approved by the commissioner of commerce demonstrating that the

savings from this exemption will go towards minimizing job losses in Minnesota, and to support the airline's efforts to ~~avoid filing for~~ resolve federal bankruptcy ~~protections~~ proceedings.

(b) A commercial airline exempted from the fee is ineligible to receive reimbursement under Minnesota Statutes, chapter 115C, until July 1, ~~2007~~ 2009. A commercial airline that has a release during the fee exemption period is ineligible to receive reimbursement under Minnesota Statutes, chapter 115C, for the costs incurred in response to that release.

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

ARTICLE 8

ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 2006, section 469.169, is amended by adding a subdivision to read:

Subd. 18. **Additional border city allocations; 2008.** (a) In addition to tax reductions authorized in subdivisions 7 to 17, the commissioner shall allocate \$375,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. The city alternatively may elect to use any portion of the allocation provided in this paragraph for tax reductions under section 469.1732 or 469.1734.

(b) The commissioner shall allocate \$375,000 for tax reductions under section 469.1732 or 469.1734 to cities with border city enterprise zones located on the western border of the state. The commissioner shall allocate this amount among the cities on a per capita basis. The city alternatively may elect to use any portion of the allocation provided in this paragraph for tax reductions as provided in section 469.171.

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

Sec. 2. Minnesota Statutes 2006, section 469.174, subdivision 10, is amended to read:

Subd. 10. **Redevelopment district.** (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within

which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;

(2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way;

(3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:

(i) have or had a capacity of more than 1,000,000 gallons;

(ii) are located adjacent to rail facilities; and

(iii) have been removed or are unused, underused, inappropriately used, or infrequently used; or

(4) a qualifying disaster area, as defined in subdivision 10b.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

(c) A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard. Items of evidence that support such a conclusion include recent fire or police inspections, on-site property tax appraisals or housing

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inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1). Failure of a building to be disqualified under the provisions of this paragraph is a necessary, but not a sufficient, condition to determining that the building is substandard.

(d) A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) or by the improvements described in paragraph (e) if all of the following conditions are met:

(1) the parcel was occupied by a substandard building or met the requirements of paragraph (e), as the case may be, within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;

(2) the substandard building ~~was~~ or the improvements described in paragraph (e) were demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;

(3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building or met the requirements of paragraph (e) and that after demolition and clearance the authority intended to include the parcel within a district; and

(4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by section 469.177, subdivision 1, paragraph (f).

(e) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures.

(f) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).

EFFECTIVE DATE. This section is effective for requests for certification made after June 30, 2008.

Sec. 3. Minnesota Statutes 2006, section 469.174, subdivision 10a, is amended to read:

Subd. 10a. **Renewal and renovation district.** (a) "Renewal and renovation district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that:

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(1)(i) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures; (ii) 20 percent of the buildings are structurally substandard; and (iii) 30 percent of the other buildings require substantial renovation or clearance to remove existing conditions such as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community; and

(2) the conditions described in clause (1) are reasonably distributed throughout the geographic area of the district.

(b) For purposes of determining whether a building is structurally substandard, whether parcels are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures, or whether noncontiguous areas qualify, the provisions of subdivision 10, paragraphs ~~(c), (e), and (b)~~ through (f) apply.

EFFECTIVE DATE. This section is effective for requests for certification made after June 30, 2008.

Sec. 4. Minnesota Statutes 2006, section 469.175, subdivision 1, is amended to read:

Subdivision 1. **Tax increment financing plan.** (a) A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a project;

(2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire, identified by parcel number, identifiable property name, block, or other appropriate means indicating the area in which the authority intends to acquire properties;

(3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by the contract, the cost stated in the contract, and the expected date of completion of that activity;

(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administrative expenses, except that if part of the cost of the project is paid or financed with increment from the tax increment financing district, the tax increment financing plan for the district must contain an estimate of the

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89.1 amount of the cost of the project, including administrative expenses, that will be paid or
89.2 financed with tax increments from the district;
89.3 (ii) amount of bonded indebtedness to be incurred;
89.4 (iii) sources of revenue to finance or otherwise pay public costs;
89.5 (iv) the most recent net tax capacity of taxable real property within the tax increment
89.6 financing district and within any subdistrict;
89.7 (v) the estimated captured net tax capacity of the tax increment financing district
89.8 at completion; and
89.9 (vi) the duration of the tax increment financing district's and any subdistrict's
89.10 existence;
89.11 (6) statements of the authority's alternate estimates of the impact of tax increment
89.12 financing on the net tax capacities of all taxing jurisdictions in which the tax increment
89.13 financing district is located in whole or in part. For purposes of one statement, the
89.14 authority shall assume that the estimated captured net tax capacity would be available to
89.15 the taxing jurisdictions without creation of the district, and for purposes of the second
89.16 statement, the authority shall assume that none of the estimated captured net tax capacity
89.17 would be available to the taxing jurisdictions without creation of the district or subdistrict;
89.18 (7) identification and description of studies and analyses used to make the
89.19 determination set forth in subdivision 3, clause (2); and
89.20 (8) identification of all parcels to be included in the district or any subdistrict.
89.21 (b) The authority may specify in the tax increment financing plan the first year in
89.22 which it elects to receive increment, up to four years following the year of approval of the
89.23 district. This paragraph does not apply to an economic development district.

89.24 **EFFECTIVE DATE.** This section is effective for districts for which the request for
89.25 certification is made after June 30, 2008.

89.26 Sec. 5. Minnesota Statutes 2006, section 469.175, subdivision 3, is amended to read:

89.27 Subd. 3. **Municipality approval.** (a) A county auditor shall not certify the original
89.28 net tax capacity of a tax increment financing district until the tax increment financing plan
89.29 proposed for that district has been approved by the municipality in which the district
89.30 is located. If an authority that proposes to establish a tax increment financing district
89.31 and the municipality are not the same, the authority shall apply to the municipality in
89.32 which the district is proposed to be located and shall obtain the approval of its tax
89.33 increment financing plan by the municipality before the authority may use tax increment
89.34 financing. The municipality shall approve the tax increment financing plan only after a
89.35 public hearing thereon after published notice in a newspaper of general circulation in the

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municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project.

(b) Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a renewal or renovation district, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented in writing and retained and made available to the public by the authority until the district has been terminated;

(2) that, in the opinion of the municipality:

(i) the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and

(ii) the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this item do not apply if the district is a ~~qualified~~ housing district;

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole;

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise;

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, paragraph (b), if applicable.

(c) When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the

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91.1 authority pursuant to subdivision 4. Once approved, the determination of the authority
91.2 to undertake the project through the use of tax increment financing and the resolution of
91.3 the governing body shall be conclusive of the findings therein and of the public need for
91.4 the financing.

91.5 (d) For a district that is subject to the requirements of paragraph (b), clause (2),
91.6 item (ii), the municipality's statement of reasons and supporting facts must include all of
91.7 the following:

91.8 (1) an estimate of the amount by which the market value of the site will increase
91.9 without the use of tax increment financing;

91.10 (2) an estimate of the increase in the market value that will result from the
91.11 development or redevelopment to be assisted with tax increment financing; and

91.12 (3) the present value of the projected tax increments for the maximum duration of
91.13 the district permitted by the tax increment financing plan.

91.14 (e) For purposes of this subdivision, "site" means the parcels on which the
91.15 development or redevelopment to be assisted with tax increment financing will be located.

91.16 **EFFECTIVE DATE.** This section is effective the day following final enactment
91.17 and applies to all districts, regardless of when the request for certification was made.

91.18 Sec. 6. Minnesota Statutes 2006, section 469.176, subdivision 1, is amended to read:

91.19 Subdivision 1. **Duration of tax increment financing districts.** (a) Subject to the
91.20 limitations contained in subdivisions 1a to 1f, any tax increment financing district as to
91.21 which bonds are outstanding, payment for which the tax increment and other revenues
91.22 have been pledged, shall remain in existence at least as long as the bonds continue to be
91.23 outstanding. The municipality may, at the time of approval of the initial tax increment
91.24 financing plan, provide for one or both of the following:

91.25 (1) a shorter maximum duration limit than specified in subdivisions 1a to 1f;

91.26 (2) an election as provided under section 469.175, subdivision 1, paragraph (b).

91.27 The specified limit applies in place of the otherwise applicable limit, unless the authority
91.28 modifies the plan following the procedures under section 469.175, subdivision 4,
91.29 paragraph (b).

91.30 (b) The tax increment pledged to the payment of the bonds and interest thereon may
91.31 be discharged and the tax increment financing district may be terminated if sufficient funds
91.32 have been irrevocably deposited in the debt service fund or other escrow account held in
91.33 trust for all outstanding bonds to provide for the payment of the bonds at maturity or date
91.34 of redemption and interest thereon to the maturity or redemption date.

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(c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full faith and credit and any taxing powers of the municipality or authority are pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full.

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after June 30, 2008.

Sec. 7. Minnesota Statutes 2006, section 469.176, subdivision 2, is amended to read:

Subd. 2. **Excess increments.** (a) The authority shall annually determine the amount of excess increments for a district, if any. This determination must be based on the tax increment financing plan in effect on December 31 of the year and the increments and other revenues received as of December 31 of the year. The authority must spend or return the excess increments under paragraph (c) within nine months after the end of the year.

(b) For purposes of this subdivision, "excess increments" equals the excess of:

(1) total increments collected from the district since its certification, reduced by any excess increments paid under paragraph (c), clause (4), for a prior year, over

(2) the total costs authorized by the tax increment financing plan to be paid with increments from the district, reduced, but not below zero, by the sum of:

(i) the amounts of those authorized costs that have been paid from sources other than tax increments from the district;

(ii) revenues, other than tax increments from the district, that are dedicated for or otherwise required to be used to pay those authorized costs and that the authority has received and that are not included in item (i);

(iii) the amount of principal and interest obligations due on outstanding bonds after December 31 of the year and not prepaid under paragraph (c) in a prior year; and

(iv) increased by the sum of the transfers of increments made under section 469.1763, subdivision 6, to reduce deficits in other districts made by December 31 of the year.

(c) The authority shall use excess increment only to do one or more of the following:

(1) prepay any outstanding bonds;

(2) discharge the pledge of tax increment for any outstanding bonds;

(3) pay into an escrow account dedicated to the payment of any outstanding bonds; or

(4) return the excess amount to the county auditor who shall distribute the excess amount to the city or town, county, and school district in which the tax increment financing district is located in direct proportion to their respective local tax rates.

(d) For purposes of a district for which the request for certification was made prior to August 1, 1979, excess increments equal the amount of increments on hand on December 31, less the principal and interest obligations due on outstanding bonds or advances,

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93.1 qualifying under subdivision 1c, clauses (1), (2), (4), and (5), after December 31 of the
93.2 year and not prepaid under paragraph (c).

93.3 (e) The county auditor must report to the commissioner of education the amount of
93.4 any excess tax increment distributed to a school district within 30 days of the distribution.

93.5 (f) For purposes of this subdivision, "outstanding bonds" means bonds which are
93.6 secured by increments from the district.

93.7 (g) The state auditor may exempt an authority from reporting the amounts calculated
93.8 under this subdivision for a calendar year, if the authority certifies to the auditor in
93.9 its report that the total amount authorized by the tax increment plan to be paid with
93.10 increments from the district exceeds the sum of the total increments collected for the
93.11 district for all years by 20 percent.

93.12 **EFFECTIVE DATE.** This section is effective the day following final enactment and
93.13 applies to all districts regardless of when the request for certification was made, including
93.14 districts for which the request for certification was made on or before August 1, 1979.

93.15 Sec. 8. Minnesota Statutes 2006, section 469.176, subdivision 4l, is amended to read:

93.16 Subd. 4l. **Prohibited facilities.** (a) No tax increment from any district may be
93.17 used for:

93.18 (1) a commons area used as a public park; or

93.19 (2) a facility used for social, recreational, or conference purposes.

93.20 (b) This subdivision does not apply to a privately owned facility for conference
93.21 purposes or a parking structure, whether it is public or privately owned or whether it is
93.22 ancillary to a use listed in paragraph (a).

93.23 **EFFECTIVE DATE.** This section confirms the original intent of the legislature
93.24 in enacting Minnesota Statutes, section 469.176, subdivision 4l, and is effective the day
93.25 following final enactment and applies to any expenditure subject to Minnesota Statutes,
93.26 section 469.176, subdivision 4l.

93.27 Sec. 9. Minnesota Statutes 2006, section 469.176, subdivision 7, is amended to read:

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

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

94.4 (2) a ~~qualified~~ housing district.

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

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

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

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

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

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

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

94.18 **EFFECTIVE DATE.** This section is effective the day following final enactment
94.19 and applies to all districts regardless of when the request for certification was made.

94.20 Sec. 10. Minnesota Statutes 2006, section 469.1761, subdivision 1, is amended to read:

94.21 Subdivision 1. **Requirement imposed.** (a) In order for a tax increment financing
94.22 district to qualify as a housing district:

94.23 (1) the income limitations provided in this section must be satisfied; and

94.24 (2) no more than 20 percent of the square footage of buildings that receive assistance
94.25 from tax increments may consist of commercial, retail, or other nonresidential uses.

94.26 (b) The requirements imposed by this section apply to property receiving assistance
94.27 financed with tax increments, including interest reduction, land transfers at less than the
94.28 authority's cost of acquisition, utility service or connections, roads, parking facilities, or
94.29 other subsidies. The provisions of this section do not apply to districts located in a targeted
94.30 area as defined in section 462C.02, subdivision 9, clause (e).

94.31 (c) For purposes of the requirements of paragraph (a), the authority may elect to treat
94.32 an addition to an existing structure as a separate building if:

94.33 (1) construction of the addition begins more than three years after construction of
94.34 the existing structure was completed; and

95.1 (2) for an addition that does not meet the requirements of paragraph (a), clause (2), if
95.2 it is treated as a separate building, the addition was not contemplated by the tax increment
95.3 financing plan which includes the existing structure.

95.4 **EFFECTIVE DATE.** This section is effective for expenditures of tax increment
95.5 authorized and made after the day following final enactment, regardless of when the
95.6 request for certification of the district was made.

95.7 Sec. 11. Minnesota Statutes 2006, section 469.1763, subdivision 2, is amended to read:

95.8 Subd. 2. **Expenditures outside district.** (a) For each tax increment financing
95.9 district, an amount equal to at least 75 percent of the total revenue derived from tax
95.10 increments paid by properties in the district must be expended on activities in the district
95.11 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities
95.12 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.
95.13 For districts, other than redevelopment districts for which the request for certification
95.14 was made after June 30, 1995, the in-district percentage for purposes of the preceding
95.15 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax
95.16 increments paid by properties in the district may be expended, through a development fund
95.17 or otherwise, on activities outside of the district but within the defined geographic area of
95.18 the project except to pay, or secure payment of, debt service on credit enhanced bonds.
95.19 For districts, other than redevelopment districts for which the request for certification was
95.20 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is
95.21 20 percent. The revenue derived from tax increments for the district that are expended on
95.22 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before
95.23 calculating the percentages that must be expended within and without the district.

95.24 (b) In the case of a housing district, a housing project, as defined in section 469.174,
95.25 subdivision 11, is an activity in the district.

95.26 (c) All administrative expenses are for activities outside of the district, except that
95.27 if the only expenses for activities outside of the district under this subdivision are for
95.28 the purposes described in paragraph (d), administrative expenses will be considered as
95.29 expenditures for activities in the district.

95.30 (d) The authority may elect, in the tax increment financing plan for the district,
95.31 to increase by up to ten percentage points the permitted amount of expenditures for
95.32 activities located outside the geographic area of the district under paragraph (a). As
95.33 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted
95.34 expenditures under paragraph (a), need not be made within the geographic area of the
95.35 project. Expenditures that meet the requirements of this paragraph are legally permitted

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96.1 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.

96.2 To qualify for the increase under this paragraph, the expenditures must:

96.3 (1) be used exclusively to assist housing that meets the requirement for a qualified
96.4 low-income building, as that term is used in section 42 of the Internal Revenue Code;

96.5 (2) not exceed the qualified basis of the housing, as defined under section 42(c) of
96.6 the Internal Revenue Code, less the amount of any credit allowed under section 42 of
96.7 the Internal Revenue Code; and

96.8 (3) be used to:

96.9 (i) acquire and prepare the site of the housing;

96.10 (ii) acquire, construct, or rehabilitate the housing; or

96.11 (iii) make public improvements directly related to the housing.

96.12 (e) For a district created within a biotechnology and health sciences industry zone
96.13 as defined in section 469.330, subdivision 6, or for an existing district located within
96.14 such a zone, tax increment derived from such a district may be expended outside of the
96.15 district but within the zone only for expenditures required for the construction of public
96.16 infrastructure necessary to support the activities of the zone, land acquisition, and other
96.17 redevelopment costs as defined in section 469.176, subdivision 4j. ~~Public infrastructure~~
96.18 These expenditures are considered as expenditures for activities within the district.

96.19 **EFFECTIVE DATE.** This section is effective for all districts located in bioscience
96.20 zones, regardless of when the request for certification was made.

96.21 Sec. 12. Minnesota Statutes 2006, section 469.177, subdivision 1, is amended to read:

96.22 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax
96.23 increment financing plan, the auditor of any county in which the district is situated shall,
96.24 upon request of the authority, certify the original net tax capacity of the tax increment
96.25 financing district and that portion of the district overlying any subdistrict as described in
96.26 the tax increment financing plan and shall certify in each year thereafter the amount by
96.27 which the original net tax capacity has increased or decreased as a result of a change in tax
96.28 exempt status of property within the district and any subdistrict, reduction or enlargement
96.29 of the district or changes pursuant to subdivision 4. The auditor shall certify the amount
96.30 within 30 days after receipt of the request and sufficient information to identify the parcels
96.31 included in the district. The certification relates to the taxes payable year as provided in
96.32 subdivision 6.

96.33 (b) If the classification under section 273.13 of property located in a district changes
96.34 to a classification that has a different assessment ratio, the original net tax capacity of that

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property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after the municipality approves the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) If the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is improved or market value is increased after approval of the plat under section 273.11, subdivision 14, 14a, or 14b, the increase in net tax capacity must be added to the original net tax capacity.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of

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revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

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

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

EFFECTIVE DATE. This section is effective for requests for certification made after June 30, 2008.

Sec. 13. Minnesota Statutes 2006, section 469.178, subdivision 7, is amended to read:

Subd. 7. **Interfund loans.** The authority or municipality may advance or loan money to finance expenditures under section 469.176, subdivision 4, from its general fund or any other fund under which it has legal authority to do so. The loan or advance must be authorized, by resolution of the governing body or of the authority, whichever has jurisdiction over the fund from which the advance or loan is made, before money is transferred, advanced, or spent, whichever is earliest. The resolution may generally grant to the authority the power to make interfund loans under one or more tax increment financing plans or for one or more districts. The terms and conditions for repayment of the loan must be provided in writing and include, at a minimum, the principal amount, the interest rate, and maximum term. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under section 270C.40 or 549.09 as of the date the loan or advance is made, unless the written agreement states that the maximum

99.1 interest rate will fluctuate as the interest rates specified under section 270C.40 or 549.09
99.2 are from time to time adjusted.

99.3 **EFFECTIVE DATE.** This section is effective the day following final enactment
99.4 and applies to all districts subject to Minnesota Statutes, section 469.178, subdivision 7,
99.5 regardless of when the request for certification was made.

99.6 Sec. 14. Minnesota Statutes 2006, section 469.1791, subdivision 3, is amended to read:

99.7 Subd. 3. **Preconditions to establish district.** (a) A city may establish a special
99.8 taxing district within a tax increment financing district under this section only if the
99.9 conditions under paragraphs (b) and (c) are met or if the city elects to exercise the
99.10 authority under paragraph (d).

99.11 (b) The city has determined that:

99.12 (1) total tax increments from the district, including unspent increments from
99.13 previous years and increments transferred under paragraph (c), will be insufficient to pay
99.14 the amounts due in a year on preexisting obligations; and

99.15 (2) this insufficiency of increments resulted from the reduction in property tax class
99.16 rates enacted in the 1997 and 1998 legislative sessions.

99.17 (c) The city has agreed to transfer any available increments from other tax increment
99.18 financing districts in the city to pay the preexisting obligations of the district under section
99.19 469.1763, subdivision 6. This requirement does not apply to any available increments of a
99.20 ~~qualified~~ housing district.

99.21 (d) If a tax increment financing district does not qualify under paragraphs (b) and
99.22 (c), the governing body may elect to establish a special taxing district under this section.
99.23 If the city elects to exercise this authority, increments from the tax increment financing
99.24 district and the proceeds of the tax imposed under this section may only be used to pay
99.25 preexisting obligations and reasonable administrative expenses of the authority for the tax
99.26 increment financing district. The tax increment financing district must be decertified when
99.27 all preexisting obligations have been paid.

99.28 **EFFECTIVE DATE.** This section is effective the day following final enactment
99.29 and applies to districts regardless of when the request for certification was made.

99.30 Sec. 15. Laws 1994, chapter 587, article 9, section 14, subdivision 1, is amended to
99.31 read:

99.32 Subdivision 1. **Establishment.** The city of Brooklyn Center may establish ~~an~~
99.33 a redevelopment tax increment financing district in which 15 percent of the revenues

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100.1 generated from tax increment in any year is deposited in the housing and environmental
100.2 remediation development account of the authority and expended according to the tax
100.3 increment financing plan.

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

100.5 Sec. 16. Laws 1994, chapter 587, article 9, section 14, subdivision 2, is amended to
100.6 read:

100.7 Subd. 2. **Eligible activities.** The authority must identify in the plan the housing
100.8 activities that will be assisted by the housing and environmental remediation development
100.9 account. Housing activities may include rehabilitation, acquisition, construction,
100.10 demolition, and financing of new or existing single family or multifamily housing.
100.11 Housing and environmental remediation activities listed in the plan need not be located
100.12 within the district or project area but must be activities that meet the income requirements
100.13 ~~of a qualified housing district under Minnesota Statutes, section 273.1399 or 469.1761;~~
100.14 ~~subdivision 2.~~

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

100.16 Sec. 17. Laws 1994, chapter 587, article 9, section 14, subdivision 3, is amended to
100.17 read:

100.18 Subd. 3. **Housing account.** Tax increment to be expended for housing and
100.19 environmental remediation activities under this section must be segregated by the
100.20 authority into a special account on its official books and records. The account may also
100.21 receive funds from other public and private sources.

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

100.23 Sec. 18. Laws 1995, chapter 264, article 5, section 44, subdivision 4, as amended by
100.24 Laws 1996, chapter 471, article 7, section 21, and Laws 1997, chapter 231, article 10,
100.25 section 12, is amended to read:

100.26 Subd. 4. **Authority.** For housing replacement projects in the city of Crystal,
100.27 "authority" means the Crystal economic development authority. For housing replacement
100.28 projects in the city of Fridley, "authority" means the housing and redevelopment authority
100.29 in and for the city of Fridley or a successor in interest. For housing replacement
100.30 projects in the city of Minneapolis, "authority" means the Minneapolis community
100.31 development agency or its successors and assigns. For housing replacement projects
100.32 in the city of St. Paul, "authority" means the St. Paul housing and redevelopment

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101.1 authority. For housing replacement projects in the city of Duluth, "authority" means the
101.2 Duluth economic development authority. For housing replacement projects in the city of
101.3 Richfield, "authority" is the authority as defined in Minnesota Statutes, section 469.174,
101.4 subdivision 2, that is designated by the governing body of the city of Richfield. For
101.5 housing replacement projects in the city of Columbia Heights, "authority" is the authority
101.6 as defined in Minnesota Statutes, section 469.174, subdivision 2, that is designated by the
101.7 governing body of the city of Columbia Heights.

101.8 **EFFECTIVE DATE.** This section is effective the day following final enactment
101.9 and upon compliance by the governing body of the city of Minneapolis with Minnesota
101.10 Statutes, section 645.021, subdivision 3.

101.11 Sec. 19. Laws 1995, chapter 264, article 5, section 45, subdivision 1, as amended by
101.12 Laws 1996, chapter 471, article 7, section 22, and Laws 1997, chapter 231, article 10,
101.13 section 13, and Laws 2002, chapter 377, article 7, section 6, is amended to read:

101.14 Subdivision 1. **Creation of projects.** (a) An authority may create a housing
101.15 replacement project under sections 44 to 47, as provided in this section.

101.16 (b) For the cities of Crystal, Fridley, Richfield, and Columbia Heights, the authority
101.17 may designate up to 50 parcels in the city to be included in a housing replacement
101.18 district. No more than ten parcels may be included in year one of the district, with up
101.19 to ten additional parcels added to the district in each of the following nine years. For
101.20 the cities of ~~Minneapolis~~, St. Paul, and Duluth, each authority may designate not more
101.21 than 200 parcels in the city to be included in a housing replacement district over the life
101.22 of the district. For the city of Minneapolis, the authority may designate not more than
101.23 400 parcels in the city to be included in housing replacement districts over the life of
101.24 the districts. The only parcels that may be included in a district are (1) vacant sites, (2)
101.25 parcels containing vacant houses, or (3) parcels containing houses that are structurally
101.26 substandard, as defined in Minnesota Statutes, section 469.174, subdivision 10.

101.27 (c) The city in which the authority is located must pay at least 25 percent of the
101.28 housing replacement project costs from its general fund, a property tax levy, or other
101.29 unrestricted money, not including tax increments.

101.30 (d) The housing replacement district plan must have as its sole object the acquisition
101.31 of parcels for the purpose of preparing the site to be sold for market rate housing. As
101.32 used in this section, "market rate housing" means housing that has a market value that
101.33 does not exceed 150 percent of the average market value of single-family housing in that
101.34 municipality.

EFFECTIVE DATE. This section is effective the day following final enactment and upon compliance by the governing body of the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 20. Laws 2005, First Special Session chapter 3, article 10, section 23, as amended by Laws 2006, chapter 259, article 13, section 16, is amended to read:

Sec. 23. GRANTS TO QUALIFYING BUSINESSES.

\$750,000 is appropriated in fiscal year 2006 from the general fund to the commissioner of employment and economic development to be distributed to the foreign trade zone authority to provide grants to qualified businesses as determined by the authority, subject to Minnesota Statutes, sections 116J.993 to 116J.995, to provide incentives for the businesses to locate their operations in an international economic development zone. Of this appropriation, up to \$250,000 may be used by the commissioner for a study to determine the economic viability of business plans for international economic development zones. If the money is not distributed during fiscal year 2006, it remains available for distribution under this section until December 31, 2010.

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

Sec. 21. **BURNSVILLE; NORTHWEST QUADRANT TAX INCREMENT FINANCING.**

Subdivision 1. Definitions. (a) For the purposes of this section, the words and phrases defined have the meanings given them in this subdivision.

(b) "City" means the city of Burnsville.

(c) "Project area" means the area in the city bounded on the south, southeast, and southwest by the southerly right-of-way line of Minnesota Trunk Highway 13; on the east by the easterly right-of-way line of Interstate Highway I-35W; on the north and northwest by the Minnesota River; and on the west by the westerly corporate limits of the city, together with a single parcel to the east of said Interstate Highway I-35W described as the North 1370 feet of the West 1075 feet of the NW Quarter of Section 34 Township 27 Range 24 in the city of Burnsville, Dakota County, except the North 50 feet thereof; provided that the project area includes the rights-of-way for all present and future highway interchanges abutting the area described in this paragraph.

(d) "Soil deficiency district" means a type of tax increment financing district consisting of a portion of the project area in which the city finds by resolution that the following conditions exist:

(1) unusual terrain or soil deficiencies for 80 percent of the acreage in the district require substantial filling, grading, or other physical preparation for use; and

(2) the estimated cost of the physical preparation under clause (1), but excluding costs directly related to roads as defined in Minnesota Statutes, section 160.01, and local improvements as described in Minnesota Statutes, sections 429.021, subdivision 1, clauses (1) to (7), (11), and (12), and 430.01, exceeds the fair market value of the land before completion of the preparation.

Subd. 2. **Special rules.** (a) If the city elects, upon the adoption of the tax increment financing plan for a district, the rules under this section apply to a redevelopment district, renewal and renovation district, soil condition district, or a soil deficiency district established by the city or a development authority of the city in the project area.

(b) Prior to or upon the adoption of the first tax increment plan subject to the special rules under this subdivision, the city must find by resolution that parcels consisting of at least 80 percent of the acreage of the project area (excluding street and railroad right of way) are characterized by one or more of the following conditions:

(1) peat or other soils with geotechnical deficiencies that impair development of residential or commercial buildings or infrastructure;

(2) soils or terrain that requires substantial filling in order to permit the development of commercial or residential buildings or infrastructure;

(3) landfills, dumps, or similar deposits of municipal or private waste;

(4) quarries or similar resource extraction sites;

(5) floodway; and

(6) substandard buildings within the meaning of Minnesota Statutes, section 469.174, subdivision 10.

(c) For the purposes of paragraph (b), clauses (1) through (5), a parcel is deemed to be characterized by the relevant condition if at least 70 percent of the area of the parcel contains the relevant condition. For the purposes of paragraph (b), clause (6), a parcel is deemed to be characterized by substandard buildings if the buildings occupy at least 30 percent of the area of the parcel.

(d) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years for any district, and section 469.1763, subdivision 4, does not apply to any district.

(e) Notwithstanding anything to the contrary in section 469.1763, subdivision 2, paragraph (a), not more than 80 percent of the total revenue derived from tax increments paid by properties in any district (measured over the life of the district) may be expended on activities outside the district but within the project area.

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104.1 (f) For a soil deficiency district:

104.2 (1) increments may be collected through 20 years after the receipt by the authority of
104.3 the first increment from the district; and

104.4 (2) except as otherwise provided in this subdivision, increments may be used only to:

104.5 (i) acquire parcels on which the improvements described in item (ii) will occur;

104.6 (ii) pay for the cost of correcting the unusual terrain or soil deficiencies and the
104.7 additional cost of installing public improvements directly caused by the deficiencies; and

104.8 (iii) pay for the administrative expenses of the authority allocable to the district.

104.9 (g) Increments spent for any infrastructure costs, whether inside a district or outside
104.10 a district but within the project area, are deemed to satisfy the requirements of paragraph
104.11 (f) and Minnesota Statutes, section 469.176, subdivisions 4b and 4j.

104.12 (h) Increments from any district may not be used to pay the costs of landfill closure or
104.13 public infrastructure located on the following parcels within the plat known as Burnsville
104.14 Amphitheater: Lot 1, Block 1; Lots 1 and 2, Block 2; and Outlots A, B, C and D.

104.15 (i) The authority to approve tax increment financing plans to establish tax increment
104.16 financing districts under this section expires on December 31, 2018.

104.17 **EFFECTIVE DATE.** This section is effective upon compliance with Minnesota
104.18 Statutes, section 645.021, subdivision 3.

104.19 Sec. 22. **CITY OF EYOTA; TAX INCREMENT FINANCING DISTRICT.**

104.20 Subdivision 1. **Authorization.** Notwithstanding the mileage limitation in Minnesota
104.21 Statutes, section 469.174, subdivision 27, the city of Eyota is deemed to be a small city for
104.22 the purposes of Minnesota Statutes, section 469.174 to 469.1799, as long as its population
104.23 does not exceed the population limit in that section.

104.24 Subd. 2. **Local approval.** This section is effective for the city of Eyota upon
104.25 approval of Eyota's governing body and compliance with Minnesota Statutes, section
104.26 645.021, subdivisions 2 and 3.

104.27 Sec. 23. **CITY OF FRIDLEY; TAX INCREMENT FINANCING DISTRICT;**
104.28 **SPECIAL RULES.**

104.29 (a) If the city elects upon the adoption of a tax increment financing plan for a district,
104.30 the rules under this section apply to a redevelopment tax increment financing district
104.31 established by the city of Fridley or the housing and redevelopment authority of the city.
104.32 The redevelopment tax increment district includes the following parcels and adjacent
104.33 railroad property and shall be referred to as the Northstar Transit Station District: parcel
104.34 numbers 223024120010, 223024120009, 223024120017, 223024120016, 223024120018,

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105.1 223024120012, 223024120011, 223024120005, 223024120004, 223024120003,
105.2 223024120013, 223024120008, 223024120007, 223024120006, 223024130005,
105.3 223024130010, 223024130011, 223024130003, 153024440039, 153024440037,
105.4 153024440041, 153024440042, 223024110013, 223024110016, 223024110017,
105.5 223024140008, 223024130002, 223024420004, 223024410002, 223024410003,
105.6 223024110008, 223024110007, 223024110019, 223024110018, 223024110003,
105.7 223024140003, 223024140009, 223024140002, 223024140010, and 223024410007.

105.8 (b) The requirements for qualifying a redevelopment tax increment district under
105.9 Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels located
105.10 within the Northstar Transit Station District, which are deemed eligible for inclusion
105.11 in a redevelopment tax increment district.

105.12 (c) In addition to the costs permitted by Minnesota Statutes, section 469.176,
105.13 subdivision 4j, eligible expenditures within the Northstar Transit Station District include
105.14 those costs necessary to provide for the construction and land acquisition for a tunnel
105.15 under the Burlington Northern Santa Fe railroad tracks.

105.16 (d) Notwithstanding the provisions of Minnesota Statutes, section 469.1763,
105.17 subdivision 2, the city of Fridley may expend increments generated from its tax increment
105.18 financing districts Nos. 11, 12, and 13 for costs permitted by paragraph (c) and Minnesota
105.19 Statutes, section 469.176, subdivision 4j, outside the boundaries of tax increment financing
105.20 districts Nos. 11, 12, and 13, but only within the Northstar Transit Station District.

105.21 (e) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3,
105.22 does not apply to the Northstar Transit Station District or to tax increment financing
105.23 districts Nos. 11, 12, and 13.

105.24 (f) The use of revenues for decertification under Minnesota Statutes, section
105.25 469.1763, subdivision 4, does not apply to tax increment financing districts Nos. 11,
105.26 12, and 13.

105.27 **EFFECTIVE DATE.** This section is effective upon approval by the governing body
105.28 of the city of Fridley and upon compliance by the city with Minnesota Statutes, section
105.29 645.021, subdivision 3.

105.30 **Sec. 24. CITY OF NEW BRIGHTON; TAX INCREMENT FINANCING;**
105.31 **EXPENDITURES OUTSIDE DISTRICT.**

105.32 Notwithstanding the provisions of Minnesota Statutes, section 469.1763, subdivision
105.33 2, the city of New Brighton may expend increments generated from its tax increment
105.34 financing district No. 26 to facilitate eligible activities as permitted by Minnesota Statutes,
105.35 section 469.176, subdivision 4e, outside the boundaries of tax increment financing district

No. 26, but only within the area described in Laws 1998, chapter 389, article 11, section 24, subdivision 1, and commonly referred to as the Northwest Quadrant. Minnesota Statutes, section 469.1763, subdivisions 3 and 4, do not apply to expenditures permitted by this section.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of New Brighton and compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 25. **REPEALER.**

(a) Minnesota Statutes 2006, section 469.174, subdivision 29, is repealed.

(b) Laws 1998, chapter 389, article 11, section 18, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. For purposes of any special law authorizing or limiting the use of increments to projects meeting the requirements of a qualified housing district, expenditures for housing districts satisfying the requirements of Minnesota Statutes, sections 469.174, subdivision 11; 469.176, subdivision 4d; and 469.1761, as amended, also satisfy the requirements of the special law.

Paragraph (b) is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the city of Burnsville. The balance of tax increments derived from tax increment financing district No. 2-1 as of the effective date of this section must be returned to the county for distribution in accordance with Minnesota Statutes, section 469.176, subdivision 2.

ARTICLE 9
PUBLIC FINANCE

Section 1. Minnesota Statutes 2006, section 118A.03, subdivision 3, is amended to read:

Subd. 3. **Amount.** The total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit ~~plus accrued interest~~ at the close of the financial institution's banking day, except that where the collateral is irrevocable standby letters of credit issued by Federal Home Loan Banks, the amount of collateral shall be at least equal to the amount on deposit ~~plus accrued interest~~ at the close of the financial institution's banking day. The financial institution may furnish both a surety bond and collateral aggregating the required amount.

Sec. 2. Minnesota Statutes 2006, section 123B.61, is amended to read:

123B.61 PURCHASE OF CERTAIN EQUIPMENT.

The board of a district may issue general obligation certificates of indebtedness or capital notes subject to the district debt limits to: (a) purchase vehicles, computers, telephone systems, cable equipment, photocopy and office equipment, technological equipment for instruction, and other capital equipment having an expected useful life at least as long as the terms of the certificates or notes; (b) purchase computer hardware and software, without regard to its expected useful life, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer; and (c) prepay special assessments. The certificates or notes must be payable in not more than ~~five~~ ten years and must be issued on the terms and in the manner determined by the board, except that certificates or notes issued to prepay special assessments must be payable in not more than 20 years. The certificates or notes may be issued by resolution and without the requirement for an election. The certificates or notes are general obligation bonds for purposes of section 126C.55. A tax levy must be made for the payment of the principal and interest on the certificates or notes, in accordance with section 475.61, as in the case of bonds. The sum of the tax levies under this section and section 123B.62 for each year must not exceed the lesser of the amount of the district's total operating capital revenue or the sum of the district's levy in the general and community service funds excluding the adjustments under this section for the year preceding the year the initial debt service levies are certified. The district's general fund levy for each year must be reduced by the sum of (1) the amount of the tax levies for debt service certified for each year for payment of the principal and interest on the certificates or notes issued under this section as required by section 475.61, (2) the amount of the tax levies for debt service certified for each year for payment of the principal and interest on bonds issued under section 123B.62, and (3) any excess amount in the debt redemption fund used to retire bonds, certificates, or notes issued under this section or section 123B.62 after April 1, 1997, other than amounts used to pay capitalized interest. If the district's general fund levy is less than the amount of the reduction, the balance shall be deducted first from the district's community service fund levy, and next from the district's general fund or community service fund levies for the following year. A district using an excess amount in the debt redemption fund to retire the certificates or notes shall report the amount used for this purpose to the commissioner by July 15 of the following fiscal year. A district having an outstanding capital loan under section 126C.69 or an outstanding debt service loan under section 126C.68 must not use an excess amount in the debt redemption fund to retire the certificates or notes.

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Sec. 3. Minnesota Statutes 2006, section 275.61, subdivision 1, is amended to read:

Subdivision 1. **Market value.** (a) For local governmental subdivisions other than school districts, any levy, ~~including the issuance of debt obligations payable in whole or in part from property taxes, required to be approved and~~ approved by the voters at a general or special election for taxes payable in 1993 and thereafter, shall be levied against the referendum market value of all taxable property within the governmental subdivision, as defined in section 126C.01, subdivision 3. Any levy amount subject to the requirements of this section shall be certified separately to the county auditor under section 275.07.

(b) The ballot shall state the maximum amount of the increased levy as a percentage of market value and the amount that will be raised by the new referendum tax rate in the first year it is to be levied.

(c) This subdivision does not apply to tax levies for the payment of debt obligations that are approved by the voters after June 30, 2008.

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

Sec. 4. Minnesota Statutes 2006, section 331A.05, subdivision 2, is amended to read:

Subd. 2. **Time of notice.** Unless otherwise specified by ~~a particular statute law,~~ or by order of a court, publication of a public notice shall be as follows:

(a) the notice shall be published once;

(b) if the notice is intended to inform the public about a future event, the last publication shall occur not more than ~~14~~ 30 days and not less than seven days before the event;

(c) if the notice is intended to inform the public about a past action or event, the last publication shall occur not more than 45 days after occurrence of the action or event.

Sec. 5. Minnesota Statutes 2006, section 365A.02, is amended to read:

365A.02 DEFINITION DEFINITIONS.

Subdivision 1. **Subordinate service district.** "Subordinate service district" means a defined area within the town in which ~~one or more governmental services or additions to townwide special services are provided by the town specially for the area and financed from revenues from the area.~~ The boundaries of a single subordinate service district may not embrace an entire town.

Subd. 2. **Special services.** "Special services" means one or more governmental services or additions to townwide services provided by the town specially for the area and financed from revenues from the area.

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Sec. 6. Minnesota Statutes 2006, section 365A.04, is amended to read:

365A.04 CREATION ~~BY PETITION~~.

Subdivision 1. **Petition.** A petition signed by at least 50 percent of the property owners in the part of the town proposed for the subordinate service district may be submitted to the town board requesting the establishment of a subordinate service district to provide a service that the town is otherwise authorized by law to provide. The petition must include the territorial boundaries of the proposed district and specify the kinds of services to be provided within the district.

Subd. 1a. **Creation by town board.** The town board may establish a subordinate service district in a portion of the town by adoption of a resolution, subject to the requirements of subdivision 2.

Subd. 2. **Public hearing.** Upon receipt of the petition, and the verification of the signatures by the town clerk or prior to adoption of the resolution specified in subdivision 1a, the town board shall, within 30 days following verification or prior to adoption of the resolution specified in subdivision 1a, hold a public hearing on the question of whether or not the requested district shall be established. The notice of public hearing must specify the special services to be provided within the subordinate service district and must specify the territorial boundaries of the requested district. The notice of public hearing must be published once in a newspaper of general circulation in the town at least 14 days prior to the date of the public hearing.

Subd. 3. **Approval; disapproval.** Within 30 days after the public hearing, the town board by resolution shall approve or disapprove the establishment of the requested district. An approving resolution must specify the special services to be provided within the subordinate service district and must specify the territorial boundaries of the district. A resolution approving the establishment of the district may contain amendments or modifications of the district's boundaries or functions as set forth in the petition or the resolution specified in subdivision 1a.

Sec. 7. Minnesota Statutes 2006, section 365A.08, is amended to read:

365A.08 FINANCING.

Subdivision 1. **Budget.** (a) Upon adoption of the next annual budget following the creation of a subordinate service district the town board shall include in the budget appropriate provisions for the operation of the district including either a property tax levied only on property of the users of the service within the boundaries of the district or a levy of a service charge against the users of the service within the district, or a combination of a property tax and a service charge on the users of the service.

(b) A tax or service charge or a combination of them may be imposed to finance a function or service in the district that the town ordinarily provides throughout the town only to the extent that there is an increase in the level of the function or service provided in the service district over that provided throughout the town. In that case, in addition to the townwide tax levy, an amount necessary to pay for the increase in the level of the function or service may be imposed in the district.

Subd. 2. **Bonds.** At any time after the requirements of section 356A.06 have been met and the subordinate service district created, the town board may issue obligations in an amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making capital improvements necessary to operate the subordinate service district and provide the special services in the district, including every item of cost from inception to completion and all fees and expenses incurred in connection with the capital improvements or the financing. The obligations are payable primarily out of the proceeds of the taxes and service charges imposed under subdivision 1, net revenues as described in section 444.075, and special assessments under chapter 429. The town board may by resolution pledge the full faith credit and taxing power of the town to ensure payment of the principal and interest on the obligations if the proceeds of the taxes and service charges are insufficient to pay the principal and interest. Obligations must be issued in accordance with chapter 475, except that an election is not required, and the amount of the obligations is not included in determining the net indebtedness of the town under the provisions of any law limiting indebtedness.

Subd. 3. **Covenants to secure obligations.** In resolutions authorizing the issuance of general or special obligations and pledging taxes and service charges imposed under subdivision 1, net revenues, or special assessments to their payment, the town board may make covenants for the protection of holders of the obligations and taxpayers of the town as it deems necessary, including a covenant that the town will impose and collect charges of the nature authorized by this chapter at the time and in the amounts required to produce, together with any taxes or special assessments designated as a primary source of payment of the obligations, funds adequate to pay all principal and interest when due on the obligations, and to create and maintain reserves securing the payments as may be provided in the resolutions.

Sec. 8. Minnesota Statutes 2006, section 365A.095, is amended to read:

365A.095 PETITION FOR REMOVAL OF DISTRICT; PROCEDURE.

Subdivision 1. **Petition.** A petition signed by at least 75 percent of the property owners in the territory of the subordinate service district requesting the removal of the

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district may be presented to the town board. Within 30 days after the town board receives the petition, the town clerk shall determine the validity of the signatures on the petition. If the requisite number of signatures are certified as valid, the town board must hold a public hearing on the petitioned matter. Within 30 days after the end of the hearing, the town board must decide whether to discontinue the subordinate service district, continue as it is, or take some other action with respect to it.

Subd. 2. **Bonds.** If obligations have been issued for the benefit of the subordinate service district, the rates, charges, and tax levies, if any, continue until the obligations and any obligations issued to refund them have been paid in full.

Sec. 9. Minnesota Statutes 2006, section 373.01, subdivision 3, is amended to read:

Subd. 3. **Capital notes.** (a) A county board may, by resolution and without referendum, issue capital notes subject to the county debt limit to purchase capital equipment useful for county purposes that has an expected useful life at least equal to the term of the notes. The notes shall be payable in not more than ten years and shall be issued on terms and in a manner the board determines. A tax levy shall be made for payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(b) For purposes of this subdivision, "capital equipment" means:

(1) public safety, ambulance, road construction or maintenance, and medical equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled. ~~The authority to issue capital notes for software expires on July 1, 2007.~~

Sec. 10. Minnesota Statutes 2006, section 373.40, subdivision 4, is amended to read:

Subd. 4. **Limitations on amount.** A county, ~~other than Ramsey,~~ may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed ~~0.05367~~ 0.12 percent of taxable market value of property in the county. ~~Ramsey county may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued pursuant to this section (including the bonds to be issued) will equal or exceed 0.06455 percent of taxable market value of property in the county.~~ Calculation of the limit must be made using the taxable market value for the taxes payable year in which the obligations are issued and sold. This section does not limit the authority to issue bonds under any other special or general law.

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

112.2 Sec. 11. Minnesota Statutes 2006, section 375B.09, is amended to read:

112.3 **375B.09 FINANCING.**

112.4 Subdivision 1. **Budget.** (a) Upon adoption of the next annual budget following the
112.5 creation of a subordinate service district the county board shall include in the budget
112.6 appropriate provisions for the operation of the district including, as appropriate, either a
112.7 property tax levied only on property within the boundaries of the district or a levy of a
112.8 service charge against the users of the service within the district, or any combination of a
112.9 property tax and a service charge.

112.10 (b) A tax or service charge or a combination thereof shall not be imposed to finance a
112.11 function or service in the subordinate service district which the county generally provides
112.12 throughout the county unless an increase in the level of the service is to be supplied in the
112.13 subordinate service district in which case, in addition to the countywide tax levy, only an
112.14 amount necessary to pay for the increased level of service may be imposed.

112.15 Subd. 2. **Bonds.** At any time after the requirements of section 375B.07 have been
112.16 met and the subordinate service district created, the county board may issue obligations
112.17 in an amount it deems necessary to defray in whole or in part the expense incurred
112.18 and estimated to be incurred in making capital improvements necessary to operate the
112.19 subordinate service district and provide the special services in the district, including every
112.20 item of cost from inception to completion and all fees and expenses incurred in connection
112.21 with the capital improvements or the financing. The obligations shall be payable primarily
112.22 out of the proceeds of the taxes and service charges imposed pursuant to subdivision 1, net
112.23 revenues as described in section 444.075, and special assessments under chapter 429. The
112.24 county board may by resolution pledge the full faith credit and taxing power of the county
112.25 to ensure payment of the principal and interest on the obligations if the proceeds of the
112.26 taxes and service charges are insufficient to pay the principal and interest. Obligations
112.27 must be issued in accordance with chapter 475, except that an election is not required, and
112.28 the amount of the obligations is not included in determining the net indebtedness of the
112.29 county under the provisions of any law limiting indebtedness.

112.30 Subd. 3. **Covenants to secure obligations.** In resolutions authorizing the issuance
112.31 of general or special obligations and pledging taxes and service charges imposed under
112.32 subdivision 1, net revenues, or special assessments to their payment, the county board
112.33 may make covenants for the protection of holders of the obligations and taxpayers of the
112.34 county as it deems necessary, including a covenant that the county will impose and collect
112.35 charges of the nature authorized by this chapter at the time and in the amounts required to

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113.1 produce, together with any taxes or special assessments designated as a primary source
113.2 of payment of the obligations, funds adequate to pay all principal and interest when due
113.3 on the obligations and to create and maintain reserves securing the payments as may be
113.4 provided in the resolutions.

113.5 Subd. 4. **Continuance in the event of withdrawal.** If obligations have been issued
113.6 for the benefit of the subordinate service district, and the district is withdrawn or removed
113.7 pursuant to either section 375B.10 or 375B.11, the rates, charges, and tax levies, if any, in
113.8 the withdrawn or removed district must continue until the obligations and any obligations
113.9 issued to refund them have been paid in full.

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

113.11 Sec. 12. Minnesota Statutes 2006, section 383B.117, subdivision 2, is amended to read:

113.12 Subd. 2. **Equipment acquisition; capital notes.** The board may, by resolution and
113.13 without public referendum, issue capital notes within existing debt limits for the purpose
113.14 of purchasing ambulance and other medical equipment, road construction or maintenance
113.15 equipment, public safety equipment and other capital equipment having an expected
113.16 useful life at least equal to the term of the notes issued. The notes shall be payable in
113.17 not more than ~~five~~ ten years and shall be issued on terms and in a manner as the board
113.18 determines. The total principal amount of the notes issued for any fiscal year shall not
113.19 exceed one percent of the total annual budget for that year and shall be issued solely for
113.20 the purchases authorized in this subdivision. A tax levy shall be made for the payment
113.21 of the principal and interest on such notes as in the case of bonds. For purposes of this
113.22 subdivision, "equipment" includes computer hardware and software, whether bundled with
113.23 machinery or equipment or unbundled. For purposes of this subdivision, the term "medical
113.24 equipment" includes computer hardware and software and other intellectual property for
113.25 use in medical diagnosis, medical procedures, research, record keeping, billing, and other
113.26 hospital applications, together with application development services and training related
113.27 to the use of the computer hardware and software and other intellectual property, all
113.28 without regard to their useful life. For purposes of determining the amount of capital notes
113.29 which the county may issue in any year, the budget of the county and Hennepin Healthcare
113.30 System, Inc. shall be combined and the notes issuable under this subdivision shall be in
113.31 addition to obligations issuable under section 373.01, subdivision 3.

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

113.33 Sec. 13. Minnesota Statutes 2006, section 383B.77, subdivision 1, is amended to read:

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114.1 Subdivision 1. **Creation.** The Hennepin County Housing and Redevelopment
114.2 Authority is created in the county of Hennepin. It shall have all of the powers and duties
114.3 of a housing and redevelopment authority under sections 469.001 to 469.047. For the
114.4 purposes of applying the municipal housing and redevelopment act to Hennepin County,
114.5 the county has all of the powers and duties of a city, the county board has all the powers
114.6 and duties of a governing body, the chair of the county board has all of the powers and
114.7 duties of a mayor, and, notwithstanding section 469.008, the area of operation includes the
114.8 area within the territorial boundaries of the county.

114.9 **EFFECTIVE DATE.** Because the population of Hennepin County is more than
114.10 1,000,000, under Minnesota Statutes, section 645.023, this section is effective without
114.11 local approval.

114.12 Sec. 14. Minnesota Statutes 2006, section 383B.77, subdivision 2, is amended to read:

114.13 Subd. 2. **Limitation.** This section does not limit or restrict any existing housing
114.14 and redevelopment authority or prevent a municipality from creating an authority. For
114.15 purposes of this subdivision, "housing and redevelopment authority" includes any
114.16 municipal department, agency, or authority of the city of Minneapolis which exercises the
114.17 powers of a housing and redevelopment authority pursuant to section 469.003 or other
114.18 law. The county authority shall notify a municipal authority by January 31 of each year
114.19 as to the activities the county authority plans to participate in within the municipality.
114.20 The municipal authority shall notify the county authority within 45 days of the date of
114.21 the notice from the county authority, if the municipal authority does not consent to the
114.22 activities of the county authority. ~~The county authority shall not exercise its powers in a~~
114.23 ~~municipality where a housing and redevelopment authority was created under Minnesota~~
114.24 ~~Statutes 1969, chapter 462, before June 8, 1971, except as provided in this subdivision.~~ If a
114.25 city housing and redevelopment authority requests the county housing and redevelopment
114.26 authority to exercise any power or perform any function of the municipal authority, the
114.27 county authority may do so.

114.28 **EFFECTIVE DATE.** Because the population of Hennepin County is more than
114.29 1,000,000, under Minnesota Statutes, section 645.023, this section is effective without
114.30 local approval.

114.31 Sec. 15. Minnesota Statutes 2006, section 410.32, is amended to read:

114.32 **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

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(a) Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled.

(c) The equipment or software must have an expected useful life at least as long as the term of the notes. ~~The authority to issue capital notes for software expires on July 1, 2007.~~

(d) The notes shall be payable in not more than ten years and be issued on terms and in the manner the city determines. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the market value of taxable property in the city for that year.

(e) A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(f) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(g) Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

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

Sec. 16. Minnesota Statutes 2006, section 412.301, is amended to read:

412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled.

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes. ~~The authority to issue capital notes for software expires on July 1, 2007.~~

(d) Such certificates or notes shall be payable in not more than ten years and shall be issued on such terms and in such manner as the council may determine.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

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

Sec. 17. Minnesota Statutes 2006, section 453A.02, subdivision 3, is amended to read:

Subd. 3. **City.** "City" means a city organized and existing under the laws of Minnesota or a city charter adopted pursuant thereto, and authorized by such laws or charter to engage in the local distribution and sale of gas, provided that any city so engaged on January 1, 1979 is authorized to continue such distribution and sale, and every city now or hereafter so authorized may exercise, either individually or as a member of a municipal gas agency, all of the powers granted in sections 453A.01 to 453A.12.

City also includes a city organized and existing under the laws of another state or a city charter adopted pursuant thereto which participates in a municipal gas agency with Minnesota cities.

Sec. 18. **[471.6175] TRUST FOR POSTEMPLOYMENT BENEFITS.**

Subdivision 1. **Authorization; establishment.** A political subdivision or other public entity that creates or has created an actuarial liability to pay postemployment benefits to employees or officers after their termination of service may establish a trust to pay those benefits. For purposes of this section, the term "postemployment benefits" means benefits giving rise to a liability under Statement No. 45 of the Governmental Accounting Standards Board and the term "trust" means a trust, a trust account, or a custodial account or contract authorized under section 401(f) of the Internal Revenue Code.

Subd. 2. **Purpose of trust.** The trust established under this section may only be used to pay postemployment benefits and may be either revocable or irrevocable.

Subd. 3. **Trust administrator.** The trust administrator of a trust established under this section shall be either:

(1) the Public Employees Retirement Association;

(2) a bank or banking association incorporated under the laws of the United States or of any state and authorized by the laws under which it is organized to exercise corporate trust powers; or

(3) an insurance company or agency qualified to do business in Minnesota which has at least five years' experience in investment products and services for group retirement benefits and which has a specialized department dedicated to services for retirement investment products.

A political subdivision or public entity may, in its discretion and in compliance with any applicable trust document, change trust administrators and transfer trust assets accordingly.

Subd. 4. **Account maintenance.** (a) A political subdivision or other public entity may establish a trust account to be held under the supervision of the trust administrator for the purposes of this section. A trust administrator shall establish a separate account for each participating political subdivision or public entity. The trust administrator may charge participating political subdivisions and public entities fees for reasonable administrative costs. The amount of any fees charged by the Public Employees Retirement Association is appropriated to the association from the account. A trust administrator may establish other reasonable terms and conditions for creation and maintenance of these accounts.

(b) The trust administrator must report to the political subdivision or other public entity on the investment returns of invested trust assets and on all investment fees or costs incurred by the trust. The annual rates of return, along with investment and administrative fees and costs for the trust, must be disclosed in the political subdivision's or public entity's annual financial audit in a manner prescribed by the state auditor.

(c) Effective for fiscal years beginning after December 31, 2009, the trust administrator must report electronically to the state auditor the portfolio and performance information specified in section 356.219, subdivision 3, in the manner prescribed by the state auditor.

Subd. 5. **Investment.** (a) The assets of a trust or trust account shall be invested and held as stipulated in paragraphs (b) to (e).

(b) The Public Employees Retirement Association must certify all money in the trust accounts for which it is trust administrator to the State Board of Investment for investment under section 11A.14, subject to the policies and procedures established by the State

Board of Investment. Investment earnings must be credited to the trust account of the individual political subdivision or public entity.

(c) A trust administrator, other than the Public Employees Retirement Association, must ensure that all money in the trust accounts for which it is trust administrator is invested by a registered investment adviser, a bank investment trust department, or an insurance company or agency retirement investment department. Investment earnings must be credited to the trust account of the individual political subdivision or public entity.

(d) For trust assets invested by the State Board of Investment, the investment restrictions shall be the same as those generally applicable to the State Board of Investment. For trust assets invested by a trust administrator other than the Public Employees Retirement Association, the assets may only be invested in investments authorized under chapter 118A or section 356A.06, subdivision 7, in the manner specified in the applicable trust document.

(e) A political subdivision or public entity may provide investment direction to a trust administrator in compliance with any applicable trust document.

Subd. 6. **Limit on deposit.** A political subdivision or public entity may not deposit money in a trust or trust account created pursuant to this section if the total amount invested by that political subdivision or public entity would exceed the political subdivision's or public entity's actuarially determined liabilities for postemployment benefits due to officers and employees, as determined under the applicable standards of the Governmental Accounting Standards Board.

Subd. 7. **Withdrawal of funds and termination of account.** (a) For a revocable account, a political subdivision or public entity may withdraw some or all of its money or terminate the trust account. Money and accrued investment earnings withdrawn from a revocable account must be deposited in a fund separate and distinct from any other funds of the political subdivision or public entity. This money, with accrued investment earnings, must be used to pay legally enforceable postemployment benefits to former officers and employees, unless (i) there has been a change in state or federal law affecting that political subdivision's or public entity's liabilities for postemployment benefits, or (ii) there has been a change in the demographic composition of that political subdivision's or public entity's employees eligible for postemployment benefits, or (iii) there has been a change in the provisions or terms of the postemployment benefits in that political subdivision or public entity including, but not limited to, the portion of the costs eligible employees must pay to receive the benefits, or (iv) other factors exist that have a material effect on that political subdivision's or public entity's actuarially determined liabilities for postemployment benefits, in which event any amount in excess of 100

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percent of that political subdivision's or public entity's actuarially determined liabilities for postemployment benefits, as determined under standards of the Government Accounting Standards Board, may be withdrawn and used for any purpose.

(b) For an irrevocable account, a political subdivision or public entity may withdraw money only:

(1) as needed to pay postemployment benefits owed to former officers and employees of the political subdivision or public entity; or

(2) when all postemployment benefit liability owed to former officers or employees of the political subdivision or public entity has been satisfied or otherwise defeased.

(c) A political subdivision or public entity requesting withdrawal of money from an account created under this section must do so at a time and in the manner required by the executive director of the Public Employees Retirement Association or specified in an applicable trust document. The political subdivision or public entity that created the trust must ensure that withdrawals comply with the requirements of this section.

(d) The legislature may not divert funds in these trusts or trust accounts for use for another purpose.

Subd. 8. **Status of irrevocable trust.** (a) All money in an irrevocable trust or trust account created in this section is held in trust for the exclusive benefit of former officers and employees of the participating political subdivision or public entity, and is not subject to claims by creditors of the state, the participating political subdivision or public entity, the current or former officers and employees of the political subdivision or public entity, or the trust administrator.

(b) An irrevocable trust fund or trust account created in this section shall be deemed an arrangement equivalent to a trust for all legal purposes.

EFFECTIVE DATE. This section is effective the day following final enactment, and is applicable immediately to all political subdivisions or public entities subject to Statement No. 45 of the Governmental Accounting Standards Board in 2007, to those political subdivisions or public entities whose trusts or trust accounts are validated by section 27, and to those political subdivisions or public entities that have begun consideration in 2007 of measures to implement Statement No. 45. This section is applicable on July 1, 2008, for all other political subdivisions or public entities.

Sec. 19. Minnesota Statutes 2006, section 473.39, is amended by adding a subdivision to read:

Subd. 1m. **Obligations.** After March 1, 2008, in addition to other authority in this section, the council may issue certificates of indebtedness, bonds, or other obligations

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120.1 under this section in an amount not exceeding \$33,600,000 for capital expenditures as
120.2 prescribed in the council's regional transit master plan and transit capital improvement
120.3 program and for related costs, including the costs of issuance and sale of the obligations.

120.4 **APPLICATION AND EFFECTIVE DATE.** This section applies in the counties of
120.5 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and is effective the
120.6 day following final enactment.

120.7 Sec. 20. Minnesota Statutes 2006, section 473.39, is amended by adding a subdivision
120.8 to read:

120.9 Subd. 5. **Anticipation of grants.** In addition to other authority granted in this
120.10 section, the council may exercise the authority granted to an issuing political subdivision
120.11 by section 475.522.

120.12 **APPLICATION AND EFFECTIVE DATE.** This section applies in the counties of
120.13 Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington, and is effective the
120.14 day following final enactment.

120.15 Sec. 21. Minnesota Statutes 2006, section 475.51, subdivision 4, is amended to read:

120.16 Subd. 4. **Net debt.** "Net debt" means the amount remaining after deducting from its
120.17 gross debt the amount of current revenues which are applicable within the current fiscal
120.18 year to the payment of any debt and the aggregate of the principal of the following:

120.19 (1) Obligations issued for improvements which are payable wholly or partly from the
120.20 proceeds of special assessments levied upon property specially benefited thereby, including
120.21 those which are general obligations of the municipality issuing them, if the municipality is
120.22 entitled to reimbursement in whole or in part from the proceeds of the special assessments.

120.23 (2) Warrants or orders having no definite or fixed maturity.

120.24 (3) Obligations payable wholly from the income from revenue producing
120.25 conveniences.

120.26 (4) Obligations issued to create or maintain a permanent improvement revolving
120.27 fund.

120.28 (5) Obligations issued for the acquisition, and betterment of public waterworks
120.29 systems, and public lighting, heating or power systems, and of any combination thereof or
120.30 for any other public convenience from which a revenue is or may be derived.

120.31 (6) Debt service loans and capital loans made to a school district under the provisions
120.32 of sections 126C.68 and 126C.69.

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121.1 (7) Amount of all money and the face value of all securities held as a debt service
121.2 fund for the extinguishment of obligations other than those deductible under this
121.3 subdivision.

121.4 (8) Obligations to repay loans made under section 216C.37.

121.5 (9) Obligations to repay loans made from money received from litigation or
121.6 settlement of alleged violations of federal petroleum pricing regulations.

121.7 (10) Obligations issued to pay pension fund or other postemployment benefit
121.8 liabilities under section 475.52, subdivision 6, or any charter authority.

121.9 (11) Obligations issued to pay judgments against the municipality under section
121.10 475.52, subdivision 6, or any charter authority.

121.11 (12) All other obligations which under the provisions of law authorizing their
121.12 issuance are not to be included in computing the net debt of the municipality.

121.13 **EFFECTIVE DATE.** This section is effective for obligations issued after June
121.14 30, 2008.

121.15 Sec. 22. Minnesota Statutes 2006, section 475.52, subdivision 6, is amended to read:

121.16 Subd. 6. **Certain purposes.** Any municipality may issue bonds for paying
121.17 judgments against it; for refunding outstanding bonds; for funding floating indebtedness;
121.18 for funding actuarial liabilities to pay postemployment benefits to employees or officers
121.19 after their termination of service; or for funding all or part of the municipality's current
121.20 and future unfunded liability for a pension or retirement fund or plan referred to in
121.21 section 356.20, subdivision 2, as those liabilities are most recently computed pursuant
121.22 to sections 356.215 and 356.216. The board of trustees or directors of a pension fund or
121.23 relief association referred to in section 69.77 or chapter 422A must consent and must
121.24 be a party to any contract made under this section with respect to the fund held by it
121.25 for the benefit of and in trust for its members. For purposes of this section, the term
121.26 "postemployment benefits" means benefits giving rise to a liability under Statement No.
121.27 45 of the Governmental Accounting Standards Board.

121.28 Sec. 23. **[475.522] GRANT ANTICIPATION FINANCING OF**
121.29 **TRANSPORTATION OR TRANSIT PROJECTS.**

121.30 Subdivision 1. **Definitions.** For purposes of this section, the term "political
121.31 subdivision" means a county or a statutory or home rule charter city, and the term
121.32 "issuing political subdivision" means a political subdivision that issues obligations under
121.33 subdivision 2.

Subd. 2. **Authorization.** An issuing political subdivision may enter into agreements with any other political subdivision of the state, within or without its jurisdiction, and any state agency, with respect to federal grants for transportation or transit projects to be received directly or indirectly by or on behalf of the political subdivision or agency, under an executed grant agreement with the relevant federal agency. The agreements may provide that the political subdivision or agency will pledge to the issuing political subdivision all or a specified portion of the federal grants received by or on behalf of the political subdivision or agency for a specified period of years, or until all obligations issued by the issuing political subdivision under subdivision 3 with respect to those federal grants have been paid or legally defeased. If the issuing political subdivision issues obligations under subdivision 3, the agreements must provide the method by which the proceeds of the obligations will be used to pay or reimburse the costs of the transportation or transit projects relating to the federal grants described in the executed federal grant agreement.

Subd. 3. **Issuance of obligations.** In anticipation of any federal grants for transportation or transit projects to be received directly or indirectly by any political subdivision or agency as specified in subdivision 1, or by an issuing political subdivision with respect to any transportation or transit projects within its jurisdiction, an issuing political subdivision may issue its obligations payable from the collections of those federal grants. The obligations may be issued in the principal amount the issuing political subdivision determines provided that the estimated collections of the federal grants under the relevant executed federal grant agreement in each year in which the obligations will be outstanding must be at least equal to:

(1) if the obligations are to be issued as revenue obligations, 150 percent of the maximum annual debt service on the obligations; or

(2) if the obligations are to be issued as general obligations, 110 percent of the maximum annual debt service on the obligations.

Except as otherwise provided in this section, the issuing political subdivision shall provide for the issuance, sale, and security of the obligations as provided in chapter 475, and has the same powers and duties as a municipality issuing bonds under that law, except that no election is required and the net debt limitations in chapter 475 do not apply to the obligations. The issuing political subdivision may determine to issue the obligations as revenue obligations, payable solely from the collections of the federal grants anticipated, or may pledge its full faith and credit to the payment of the obligations.

Subd. 4. **Use of proceeds.** The proceeds of the obligations must be used:

(1) to pay or reimburse the costs of the transportation or transit projects relating to the federal grants being anticipated;

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123.1 (2) to pay the costs of issuance of the obligations, including credit enhancement;

123.2 (3) to pay interest on the obligations for a period not exceeding three years from
123.3 their date of issue; and

123.4 (4) if the full faith and credit of the issuing political subdivision is not pledged to the
123.5 payment of the obligations, to fund a debt service reserve fund for the obligations.

123.6 Sec. 24. Minnesota Statutes 2006, section 475.53, subdivision 1, is amended to read:

123.7 Subdivision 1. **Generally.** Except as otherwise provided in sections 475.51 to
123.8 475.74, no municipality, except a school district or a city of the first class, shall incur or
123.9 be subject to a net debt in excess of ~~two~~ three percent of the market value of taxable
123.10 property in the municipality.

123.11 **EFFECTIVE DATE.** This section is effective for obligations issued after June
123.12 30, 2008.

123.13 Sec. 25. Minnesota Statutes 2006, section 475.58, subdivision 1, is amended to read:

123.14 Subdivision 1. **Approval by electors; exceptions.** Obligations authorized by law or
123.15 charter may be issued by any municipality upon obtaining the approval of a majority of
123.16 the electors voting on the question of issuing the obligations, but an election shall not be
123.17 required to authorize obligations issued:

123.18 (1) to pay any unpaid judgment against the municipality;

123.19 (2) for refunding obligations;

123.20 (3) for an improvement or improvement program, which obligation is payable wholly
123.21 or partly from the proceeds of special assessments levied upon property specially benefited
123.22 by the improvement or by an improvement within the improvement program, or from tax
123.23 increments, as defined in section 469.174, subdivision 25, including obligations which are
123.24 the general obligations of the municipality, if the municipality is entitled to reimbursement
123.25 in whole or in part from the proceeds of such special assessments or tax increments and
123.26 not less than 20 percent of the cost of the improvement or the improvement program is to
123.27 be assessed against benefited property or is to be paid from the proceeds of federal grant
123.28 funds or a combination thereof, or is estimated to be received from tax increments;

123.29 (4) payable wholly from the income of revenue producing conveniences;

123.30 (5) under the provisions of a home rule charter which permits the issuance of
123.31 obligations of the municipality without election;

123.32 (6) under the provisions of a law which permits the issuance of obligations of a
123.33 municipality without an election;

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124.1 (7) to fund pension or retirement fund or postemployment benefit liabilities pursuant
124.2 to section 475.52, subdivision 6;
124.3 (8) under a capital improvement plan under section 373.40; and
124.4 (9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds), if
124.5 the proceeds of the bonds are not used for a purpose prohibited under section 469.176,
124.6 subdivision 4g, paragraph (b).

124.7 Sec. 26. Minnesota Statutes 2006, section 475.58, subdivision 3b, is amended to read:

124.8 Subd. 3b. **Street reconstruction.** (a) A municipality may, without regard to
124.9 the election requirement under subdivision 1, issue and sell obligations for street
124.10 reconstruction, if the following conditions are met:

124.11 (1) the streets are reconstructed under a street reconstruction plan that describes the
124.12 ~~streets to be reconstructed~~ street reconstruction to be financed, the estimated costs, and
124.13 any planned reconstruction of other streets in the municipality over the next five years,
124.14 and the plan and issuance of the obligations has been approved by a vote of all of the
124.15 members of the governing body present at the meeting following a public hearing for
124.16 which notice has been published in the official newspaper at least ten days but not more
124.17 than 28 days prior to the hearing; and

124.18 (2) if a petition requesting a vote on the issuance is signed by voters equal to
124.19 five percent of the votes cast in the last municipal general election and is filed with the
124.20 municipal clerk within 30 days of the public hearing, the municipality may issue the bonds
124.21 only after obtaining the approval of a majority of the voters voting on the question of
124.22 the issuance of the obligations.

124.23 (b) Obligations issued under this subdivision are subject to the debt limit of the
124.24 municipality and are not excluded from net debt under section 475.51, subdivision 4.

124.25 (c) For purposes of this subdivision, street reconstruction includes utility
124.26 replacement and relocation and other activities incidental to the street reconstruction, turn
124.27 lanes and other improvements having a substantial public safety function, realignments,
124.28 other modifications to intersect with state and county roads, and the local share of state
124.29 and county road projects.

124.30 (d) Except in the case of turn lanes, safety improvements, realignments, intersection
124.31 modifications, and the local share of state and county road projects, street reconstruction
124.32 does not include the portion of project cost allocable to widening a street or adding curbs
124.33 and gutters where none previously existed.

124.34 Sec. 27. **VALIDATION.**

125.1 Any trust or trust account or other custodial account or contract authorized under
125.2 section 401(f) of the Internal Revenue Code, created prior to June 6, 2006, to pay
125.3 postemployment benefits to employees or officers after termination of service, is hereby
125.4 validated, may continue in full force and effect, and shall have continuing authority
125.5 to accept new funds; however, this section does not validate or correct defects in any
125.6 previously created trust document. Any funds held by a validated trust or account
125.7 under this section may be invested as provided in Minnesota Statutes, section 471.6175,
125.8 subdivision 5. A validated trust or account shall have until January 1, 2009, to bring
125.9 its trust documents and procedures into compliance with Minnesota Statutes, section
125.10 471.6175.

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

125.12 Sec. 28. **TOWN OF CRANE LAKE, CERTIFICATES OF INDEBTEDNESS.**

125.13 Notwithstanding Minnesota Statutes, section 366.095, or any other law to the
125.14 contrary, the town board of the town of Crane Lake in St. Louis County may issue one
125.15 or more certificates of indebtedness in a total amount not to exceed \$225,000, which
125.16 are not subject to the debt limits of the town. The proceeds of the certificates must be
125.17 used to acquire property and pay other costs related to a land exchange with the United
125.18 States Forest Service. The certificates shall be payable in not more than 30 years and be
125.19 issued on the terms and in the manner as the board may determine. Minnesota Statutes,
125.20 sections 475.54, subdivision 1, and 475.56, paragraph (c), do not apply to the certificates
125.21 issued under this section. A tax levy shall be made to pay the principal and interest on the
125.22 certificates as in the case of bonds.

125.23 **EFFECTIVE DATE.** This section is effective the day after the governing body of
125.24 the town of Crane Lake and its chief clerical officer timely complete their compliance with
125.25 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

125.26 Sec. 29. **CITY OF WINSTED; BONDING AUTHORITY.**

125.27 (a) The city of Winsted may issue general obligation bonds under Minnesota
125.28 Statutes, chapter 475, to finance the acquisition and betterment of a facility consisting of
125.29 a city hall, community center, and police station; park improvements, including trails
125.30 and an amphitheater; related public improvements; and substantial landscaping for the
125.31 improvements.

125.32 (b) The bonds may be issued as general obligations of the city without an election to
125.33 approve the bonds under Minnesota Statutes, section 475.58.

(c) The bonds are not included in computing any debt limitation applicable to the city, including, but not limited to, the net debt limits under Minnesota Statutes, section 475.53, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(d) The aggregate principal amount of bonds used to pay costs of the acquisition and betterment of the facility consisting of a city hall, community center, and police station; park improvements, including trails and an amphitheater; related public improvements; and substantial landscaping for the improvements may not exceed \$4,900,000, plus an amount equal to the costs related to issuance of the bonds and capitalized interest.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Winsted with Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 10

DEPARTMENT INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 2007 Supplement, 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. 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;

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(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, 2007.

Sec. 2. Minnesota Statutes 2006, section 289A.08, subdivision 11, is amended to read:

Subd. 11. **Information included in income tax return.** (a) The return must state:

(1) the name of the taxpayer, or taxpayers, if the return is a joint return, and the address of the taxpayer in the same name or names and same address as the taxpayer has used in making the taxpayer's income tax return to the United States, and must state;

(2) the date or dates of birth of the taxpayer or taxpayers;

(3) the Social Security number of the taxpayer, or taxpayers, if a Social Security number has been issued by the United States with respect to the taxpayers, and must state; and

(4) the amount of the taxable income of the taxpayer as it appears on the federal return for the taxable year to which the Minnesota state return applies.

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128.1 **(b)** The taxpayer must attach to the taxpayer's Minnesota state income tax return
128.2 a copy of the federal income tax return that the taxpayer has filed or is about to file for
128.3 the period, unless the taxpayer is eligible to telefile the federal return and does file the
128.4 Minnesota return by telefiling.

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

128.7 Sec. 3. Minnesota Statutes 2006, section 289A.09, subdivision 2, is amended to read:

128.8 Subd. 2. **Withholding statement to employee or payee and to commissioner.** (a)
128.9 A person required to deduct and withhold from an employee a tax under section 290.92,
128.10 subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to
128.11 deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required
128.12 to withhold tax under section 290.923, subdivision 2, determined without regard to
128.13 section 290.92, subdivision 19, if the employee or payee had claimed no more than one
128.14 withholding exemption, or who paid wages or made payments not subject to withholding
128.15 under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or
128.16 person receiving royalty payments in excess of \$600, or who has entered into a voluntary
128.17 withholding agreement with a payee under section 290.92, subdivision 20, must give
128.18 every employee or person receiving royalty payments in respect to the remuneration paid
128.19 by the person to the employee or person receiving royalty payments during the calendar
128.20 year, on or before January 31 of the succeeding year, or, if employment is terminated
128.21 before the close of the calendar year, within 30 days after the date of receipt of a written
128.22 request from the employee if the 30-day period ends before January 31, a written statement
128.23 showing the following:

128.24 (1) name of the person;

128.25 (2) the name of the employee or payee and the employee's or payee's Social Security
128.26 account number;

128.27 (3) the total amount of wages as that term is defined in section 290.92, subdivision
128.28 1, paragraph (1); the total amount of remuneration subject to withholding under section
128.29 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the
128.30 Internal Revenue Code; and the amount of royalties subject to withholding under section
128.31 290.923, subdivision 2; and

128.32 (4) the total amount deducted and withheld as tax under section 290.92, subdivision
128.33 2a or 3, or 290.923, subdivision 2.

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(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 2008, 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 2009, the 100 statements threshold is reduced to 50, and for calendar year 2010, the threshold is reduced to 25, and for 2011 and after, the threshold is reduced to ten.

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

EFFECTIVE DATE. This section is effective for wages paid after December 31, 2007.

Sec. 4. Minnesota Statutes 2006, section 289A.12, subdivision 14, is amended to read:

Subd. 14. **Regulated investment companies; reporting exempt-interest dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest dividends to an individual who is a resident of Minnesota must make a return indicating the amount of the exempt-interest dividends, the name, address, and Social Security number of the recipient, and any other information that the commissioner specifies. The

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130.1 return must be provided to the shareholder no later than 30 days after the close of the
130.2 taxable year. The return provided to the shareholder must include a clear statement, in the
130.3 form prescribed by the commissioner, that the exempt-interest dividends must be included
130.4 in the computation of Minnesota taxable income. ~~The commissioner may by notice and~~
130.5 ~~demand require the regulated investment company~~ is required in a manner prescribed by
130.6 the commissioner to file a copy of the return with the commissioner.

130.7 (b) This subdivision applies to regulated investment companies required to register
130.8 under chapter 80A.

130.9 (c) For purposes of this subdivision, the following definitions apply.

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

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

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

130.19 Sec. 5. Minnesota Statutes 2006, section 289A.18, subdivision 1, is amended to read:

130.20 Subdivision 1. **Individual income, fiduciary income, corporate franchise, and**
130.21 **entertainment taxes; partnership and S corporation returns; information returns;**
130.22 **mining company returns.** The returns required to be made under sections 289A.08 and
130.23 289A.12 must be filed at the following times:

130.24 (1) returns made on the basis of the calendar year must be filed on April 15 following
130.25 the close of the calendar year, except that returns of corporations must be filed on March
130.26 15 following the close of the calendar year;

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

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

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(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 taxable years beginning after December 31, 2007.

Sec. 6. Minnesota Statutes 2006, section 289A.38, subdivision 7, is amended to read:

Subd. 7. **Federal tax changes.** If the amount of income, items of tax preference, deductions, or credits for any year of a taxpayer as reported to the Internal Revenue Service is changed or corrected by the commissioner of Internal Revenue or other officer of the United States or other competent authority, or where a renegotiation of a contract or subcontract with the United States results in a change in income, items of tax preference, deductions, credits, or withholding tax, or, in the case of estate tax, where there are adjustments to the taxable estate ~~resulting in a change to the credit for state death taxes~~, the taxpayer shall report the change or correction or renegotiation results in writing to the commissioner. The report must be submitted within 180 days after the final determination and must be in the form of either an amended Minnesota estate, withholding tax, corporate franchise tax, or income tax return conceding the accuracy of the federal determination or a letter detailing how the federal determination is incorrect or does not change the Minnesota tax. An amended Minnesota income tax return must be accompanied by an

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132.1 amended property tax refund return, if necessary. A taxpayer filing an amended federal
132.2 tax return must also file a copy of the amended return with the commissioner of revenue
132.3 within 180 days after filing the amended return.

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

132.5 Sec. 7. Minnesota Statutes 2006, section 289A.60, subdivision 8, is amended to read:

132.6 Subd. 8. ~~Penalty for Penalties; failure to file informational return; incorrect~~
132.7 ~~taxpayer identification number.~~ (a) In the case of a failure to file an informational return
132.8 required by section 289A.12 with the commissioner on the date prescribed (determined
132.9 with regard to any extension of time for filing), the person failing to file the return shall pay
132.10 a penalty of \$50 for each failure or in the case of a partnership, S corporation, or fiduciary
132.11 return, \$50 for each partner, shareholder, or beneficiary; but the total amount imposed on
132.12 the delinquent person for all failures during any calendar year must not exceed \$25,000. If
132.13 a failure to file a return is due to intentional disregard of the filing requirement, then the
132.14 penalty imposed under the preceding sentence must not be less than an amount equal to:

132.15 (1) in the case of a return not described in clause (2) or (3), ten percent of the
132.16 aggregate amount of the items required to be reported;

132.17 (2) in the case of a return required to be filed under section 289A.12, subdivision 5,
132.18 five percent of the gross proceeds required to be reported; and

132.19 (3) in the case of a return required to be filed under section 289A.12, subdivision 9,
132.20 relating to direct sales, \$100 for each failure; however, the total amount imposed on the
132.21 delinquent person for intentional failures during a calendar year must not exceed \$50,000.
132.22 The penalty must be collected in the same manner as a delinquent income tax.

132.23 (b) If a partnership or S corporation files a partnership or S corporation return with
132.24 an incorrect tax identification number used for a partner or shareholder after being notified
132.25 by the commissioner that the identification number is incorrect, the partnership or S
132.26 corporation must pay a penalty of \$50 for each such incorrect number.

132.27 **EFFECTIVE DATE.** This section is effective for returns filed after December
132.28 31, 2008.

132.29 Sec. 8. Minnesota Statutes 2006, section 289A.60, subdivision 12, is amended to read:

132.30 Subd. 12. **Penalties relating to property tax refunds.** (a) If it is determined that a
132.31 property tax refund claim is excessive and was negligently prepared, a claimant is liable
132.32 for a penalty of ten percent of the ~~corrected claim must be~~ disallowed claim. If the claim
132.33 has been paid, the amount disallowed must be recovered by assessment and collection.

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133.1 (b) An owner who without reasonable cause fails to give a certificate of rent
133.2 constituting property tax to a renter, as required by section 290A.19, paragraph (a), is
133.3 liable to the commissioner for a penalty of \$100 for each failure.

133.4 (c) If the owner or managing agent knowingly gives rent certificates that report total
133.5 rent constituting property taxes in excess of the amount of actual rent constituting property
133.6 taxes paid on the rented part of a property, the owner or managing agent is liable for a
133.7 penalty equal to the greater of (1) \$100 or (2) 50 percent of the excess that is reported. An
133.8 overstatement of rent constituting property taxes is presumed to be knowingly made if it
133.9 exceeds by ten percent or more the actual rent constituting property taxes.

133.10 **EFFECTIVE DATE.** This section is effective for property tax refund claims filed
133.11 after June 30, 2008.

133.12 Sec. 9. Minnesota Statutes 2006, section 289A.60, subdivision 27, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

134.23 (i) the tax advisor:

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

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

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

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

134.35 (ii) the opinion:

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

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

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

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

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

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

135.11 Sec. 10. Minnesota Statutes 2006, section 289A.60, is amended by adding a
135.12 subdivision to read:

135.13 **Subd. 28. Preparer identification number.** Any Minnesota individual income tax
135.14 return or claim for refund prepared by a "tax refund or return preparer" as defined in
135.15 subdivision 13, paragraph (f), shall bear the identification number the preparer is required
135.16 to use federally under section 6109(a)(4) of the Internal Revenue Code. A tax refund
135.17 or return preparer who prepares a Minnesota individual income tax return or claim for
135.18 refund and fails to include the required number on the return or claim is subject to a
135.19 penalty of \$50 for each failure.

135.20 **EFFECTIVE DATE.** This section is effective for returns prepared for taxable
135.21 years beginning after December 31, 2007.

135.22 Sec. 11. Minnesota Statutes 2007 Supplement, section 290.01, subdivision 19b,
135.23 is amended to read:

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

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

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

135.32 (3) the amount paid to others, less the amount used to claim the credit allowed under
135.33 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten

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

136.19 (4) income as provided under section 290.0802;

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

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

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

136.31 (8) for individuals who are allowed a federal foreign tax credit for taxes that do not
136.32 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover
136.33 of subnational foreign taxes for the taxable year, but not to exceed the total subnational
136.34 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,
136.35 "federal foreign tax credit" means the credit allowed under section 27 of the Internal
136.36 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed

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137.1 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to
137.2 the extent they exceed the federal foreign tax credit;

137.3 (9) in each of the five tax years immediately following the tax year in which an
137.4 addition is required under subdivision 19a, clause (7), or 19c, clause ~~(15)~~ (14), in the case
137.5 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth
137.6 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means
137.7 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or
137.8 subdivision 19c, clause ~~(15)~~ (14), in the case of a shareholder of an S corporation, minus
137.9 the positive value of any net operating loss under section 172 of the Internal Revenue
137.10 Code generated for the tax year of the addition. The resulting delayed depreciation
137.11 cannot be less than zero;

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

137.13 (11) to the extent included in federal taxable income, the amount of compensation
137.14 paid to members of the Minnesota National Guard or other reserve components of the
137.15 United States military for active service performed in Minnesota, excluding compensation
137.16 for services performed under the Active Guard Reserve (AGR) program. For purposes of
137.17 this clause, "active service" means (i) state active service as defined in section 190.05,
137.18 subdivision 5a, clause (1); (ii) federally funded state active service as defined in section
137.19 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05,
137.20 subdivision 5c, but "active service" excludes services performed exclusively for purposes
137.21 of basic combat training, advanced individual training, annual training, and periodic
137.22 inactive duty training; special training periodically made available to reserve members;
137.23 and service performed in accordance with section 190.08, subdivision 3;

137.24 (12) to the extent included in federal taxable income, the amount of compensation
137.25 paid to Minnesota residents who are members of the armed forces of the United States or
137.26 United Nations for active duty performed outside Minnesota;

137.27 (13) an amount, not to exceed \$10,000, equal to qualified expenses related to a
137.28 qualified donor's donation, while living, of one or more of the qualified donor's organs
137.29 to another person for human organ transplantation. For purposes of this clause, "organ"
137.30 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;
137.31 "human organ transplantation" means the medical procedure by which transfer of a human
137.32 organ is made from the body of one person to the body of another person; "qualified
137.33 expenses" means unreimbursed expenses for both the individual and the qualified donor
137.34 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses
137.35 may be subtracted under this clause only once; and "qualified donor" means the individual
137.36 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An

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individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

(14) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

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

(16) international economic development zone income as provided under section 469.325.

EFFECTIVE DATE. Clauses (9) and (14) of this section are effective the day following final enactment. Clauses (11) and (12) are effective retroactively for taxable years beginning after December 31, 2004.

Sec. 12. Minnesota Statutes 2006, section 290.01, subdivision 19c, is amended to read:

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

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

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

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

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

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

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

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

139.10 (8) the exempt foreign trade income of a foreign sales corporation under sections
139.11 921(a) and 291 of the Internal Revenue Code;

139.12 (9) the amount of percentage depletion deducted under sections 611 through 614 and
139.13 291 of the Internal Revenue Code;

139.14 ~~(10) for certified pollution control facilities placed in service in a taxable year~~
139.15 ~~beginning before December 31, 1986, and for which amortization deductions were elected~~
139.16 ~~under section 169 of the Internal Revenue Code of 1954, as amended through December~~
139.17 ~~31, 1985, the amount of the amortization deduction allowed in computing federal taxable~~
139.18 ~~income for those facilities;~~

139.19 ~~(11)~~ the amount of any deemed dividend from a foreign operating corporation
139.20 determined pursuant to section 290.17, subdivision 4, paragraph (g);

139.21 ~~(12)~~ (11) the amount of a partner's pro rata share of net income which does not flow
139.22 through to the partner because the partnership elected to pay the tax on the income under
139.23 section 6242(a)(2) of the Internal Revenue Code;

139.24 ~~(13)~~ (12) the amount of net income excluded under section 114 of the Internal
139.25 Revenue Code;

139.26 ~~(14)~~ (13) any increase in subpart F income, as defined in section 952(a) of the
139.27 Internal Revenue Code, for the taxable year when subpart F income is calculated without
139.28 regard to the provisions of section 103 of Public Law 109-222;

139.29 ~~(15)~~ (14) 80 percent of the depreciation deduction allowed under section
139.30 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if
139.31 the taxpayer has an activity that in the taxable year generates a deduction for depreciation
139.32 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable
139.33 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation
139.34 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess
139.35 of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A)
139.36 over the amount of the loss from the activity that is not allowed in the taxable year. In

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140.1 succeeding taxable years when the losses not allowed in the taxable year are allowed, the
140.2 depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;
140.3 ~~(16)~~ (15) 80 percent of the amount by which the deduction allowed by section 179 of
140.4 the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
140.5 Revenue Code of 1986, as amended through December 31, 2003;
140.6 ~~(17)~~ (16) to the extent deducted in computing federal taxable income, the amount of
140.7 the deduction allowable under section 199 of the Internal Revenue Code; and
140.8 ~~(18)~~ (17) the exclusion allowed under section 139A of the Internal Revenue Code
140.9 for federal subsidies for prescription drug plans.

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

140.12 Sec. 13. Minnesota Statutes 2006, section 290.01, subdivision 19d, is amended to read:

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

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

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

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

140.25 (4) amounts disallowed for intangible drilling costs due to differences between
140.26 this chapter and the Internal Revenue Code in taxable years beginning before January
140.27 1, 1987, as follows:

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

140.31 (ii) to the extent the disallowed costs are not represented by physical property, an
140.32 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section
140.33 290.09, subdivision 8;

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

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

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

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

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

141.13 (6) an amount for interest and expenses relating to income not taxable for federal
141.14 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and
141.15 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or
141.16 291 of the Internal Revenue Code in computing federal taxable income;

141.17 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for
141.18 which percentage depletion was disallowed pursuant to subdivision 19c, clause ~~(11)~~ (9), a
141.19 reasonable allowance for depletion based on actual cost. In the case of leases the deduction
141.20 must be apportioned between the lessor and lessee in accordance with rules prescribed
141.21 by the commissioner. In the case of property held in trust, the allowable deduction must
141.22 be apportioned between the income beneficiaries and the trustee in accordance with the
141.23 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis
141.24 of the trust's income allocable to each;

141.25 ~~(8) for certified pollution control facilities placed in service in a taxable year~~
141.26 ~~beginning before December 31, 1986, and for which amortization deductions were elected~~
141.27 ~~under section 169 of the Internal Revenue Code of 1954, as amended through December~~
141.28 ~~31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes~~
141.29 ~~1986, section 290.09, subdivision 7;~~

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

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142.1 ~~(10)~~ (9) 80 percent of royalties, fees, or other like income accrued or received from a
142.2 foreign operating corporation or a foreign corporation which is part of the same unitary
142.3 business as the receiving corporation;
142.4 ~~(11)~~ (10) income or gains from the business of mining as defined in section 290.05,
142.5 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;
142.6 ~~(12)~~ (11) the amount of disability access expenditures in the taxable year which are
142.7 not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue
142.8 Code;
142.9 ~~(13)~~ (12) the amount of qualified research expenses not allowed for federal income
142.10 tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent
142.11 that the amount exceeds the amount of the credit allowed under section 290.068;
142.12 ~~(14)~~ (13) the amount of salary expenses not allowed for federal income tax purposes
142.13 due to claiming the Indian employment credit under section 45A(a) of the Internal
142.14 Revenue Code;
142.15 ~~(15) the amount of any refund of environmental taxes paid under section 59A of the~~
142.16 ~~Internal Revenue Code;~~
142.17 ~~(16)~~ (14) for taxable years beginning before January 1, 2008, the amount of the
142.18 federal small ethanol producer credit allowed under section 40(a)(3) of the Internal
142.19 Revenue Code which is included in gross income under section 87 of the Internal Revenue
142.20 Code;
142.21 ~~(17)~~ (15) for a corporation whose foreign sales corporation, as defined in section
142.22 922 of the Internal Revenue Code, constituted a foreign operating corporation during any
142.23 taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,
142.24 claiming the deduction under section 290.21, subdivision 4, for income received from
142.25 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of
142.26 income excluded under section 114 of the Internal Revenue Code, provided the income is
142.27 not income of a foreign operating company;
142.28 ~~(18)~~ (16) any decrease in subpart F income, as defined in section 952(a) of the
142.29 Internal Revenue Code, for the taxable year when subpart F income is calculated without
142.30 regard to the provisions of section ~~614~~ 103 of Public Law ~~107-147~~ 109-222;
142.31 ~~(19)~~ (17) in each of the five tax years immediately following the tax year in which an
142.32 addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth
142.33 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the
142.34 amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The
142.35 resulting delayed depreciation cannot be less than zero; and

143.1 ~~(20)~~ (18) in each of the five tax years immediately following the tax year in which an
143.2 addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth
143.3 of the amount of the addition.

143.4 **EFFECTIVE DATE.** The amendment to clause (2) is effective the day following
143.5 final enactment. The rest of this section is effective for taxable years beginning after
143.6 December 31, 2007.

143.7 Sec. 14. Minnesota Statutes 2006, section 290.06, subdivision 33, is amended to read:

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

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

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

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

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

143.21 Sec. 15. Minnesota Statutes 2006, section 290.067, subdivision 2b, is amended to read:

143.22 Subd. 2b. **Inflation adjustment.** The commissioner shall adjust the dollar amount
143.23 of the income threshold at which the maximum credit begins to be reduced under
143.24 subdivision 2 must be adjusted for inflation. The commissioner shall make the inflation
143.25 adjustments in accordance with section 1(f) of the Internal Revenue Code except that for
143.26 the purposes of this subdivision the percentage increase must be determined from the year
143.27 starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting
143.28 for inflation for the tax year beginning after December 31, 2000. The determination of
143.29 the commissioner under this subdivision is not a rule under the Administrative Procedure
143.30 Act. by the percentage determined pursuant to the provisions of section 1(f) of the Internal
143.31 Revenue Code, except that in section 1(f)(3)(B) the word "1999" shall be substituted for
143.32 the word "1992." For 2001, the commissioner shall then determine the percent change
143.33 from the 12 months ending on August 31, 1999, to the 12 months ending on August 31,

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144.1 2000, and in each subsequent year, from the 12 months ending on August 31, 1999, to the
144.2 12 months ending on August 31 of the year preceding the taxable year. The determination
144.3 of the commissioner pursuant to this subdivision must not be considered a "rule" and is
144.4 not subject to the Administrative Procedure Act contained in chapter 14. The threshold
144.5 amount as adjusted must be rounded to the nearest \$10 amount. If the amount ends in
144.6 \$5, the amount is rounded up to the nearest \$10 amount.

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

144.9 Sec. 16. Minnesota Statutes 2006, section 290.0671, subdivision 7, is amended to read:

144.10 Subd. 7. **Inflation adjustment.** The earned income amounts used to calculate the
144.11 credit and the income thresholds at which the maximum credit begins to be reduced in
144.12 subdivision 1 must be adjusted for inflation. The commissioner shall ~~make the inflation~~
144.13 ~~adjustments in accordance with section 1(f) of the Internal Revenue Code except that for~~
144.14 ~~the purposes of this subdivision the percentage increase shall be determined from the year~~
144.15 ~~starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for~~
144.16 ~~inflation for the tax year beginning after December 31, 2000: adjust by the percentage~~
144.17 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except
144.18 that in section 1(f)(3)(B) the word "1999" shall be substituted for the word "1992." For
144.19 2001, the commissioner shall then determine the percent change from the 12 months
144.20 ending on August 31, 1999, to the 12 months ending on August 31, 2000, and in each
144.21 subsequent year, from the 12 months ending on August 31, 1999, to the 12 months ending
144.22 on August 31 of the year preceding the taxable year. The earned income thresholds as
144.23 adjusted for inflation must be rounded to the nearest \$10 amount. If the amount ends
144.24 in \$5, the amount is rounded up to the nearest \$10 amount. The determination of the
144.25 commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

144.28 Sec. 17. Minnesota Statutes 2006, section 290.091, subdivision 3, is amended to read:

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

144.31 ~~(1) for taxable years beginning before January 1, 2006, the exemption determined~~
144.32 ~~under section 55(d) of the Internal Revenue Code, as amended through December 31,~~
144.33 ~~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 taxable years beginning after December 31, 2007.

Sec. 18. Minnesota Statutes 2006, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in

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service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

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

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause ~~(16)~~ (14), is disallowed in determining alternative minimum taxable income.

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

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

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

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

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

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

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

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

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

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

(12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause ~~(10)~~ (8), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause ~~(11)~~ (9).

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

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

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

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

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

Sec. 19. 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,

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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. 20. 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,~~

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~~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, 2007, and property taxes payable after December 31, 2008.

Sec. 21. **TRANSITION; POLLUTION CONTROL FACILITIES AMORTIZATION.**

The amount of additions to federal taxable income pursuant to Minnesota Statutes, section 290.01, subdivision 19c, clause (10), that are properly subtractable pursuant to Minnesota Statutes, section 290.01, subdivision 19d, clause (8), for taxable years beginning after December 31, 2007, and have not been subtracted pursuant to Minnesota Statutes, section 290.01, subdivision 19d, clause (8), are subtractable in the taxpayer's first taxable year beginning after December 31, 2007.

ARTICLE 11
DEPARTMENT 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 filed claiming the bad debt deduction, whichever period is later. The refund or credit is limited to the amount of overpayment attributable to the loss. "Bad debt" for purposes of this subdivision, has the same meaning as that term is used in United States Code, title 26, section 166, except that for a claim relating to an overpayment of taxes under

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chapter 297A the following are excluded from the calculation of bad debt: financing charges or interest; sales or use taxes charged on the purchase price; uncollectible amounts on property that remain in the possession of the seller until the full purchase price is paid; expenses incurred in attempting to collect any debt; and repossessed property. For purposes of reporting a payment received on previously claimed bad debt under chapter 297A, any payments made on a debt or account are applied first proportionally to the taxable price of the property or service and the sales tax on it, and secondly to interest, service charges, and any other charges.

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

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

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

EFFECTIVE DATE. This section is effective for refund claims filed after June 30, 2008.

Sec. 3. Minnesota Statutes 2006, section 289A.60, subdivision 25, is amended to read:

Subd. 25. **Penalty for failure to properly complete sales and use tax return.** A person who fails to report local ~~sales tax~~ taxes required to be reported on a sales and use tax return or who fails to report local ~~sales tax~~ taxes on separate tax lines on the sales and use tax return is subject to a penalty of five percent of the amount of tax not properly reported on the return. A person who files a consolidated tax return but fails to report location information is subject to a \$500 penalty for each return not containing location information. In addition, the commissioner may revoke the privilege for a taxpayer to file consolidated returns and may require the taxpayer to separately register each location and to file a tax return for each location.

EFFECTIVE DATE. This section is effective for returns filed after June 30, 2008.

Sec. 4. Minnesota Statutes 2006, section 289A.60, is amended by adding a subdivision to read:

Subd. 29. **Penalty for failure to report liquor sales.** In the case of a failure to file an informational report required by section 297A.8155 with the commissioner on or before

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151.1 the date prescribed, the person failing to file the report shall pay a penalty of \$500 each
151.2 failure. If a failure to file a report is intentional, the penalty shall be \$1,000 each failure.

151.3 **EFFECTIVE DATE.** This section is effective for reports filed after December
151.4 31, 2008.

151.5 Sec. 5. Minnesota Statutes 2006, section 297A.61, subdivision 3, is amended to read:

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

151.8 (b) Sale and purchase include:

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

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

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

151.17 (d) Sale and purchase include the preparing for a consideration of food.

151.18 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
151.19 to, the following:

151.20 (1) prepared food sold by the retailer;

151.21 (2) soft drinks;

151.22 (3) candy;

151.23 (4) dietary supplements; and

151.24 (5) all food sold through vending machines.

151.25 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
151.26 gas, water, or steam for use or consumption within this state.

151.27 (f) A sale and a purchase includes the transfer for a consideration of prewritten
151.28 computer software whether delivered electronically, by load and leave, or otherwise.

151.29 (g) A sale and a purchase includes the furnishing for a consideration of the following
151.30 services:

151.31 (1) the privilege of admission to places of amusement, recreational areas, or athletic
151.32 events, and the making available of amusement devices, tanning facilities, reducing
151.33 salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

151.34 (2) lodging and related services by a hotel, rooming house, resort, campground,
151.35 motel, or trailer camp, including furnishing the guest of the facility with access to

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152.1 telecommunication services, and the granting of any similar license to use real property
152.2 in a specific facility, other than the renting or leasing of it for a continuous period of
152.3 30 days or more under an enforceable written agreement that may not be terminated
152.4 without prior notice;

152.5 (3) nonresidential parking services, whether on a contractual, hourly, or other
152.6 periodic basis, except for parking at a meter;

152.7 (4) the granting of membership in a club, association, or other organization if:

152.8 (i) the club, association, or other organization makes available for the use of its
152.9 members sports and athletic facilities, without regard to whether a separate charge is
152.10 assessed for use of the facilities; and

152.11 (ii) use of the sports and athletic facility is not made available to the general public
152.12 on the same basis as it is made available to members.

152.13 Granting of membership means both onetime initiation fees and periodic membership
152.14 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and
152.15 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;
152.16 swimming pools; and other similar athletic or sports facilities;

152.17 (5) delivery of aggregate materials ~~and concrete block~~ by a third party, excluding
152.18 delivery of aggregate material used in road construction, and delivery of concrete block by
152.19 a third party if the delivery would be subject to the sales tax if provided by the seller of the
152.20 ~~aggregate material or concrete block~~; and

152.21 (6) services as provided in this clause:

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

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

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

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

153.1 (v) pet grooming services;

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

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

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

153.13 In applying the provisions of this chapter, the terms "tangible personal property"
153.14 and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii),
153.15 and the provision of these taxable services, unless specifically provided otherwise.
153.16 Services performed by an employee for an employer are not taxable. Services performed
153.17 by a partnership or association for another partnership or association are not taxable if
153.18 one of the entities owns or controls more than 80 percent of the voting power of the
153.19 equity interest in the other entity. Services performed between members of an affiliated
153.20 group of corporations are not taxable. For purposes of the preceding sentence, "affiliated
153.21 group of corporations" means those entities that would be classified as members of an
153.22 affiliated group as defined under United States Code, title 26, section 1504, disregarding
153.23 the exclusions in section 1504(b).

153.24 For purposes of clause (5), "road construction" means construction of (1) public
153.25 roads, (2) cartways, and (3) private roads in townships located outside of the seven-county
153.26 metropolitan area up to the point of the emergency response location sign.

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

153.31 (i) A sale and a purchase includes the furnishing for a consideration
153.32 of telecommunications services, including ancillary services associated with
153.33 telecommunication services, cable television services and, direct satellite services, and
153.34 ring tones. Telecommunications Telecommunication services include, but are not limited
153.35 to, the following services, as defined in section 297A.669: air-to-ground radiotelephone
153.36 service, mobile telecommunication service, postpaid calling service, prepaid calling

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154.1 service, prepaid wireless calling service, and private communication services. The
154.2 services in this paragraph are taxed to the extent allowed under federal law.

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

154.6 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
154.7 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
154.8 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
154.9 65B.29, subdivision 1, clause (1).

154.10 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
154.11 June 30, 2008, except that the amendments to paragraphs (g), clause (2), and (i), are
154.12 effective retroactively for sales and purchases made after December 31, 2007.

154.13 Sec. 6. Minnesota Statutes 2006, section 297A.61, subdivision 4, is amended to read:

154.14 Subd. 4. **Retail sale.** (a) A "retail sale" means any sale, lease, or rental for any
154.15 purpose, other than resale, sublease, or subrent of items by the purchaser in the normal
154.16 course of business as defined in subdivision 21.

154.17 (b) A sale of property used by the owner only by leasing it to others or by holding it
154.18 in an effort to lease it, and put to no use by the owner other than resale after the lease or
154.19 effort to lease, is a sale of property for resale.

154.20 (c) A sale of master computer software that is purchased and used to make copies for
154.21 sale or lease is a sale of property for resale.

154.22 (d) A sale of building materials, supplies, and equipment to owners, contractors,
154.23 subcontractors, or builders for the erection of buildings or the alteration, repair, or
154.24 improvement of real property is a retail sale in whatever quantity sold, whether the sale is
154.25 for purposes of resale in the form of real property or otherwise.

154.26 (e) A sale of carpeting, linoleum, or similar floor covering to a person who provides
154.27 for installation of the floor covering is a retail sale and not a sale for resale since a sale
154.28 of floor covering which includes installation is a contract for the improvement of real
154.29 property.

154.30 (f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides
154.31 for installation of the items is a retail sale and not a sale for resale since a sale of
154.32 shrubbery, plants, sod, trees, and similar items that includes installation is a contract for
154.33 the improvement of real property.

154.34 (g) A sale of tangible personal property that is awarded as prizes is a retail sale and
154.35 is not considered a sale of property for resale.

(h) A sale of tangible personal property utilized or employed in the furnishing or providing of services under subdivision 3, paragraph (g), clause (1), including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(i) A sale of tangible personal property used in conducting lawful gambling under chapter 349 or the State Lottery under chapter 349A, including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(j) A sale of machines, equipment, or devices that are used to furnish, provide, or dispense goods or services, including, but not limited to, coin-operated devices, is a retail sale and is not considered a sale of property for resale.

(k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease payment becomes due under the terms of the agreement or the trade practices of the lessor or (2) in the case of a lease of a motor vehicle, as defined in section 297B.01, subdivision 5, but excluding vehicles with a manufacturer's gross vehicle weight rating greater than 10,000 pounds and rentals of vehicles for not more than 28 days, at the time the lease is executed.

(l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of title or possession of the tangible personal property.

(m) A sale of a bundled transaction in which one or more of the products included in the bundle is a taxable product is a retail sale, except that if one of the products is a telecommunication service, ancillary service, Internet access, or audio or video programming service, and the seller has maintained books and records identifying through reasonable and verifiable standards the portions of the price that are attributable to the distinct and separately identifiable products, then the products are not considered part of a bundled transaction. For purposes of this paragraph:

(1) the books and records maintained by the seller must be maintained in the regular course of business, and do not include books and records created and maintained by the seller primarily for tax purposes;

(2) books and records maintained in the regular course of business include, but are not limited to, financial statements, general ledgers, invoicing and billing systems and reports, and reports for regulatory tariffs and other regulatory matters; and

(3) books and records are maintained primarily for tax purposes when the books and records identify taxable and nontaxable portions of the price, but the seller maintains other books and records that identify different prices attributable to the distinct products included in the same bundled transaction.

156.1 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
156.2 made after December 31, 2007.

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

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

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

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

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

156.14 (4) delivery charges, except the percentage of the delivery charge allocated to
156.15 delivery of tax exempt property, when the delivery charge is allocated by using either (i) a
156.16 percentage based on the total sales price of the taxable property compared to the total sales
156.17 price of all property in the shipment, or (ii) a percentage based on the total weight of the
156.18 taxable property compared to the total weight of all property in the shipment; and

156.19 (5) installation charges; ~~and~~

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

156.23 (b) Sales price does not include:

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

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

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

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

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

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

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

(4) one of the following criteria is met:

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

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

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

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2007, except that the amendment to paragraph (a), clause (4), is effective the day following final enactment.

Sec. 8. Minnesota Statutes 2006, section 297A.61, subdivision 10, is amended to read:

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

(b) Tangible personal property does not include:

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

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

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

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

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2007.

Sec. 9. Minnesota Statutes 2006, section 297A.61, subdivision 24, is amended to read:

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

(b) Telecommunications services ~~includes the furnishing for consideration of access to telephone services by a hotel to its guests.~~ include transmission, conveyance, or routing in which computer processing applications are used to act on the form, code, or protocol of the content for purposes of transmission, conveyance, or routing, without regard to whether the service is referred to as voice over Internet protocol services or is classified by the Federal Communications Commission as enhanced or value added.

(c) Telecommunications services do not include:

- ~~(1) services purchased with a prepaid telephone calling card;~~
- ~~(2) private communication service purchased by an agent acting on behalf of the State Lottery;~~
- ~~(3) information services; and~~
- ~~(4) purchases of telecommunications when the purchaser uses the purchased services as a component part of or integrates such service into another telecommunications service that is sold by the purchaser in the normal course of business.~~

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

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

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

(3) tangible personal property;

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

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

(6) Internet access service;

(7) radio and television audio and video programming services, regardless of the medium, including the furnishing of transmission, conveyance, and routing of such services by the programming service provider. Radio and television audio and video programming services includes, but is not limited to, cable service as defined in United

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159.1 States Code, title 47, section 522(6), and audio and video programming services delivered
159.2 by commercial mobile radio service providers, as defined in Code of Federal Regulations,
159.3 title 47, section 20.3;

159.4 (8) ancillary services; or

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

159.7 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
159.8 made after December 31, 2007.

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

159.11 Subd. 38. **Bundled transaction.** (a) "Bundled transaction" means the retail sale
159.12 of two or more products when the products are otherwise distinct and identifiable, and
159.13 the products are sold for one nonitemized price. As used in this subdivision, "product"
159.14 includes tangible personal property, services, intangibles, and digital goods, but does not
159.15 include real property or services to real property. A bundled transaction does not include
159.16 the sale of any products in which the sales price varies, or is negotiable, based on the
159.17 selection by the purchaser of the products included in the transaction.

159.18 (b) For purposes of this subdivision, "distinct and identifiable" products does not
159.19 include:

159.20 (1) packaging and other materials, such as containers, boxes, sacks, bags, and
159.21 bottles, wrapping, labels, tags, and instruction guides, that accompany the retail sale of the
159.22 products and are incidental or immaterial to the retail sale. Examples of packaging that are
159.23 incidental or immaterial include grocery sacks, shoe boxes, dry cleaning garment bags,
159.24 and express delivery envelopes and boxes;

159.25 (2) a promotional product provided free of charge with the required purchase of
159.26 another product. A promotional product is provided free of charge if the sales price of
159.27 another product, which is required to be purchased in order to receive the promotional
159.28 product, does not vary depending on the inclusion of the promotional product; and

159.29 (3) items included in the definition of sales price.

159.30 (c) For purposes of this subdivision, the term "one nonitemized price" does not
159.31 include a price that is separately identified by product on binding sales or other supporting
159.32 sales-related documentation made available to the customer in paper or electronic form
159.33 including, but not limited to an invoice, bill of sale, receipt, contract, service agreement,
159.34 lease agreement, periodic notice of rates and services, rate card, or price list.

(d) A transaction that otherwise meets the definition of a bundled transaction is not a bundled transaction if it is:

(1) the retail sale of tangible personal property and a service and the tangible personal property is essential to the use of the service, and is provided exclusively in connection with the service, and the true object of the transaction is the service;

(2) the retail sale of services if one service is provided that is essential to the use or receipt of a second service and the first service is provided exclusively in connection with the second service and the true object of the transaction is the second service;

(3) a transaction that includes taxable products and nontaxable products and the purchase price or sales price of the taxable products is de minimis; or

(4) the retail sale of exempt tangible personal property and taxable tangible personal property if:

(i) the transaction includes food and food ingredients, drugs, durable medical equipment, mobility enhancing equipment, over-the-counter drugs, prosthetic devices, or medical supplies; and

(ii) the seller's purchase price or sales price of the taxable tangible personal property is 50 percent or less of the total purchase price or sales price of the bundled tangible personal property. Sellers must not use a combination of the purchase price and sales price of the tangible personal property when making the 50 percent determination for a transaction.

(e) For purposes of this subdivision, "purchase price" means the measure subject to use tax on purchases made by the seller, and "de minimis" means that the seller's purchase price or sales price of the taxable products is ten percent or less of the total purchase price or sales price of the bundled products. Sellers shall use either the purchase price or the sales price of the products to determine if the taxable products are de minimis. Sellers must not use a combination of the purchase price and sales price of the products to determine if the taxable products are de minimis. Sellers shall use the full term of a service contract to determine if the taxable products are de minimis.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2007.

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

Subd. 39. Ancillary services. "Ancillary services" means services that are associated with or incidental to the provision of telecommunications services, including,

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161.1 but not limited to, conference bridging service, detailed telecommunications billing,
161.2 directory assistance, vertical service, and voice mail services.

161.3 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
161.4 made after December 31, 2007.

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

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

161.11 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
161.12 made after December 31, 2007.

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

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

161.18 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
161.19 made after December 31, 2007.

161.20 Sec. 14. Minnesota Statutes 2006, section 297A.61, is amended by adding a
161.21 subdivision to read:

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

161.24 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
161.25 made after December 31, 2007.

161.26 Sec. 15. Minnesota Statutes 2006, section 297A.61, is amended by adding a
161.27 subdivision to read:

161.28 Subd. 43. **Vertical service.** "Vertical service" means an ancillary service that is
161.29 offered in connection with one or more telecommunications services and which offers

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162.1 advanced calling features that allow customers to identify callers and to manage multiple
162.2 calls and call connections, including conference bridging services.

162.3 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
162.4 made after December 31, 2007.

162.5 Sec. 16. Minnesota Statutes 2006, section 297A.61, is amended by adding a
162.6 subdivision to read:

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

162.11 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
162.12 made after December 31, 2007.

162.13 Sec. 17. Minnesota Statutes 2006, section 297A.61, is amended by adding a
162.14 subdivision to read:

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

162.18 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
162.19 made after December 31, 2007.

162.20 Sec. 18. Minnesota Statutes 2006, section 297A.61, is amended by adding a
162.21 subdivision to read:

162.22 Subd. 46. **Fur clothing.** "Fur clothing" means human wearing apparel that is
162.23 required by the Federal Fur Products Labeling Act, United States Code, title 15, section
162.24 69, to be labeled as a fur product, and the value of the fur components in the product
162.25 is more than three times the value of the next most valuable tangible component. For
162.26 purposes of this subdivision, "fur" means any animal skin or part of an animal skin with
162.27 hair, fleece, or fur fibers attached to it, either in its raw or processed state, but does not
162.28 include animal skins that have been converted into leather or suede, or from which the
162.29 hair, fleece, or fur fiber has been completely removed in processing the skins.

162.30 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
162.31 June 30, 2008.

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Sec. 19. Minnesota Statutes 2006, section 297A.63, subdivision 1, is amended to read:

Subdivision 1. **Use of tangible personal property or taxable services.** (a) For the privilege of using, storing, distributing, or consuming in Minnesota tangible personal property or taxable services purchased for use, storage, distribution, or consumption in this state, a use tax is imposed on a person in Minnesota. The tax is imposed on the purchase price of retail sales of the tangible personal property or taxable services at the rate of tax imposed under section 297A.62. A person that purchases property from a Minnesota retailer and returns the tangible personal property to a point within Minnesota, except in the course of interstate commerce, after it was delivered outside of Minnesota, is subject to the use tax.

(b) No tax is imposed under paragraph (a) if the tax imposed by section 297A.62 was paid on the sales price of the tangible personal property or taxable services.

(c) No tax is imposed under paragraph (a) if the purchase meets the requirements for exemption under section 297A.67, subdivision 21.

(d) When a transaction otherwise meets the definition of a bundled transaction, but is not a bundled transaction under section 297A.61, subdivision 38, paragraph (d), and the seller's purchase price of the taxable product or taxable tangible personal property is equal to or greater than \$100, then use tax is imposed on the purchase price of the taxable product or taxable personal property. For purposes of this paragraph, "purchase price" means the measure subject to use tax on purchases made by the seller.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2007.

Sec. 20. Minnesota Statutes 2006, section 297A.665, is amended to read:

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

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

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

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

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

~~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:

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(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.

(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 retroactively for sales and purchases made after December 31, 2007.

Sec. 21. 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:

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165.1 (1) the seller's telecommunications system; or

165.2 (2) information received by the seller from its service provider, where the system
165.3 used to transport such signals is not that of the seller.

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

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

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

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

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

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

165.25 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
165.26 made after December 31, 2007.

165.27 Sec. 22. Minnesota Statutes 2006, section 297A.669, subdivision 13, is amended to
165.28 read:

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

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166.1 service, except a prepaid wireless calling service, that would be a prepaid calling service
166.2 except it is not exclusively a telecommunication service.

166.3 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
166.4 made after December 31, 2007.

166.5 Sec. 23. Minnesota Statutes 2006, section 297A.669, subdivision 14, is amended to
166.6 read:

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

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

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

166.11 (3) enables the origination of calls using an access number or authorization code,
166.12 whether manually or electronically dialed;~~2 and that~~

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

166.15 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
166.16 made after December 31, 2007.

166.17 Sec. 24. Minnesota Statutes 2006, section 297A.669, is amended by adding a
166.18 subdivision to read:

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

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

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

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

166.27 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
166.28 made after December 31, 2007.

166.29 Sec. 25. Minnesota Statutes 2006, section 297A.669, is amended by adding a
166.30 subdivision to read:

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

167.1 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
167.2 made after December 31, 2007.

167.3 Sec. 26. Minnesota Statutes 2006, section 297A.67, subdivision 7, is amended to read:

167.4 Subd. 7. **Drugs; medical devices.** (a) Sales of the following drugs and medical
167.5 devices are exempt:

167.6 (1) drugs for human use, including over-the-counter drugs;

167.7 (2) single-use finger-pricking devices for the extraction of blood and other single-use
167.8 devices and single-use diagnostic agents used in diagnosing, monitoring, or treating
167.9 diabetes;

167.10 (3) insulin and medical oxygen for human use, regardless of whether prescribed
167.11 or sold over the counter;

167.12 (4) prosthetic devices;

167.13 (5) durable medical equipment for home use only;

167.14 (6) mobility enhancing equipment; ~~and~~

167.15 (7) prescription corrective eyeglasses; and

167.16 (8) kidney dialysis equipment, including repair and replacement parts.

167.17 (b) For purposes of this subdivision:

167.18 (1) "Drug" means a compound, substance, or preparation, and any component of
167.19 a compound, substance, or preparation, other than food and food ingredients, dietary
167.20 supplements, or alcoholic beverages that is:

167.21 (i) recognized in the official United States Pharmacopoeia, official Homeopathic
167.22 Pharmacopoeia of the United States, or official National Formulary, and supplement
167.23 to any of them;

167.24 (ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention
167.25 of disease; or

167.26 (iii) intended to affect the structure or any function of the body.

167.27 (2) "Durable medical equipment" means equipment, including repair and
167.28 replacement parts, but not including mobility enhancing equipment, that:

167.29 (i) can withstand repeated use;

167.30 (ii) is primarily and customarily used to serve a medical purpose;

167.31 (iii) generally is not useful to a person in the absence of illness or injury; and

167.32 (iv) is not worn in or on the body.

167.33 (3) "Mobility enhancing equipment" means equipment, including repair and
167.34 replacement parts, but not including durable medical equipment, that:

(i) is primarily and customarily used to provide or increase the ability to move from one place to another and that is appropriate for use either in a home or a motor vehicle;

(ii) is not generally used by persons with normal mobility; and

(iii) does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

(4) "Over-the-counter drug" means a drug that contains a label that identifies the product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The label must include a "drug facts" panel or a statement of the active ingredients with a list of those ingredients contained in the compound, substance, or preparation. Over-the-counter drugs do not include grooming and hygiene products, regardless of whether they otherwise meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

(5) "Prescribed" and "prescription" means a direction in the form of an order, formula, or recipe issued in any form of oral, written, electronic, or other means of transmission by a duly licensed health care professional.

(6) "Prosthetic device" means a replacement, corrective, or supportive device, including repair and replacement parts, worn on or in the body to:

(i) artificially replace a missing portion of the body;

(ii) prevent or correct physical deformity or malfunction; or

(iii) support a weak or deformed portion of the body.

Prosthetic device does not include corrective eyeglasses.

(7) "Kidney dialysis equipment" means equipment that:

(i) is used to remove waste products that build up in the blood when the kidneys are not able to do so on their own; and

(ii) can withstand repeated use, including multiple use by a single patient.

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

Sec. 27. Minnesota Statutes 2006, section 297A.67, subdivision 8, is amended to read:

Subd. 8. **Clothing.** (a) Clothing is exempt. For purposes of this subdivision, "clothing" means all human wearing apparel suitable for general use.

(b) Clothing includes, but is not limited to, aprons, household and shop; athletic supporters; baby receiving blankets; bathing suits and caps; beach capes and coats; belts and suspenders; boots; coats and jackets; costumes; children and adult diapers, including disposable; ear muffs; footlets; formal wear; garters and garter belts; girdles; gloves and mittens for general use; hats and caps; hosiery; insoles for shoes; lab coats; neckties;

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169.1 overshoes; pantyhose; rainwear; rubber pants; sandals; scarves; shoes and shoe laces;
169.2 slippers; sneakers; socks and stockings; steel-toed boots; underwear; uniforms, athletic
169.3 and nonathletic; and wedding apparel.

169.4 (c) Clothing does not include the following:

169.5 (1) belt buckles sold separately;

169.6 (2) costume masks sold separately;

169.7 (3) patches and emblems sold separately;

169.8 (4) sewing equipment and supplies, including but not limited to, knitting needles,
169.9 patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles;

169.10 (5) sewing materials that become part of clothing, including but not limited to,
169.11 buttons, fabric, lace, thread, yarn, and zippers;

169.12 (6) clothing accessories or equipment;

169.13 (7) sports or recreational equipment; and

169.14 (8) protective equipment.

169.15 Clothing also does not include ~~apparel made from fur if a uniform definition of "apparel~~
169.16 ~~made from fur" is developed by the member states of the Streamlined Sales and Use Tax~~
169.17 ~~Agreement~~ "fur clothing" as defined in section 297A.61, subdivision 46.

169.18 For purposes of this subdivision, "clothing accessories or equipment" means
169.19 incidental items worn on the person or in conjunction with clothing. Clothing accessories
169.20 and equipment include, but are not limited to, briefcases; cosmetics; hair notions, including
169.21 barrettes, hair bows, and hairnets; handbags; handkerchiefs; jewelry; nonprescription
169.22 sunglasses; umbrellas; wallets; watches; and wigs and hairpieces. "Sports or recreational
169.23 equipment" means items designed for human use and worn in conjunction with an athletic
169.24 or recreational activity that are not suitable for general use. Sports and recreational
169.25 equipment includes, but is not limited to, ballet and tap shoes; cleated or spiked athletic
169.26 shoes; gloves, including, but not limited to, baseball, bowling, boxing, hockey, and golf
169.27 gloves; goggles; hand and elbow guards; life preservers and vests; mouth guards; roller
169.28 and ice skates; shin guards; shoulder pads; ski boots; waders; and wetsuits and fins.

169.29 "Protective equipment" means items for human wear and designed as protection of the
169.30 wearer against injury or disease or as protection against damage or injury of other persons
169.31 or property but not suitable for general use. Protective equipment includes, but is not
169.32 limited to, breathing masks; clean room apparel and equipment; ear and hearing protectors;
169.33 face shields; finger guards; hard hats; helmets; paint or dust respirators; protective gloves;
169.34 safety glasses and goggles; safety belts; tool belts; and welders gloves and masks.

170.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
170.2 June 30, 2008.

170.3 Sec. 28. Minnesota Statutes 2006, section 297A.67, subdivision 9, is amended to read:

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

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

170.7 Sec. 29. Minnesota Statutes 2006, section 297A.68, subdivision 11, is amended to read:

170.8 Subd. 11. **Advertising materials.** Materials designed to advertise and promote the
170.9 sale of merchandise or services are exempt if these materials are mailed or transferred to a
170.10 person outside the state for use solely outside the state. Mailing and reply envelopes and
170.11 cards and other shipping materials including, but not limited to, boxes, labels, containers,
170.12 and banding, used exclusively in connection with these advertising and promotional
170.13 materials are included in this exemption. The exemption applies regardless of where the
170.14 mailing occurs. The storage of these materials in the state for the purpose of subsequently
170.15 shipping or otherwise transferring the material out of state is also exempt if the other
170.16 conditions in this subdivision are met. For purposes of this subdivision, materials that have
170.17 a primary purpose other than advertising, such as fulfilling a legal obligation or furnishing
170.18 nonadvertising information, are not materials designed to advertise and promote the sale
170.19 of merchandise or services even if they do include advertising content.

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

170.21 Sec. 30. Minnesota Statutes 2006, section 297A.68, subdivision 16, is amended to read:

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

170.28 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
170.29 after December 31, 2007.

170.30 Sec. 31. 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 retroactively for sales and purchases made after December 31, 2007.

Sec. 32. Minnesota Statutes 2006, section 297A.69, subdivision 2, is amended to read:

Subd. 2. **Materials consumed in agricultural production.** Materials stored, used, or consumed in agricultural production of personal property intended to be sold ultimately at retail are exempt, whether or not the item becomes an ingredient or constituent part

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172.1 of the property produced. Materials that qualify for this exemption include, but are not
172.2 limited to, the following:

172.3 (1) feeds, seeds, trees, fertilizers, and herbicides, including when purchased for use
172.4 by farmers in a federal or state farm or conservation program;

172.5 (2) materials sold to a veterinarian to be used or consumed in the care, medication,
172.6 and treatment of agricultural production animals and horses;

172.7 (3) chemicals, including chemicals used for cleaning food processing machinery
172.8 and equipment;

172.9 (4) materials, including chemicals, fuels, and electricity purchased by persons
172.10 engaged in agricultural production to treat waste generated as a result of the production
172.11 process;

172.12 (5) fuels, electricity, gas, and steam used or consumed in the production process,
172.13 ~~except that including~~ electricity, gas, or steam used for space heating, cooling, or lighting
172.14 ~~is exempt if (i) it is in excess of the average climate control or lighting for the production~~
172.15 ~~area, and (ii) it is necessary to produce that particular product of facilities housing~~
172.16 agricultural animals;

172.17 (6) petroleum products and lubricants;

172.18 (7) packaging materials, including returnable containers used in packaging food and
172.19 beverage products; and

172.20 (8) accessory tools and equipment that are separate detachable units with an ordinary
172.21 useful life of less than 12 months used in producing a direct effect upon the product.

172.22 Machinery, equipment, implements, tools, accessories, appliances, contrivances, and
172.23 furniture and fixtures, except those listed in this clause are not included within this
172.24 exemption.

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

172.26 Sec. 33. Minnesota Statutes 2006, section 297A.70, subdivision 7, is amended to read:

172.27 Subd. 7. **Hospitals and outpatient surgical centers.** (a) Sales, except for those
172.28 listed in paragraph (c), to a hospital are exempt, if the items purchased are used in
172.29 providing hospital services. For purposes of this subdivision, "hospital" means a hospital
172.30 organized and operated for charitable purposes within the meaning of section 501(c)(3) of
172.31 the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction,
172.32 and "hospital services" are services authorized or required to be performed by a "hospital"
172.33 under chapter 144.

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173.1 (b) Sales, except for those listed in paragraph (c), to an outpatient surgical center
173.2 are exempt, if the items purchased are used in providing outpatient surgical services. For
173.3 purposes of this subdivision, "outpatient surgical center" means an outpatient surgical
173.4 center organized and operated for charitable purposes within the meaning of section
173.5 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other
173.6 jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means:
173.7 (1) services authorized or required to be performed by an outpatient surgical center under
173.8 chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means
173.9 health services furnished to a person whose medical condition is sufficiently acute to
173.10 require treatment unavailable through, or inappropriate to be provided by, a clinic or
173.11 physician's office, but not so acute as to require treatment in a hospital emergency room.

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

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

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

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

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

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

173.25 (d) A limited liability company also qualifies for exemption under this subdivision if

173.26 (1) it consists of a sole member that would qualify for the exemption, and (2) the items
173.27 purchased qualify for the exemption.

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

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

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

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

173.33 Sec. 34. Minnesota Statutes 2006, section 297A.70, is amended by adding a
173.34 subdivision to read:

174.1 Subd. 18. **Private communication service for State Lottery.** Private
174.2 communication service, as defined in section 297A.61, subdivision 26, is exempt if the
174.3 service is purchased by an agent acting on behalf of the State Lottery.

174.4 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases
174.5 made after December 31, 2007.

174.6 Sec. 35. Minnesota Statutes 2006, section 297A.72, is amended to read:

174.7 **297A.72 EXEMPTION CERTIFICATES.**

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

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

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

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

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

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

174.20 (iii) if the purchaser does not have an identification number described in either item

174.21 (i) or (ii), then the purchaser's federal Employer Identification Number; or

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

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

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

174.30 Subd. 3. **Purchaser requirement.** A blanket exemption certificate is an exemption
174.31 certificate used for continuing future purchases. A purchaser using a blanket exemption
174.32 certificate must update it as needed to accurately reflect the information that is required
174.33 under subdivision 2.

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

Sec. 36. [297A.8155] LIQUOR REPORTING REQUIREMENTS; PENALTY.

A person who sells liquor, as defined in section 295.75, subdivision 1, in Minnesota to a retailer that sells liquor, shall file with the commissioner an annual informational report, in the form and manner prescribed by the commissioner, indicating the name, address, and Minnesota business identification number of each retailer, and the total dollar amount of liquor sold to each retailer in the previous calendar year. The report must be filed on or before March 31 following the close of the calendar year. A person failing to file this report is subject to the penalty imposed under Minnesota Statutes, section 289A.60.

EFFECTIVE DATE. This section is effective for reports filed after December 31, 2008.

Sec. 37. Minnesota Statutes 2006, section 297A.90, subdivision 2, is amended to read:

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

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

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

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

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

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

176.2 Sec. 38. Minnesota Statutes 2006, section 297B.035, subdivision 1, is amended to read:

176.3 Subdivision 1. **Ordinary course of business.** Except as provided in this section,
176.4 motor vehicles purchased solely for resale in the ordinary course of business by any motor
176.5 vehicle dealer, as defined in section 168.011, subdivision 21, who is licensed under section
176.6 168.27, subdivision 2 or 3, including vehicles which bear dealer plates as authorized by
176.7 section 168.27, subdivision 16, shall be exempt from the provisions of this chapter.

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

176.9 Sec. 39. Minnesota Statutes 2006, section 469.1734, subdivision 6, is amended to read:

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

- 176.13 (1) are used in connection with a trade or business;
176.14 (2) are placed in service in a city that is authorized to designate a zone under section
176.15 469.1731, regardless of whether the machinery and equipment are used in a zone; and
176.16 (3) have a useful life of 12 months or more.

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

- 176.19 (1) a facility for use in a trade or business located in a city that is authorized to
176.20 designate a zone under section 469.1731, regardless of whether the facility is located in a
176.21 zone; or
176.22 (2) housing that is located in a zone.

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

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

- 176.27 (1) the amount of the tax credit certificates received from the city, less
176.28 (2) any tax credit certificates used under the provisions of subdivisions 4 and 5, and
176.29 section 469.1732, subdivision 2.

176.30 (d) The tax on sales of items exempted under this subdivision shall be imposed and
176.31 collected as if the applicable rate under section 297A.62 applied. Upon application by the
176.32 purchaser, on forms prescribed by the commissioner, a refund equal to the tax paid shall
176.33 be paid to the purchaser. The application must include sufficient information to permit

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177.1 the commissioner to verify the sales tax paid and the eligibility of the claimant to receive
177.2 the credit. No more than two applications for refunds may be filed under this subdivision
177.3 in a calendar year. The provisions of section 289A.40 apply to the refunds payable
177.4 under this subdivision. There is annually appropriated to the commissioner of revenue
177.5 the amount required to make the refunds, which must be deducted from the amount of
177.6 the city's allocation under section 469.169, subdivision 12, that remains available and its
177.7 limitation under section 469.1735.

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

177.10 **EFFECTIVE DATE.** This section is effective for refund claims filed after June
177.11 30, 2008.

177.12 Sec. 40. **FUR TAX PAYMENTS.**

177.13 (a) Furriers must file the annual return, required by Minnesota Statutes, section
177.14 295.60, subdivision 5, which otherwise would be due March 15, 2009, by September
177.15 15, 2008.

177.16 (b) If a furrier is required by Minnesota Statutes, section 295.60, subdivision 3, to
177.17 make installments of quarterly estimates, then the furrier shall make the last installment by
177.18 July 15, 2008.

177.19 **EFFECTIVE DATE.** This section is effective July 1, 2008, for sales and purchases
177.20 made prior to July 1, 2008.

177.21 Sec. 41. **REPEALER.**

177.22 (a) Minnesota Statutes 2006, section 295.60, is repealed.

177.23 (b) Minnesota Statutes 2006, section 297A.61, subdivision 20, is repealed.

177.24 (c) Minnesota Statutes 2006, section 297A.668, subdivision 6, is repealed.

177.25 (d) Minnesota Statutes 2006, section 297A.67, subdivision 22, is repealed.

177.26 **EFFECTIVE DATE.** Paragraph (a) of this section is effective for sales and
177.27 purchases made after June 30, 2008; paragraph (b) is effective retroactively for sales and
177.28 purchases made after December 31, 2007; and paragraphs (c) and (d) are effective the
177.29 day following final enactment.

ARTICLE 12

DEPARTMENT PROPERTY TAXES

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

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

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

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

Subd. 2. **Assessment of flight property.** ~~The Flight property of all that is owned by, or is leased, loaned, or otherwise made available to an airline companies company~~ 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, 2008, for taxes payable in 2009 and thereafter.

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

179.2 Subd. 6. **Airflight property tax lien.** The tax imposed under sections 270.071 to
179.3 270.079 is a lien on all real and personal property within this state of the airline company
179.4 in whose name the property is assessed. ~~For purposes of sections 270C.62 and 270C.63,~~
179.5 ~~the date of assessment for the tax imposed under sections 270.071 to 270.079 is~~ The lien
179.6 attaches on January 2 of each year for the taxes payable in the following year.

179.7 **EFFECTIVE DATE.** This section is effective beginning January 2, 2008, for taxes
179.8 payable in 2009 and thereafter.

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

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

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

179.20 Subd. 3. **Penalty for frivolous report.** If an airline company files a frivolous annual
179.21 report, a penalty of 25 percent of the tax being assessed is imposed on that company. A
179.22 frivolous report under this section is a report that would fulfill the criteria for a frivolous
179.23 return under section 289A.60, subdivision 7, notwithstanding the restriction in section
179.24 289A.01. In a proceeding involving the issue of whether or not an airline company is
179.25 liable for this penalty, the burden of proof is on the commissioner.

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

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

179.31 **EFFECTIVE DATE.** This section is effective for annual reports due after June
179.32 30, 2008.

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

180.1 In addition to the powers granted to the commissioner in this chapter, and in order to
180.2 determine net tax capacities and issue notices of net tax capacity and tax under sections
180.3 270.071 to 270.079, the commissioner has the powers contained in sections 270C.31 and
180.4 270C.32, for which purpose the word "taxpayer" as defined in section 270C.01 includes
180.5 an airline company.

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

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

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

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

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

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

180.23 Subdivision 1. **Appeal.** ~~Any airline company against which a tax has been imposed~~
180.24 ~~under sections 270.071 to 270.079 shall have the right to appeal within 60 days from the~~
180.25 ~~date of notice of the levy of the tax~~ The notices of net tax capacity and of tax required
180.26 under section 270.075, subdivision 2, are orders of the commissioner. These orders must
180.27 be issued in conformance with section 270C.33, subdivisions 1 and 2, but are not subject
180.28 to administrative review under section 270C.35. These orders may be appealed to the Tax
180.29 Court in the manner provided by law in section 271.06 for appealing official orders of
180.30 the commissioner that do not deal with valuation, assessment, or taxation for property
180.31 tax purposes, and the provisions of section 273.125, subdivisions 4 and 5, and chapter
180.32 278 do not apply.

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

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

181.2 Subdivision 1. **Creation; purpose; powers.** A Board of Assessors is created.

181.3 The board shall ~~establish, conduct,~~ review, supervise, coordinate, and approve courses
181.4 in assessment practices, and establish criteria for determining assessor's qualifications.

181.5 The board shall also consider other matters relating to assessment administration brought
181.6 before it by the commissioner of revenue. The board may grant, renew, suspend, or revoke
181.7 an assessor's license.

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

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

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

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

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

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

181.18 (1) two from the Department of Revenue;

181.19 (2) two county assessors;

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

181.22 (4) one from the private appraisal field holding a professional appraisal designation;

181.23 and

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

181.25 The appointment provided in clauses (2) and (3) may be made from ~~two lists~~ a list
181.26 of not less than three names ~~each, one~~ submitted to the commissioner of revenue by the
181.27 Minnesota Association of Assessing Officers or its successor organization containing
181.28 recommendations for the appointment of appointees described in ~~clause~~ clauses (2);
181.29 ~~and one by the Minnesota Association of Assessors, Inc. or its successor organization~~
181.30 ~~containing recommendations for the appointees described in clause (3) and (3).~~ The lists
181.31 list must be submitted 30 days before the commencement of the term. In the case of a
181.32 vacancy, a new list shall be furnished to the commissioner ~~by the respective organization~~

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182.1 immediately. A member of the board who is no longer engaged in the capacity ~~listed~~
182.2 ~~above~~ that was the basis of appointment is disqualified from membership in the board.

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

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

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

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

182.9 (1) failure to complete required training;

182.10 (2) inefficiency or neglect of duty;

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

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

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

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

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

182.24 Subd. 5. **Prohibited activity.** ~~An assessor, deputy assessor, assistant assessor,~~
182.25 ~~appraiser, A licensed assessor~~ or other person employed by an assessment jurisdiction
182.26 or contracting with an assessment jurisdiction for the purpose of valuing or classifying
182.27 property for property tax purposes is prohibited from making appraisals or analyses,
182.28 accepting an appraisal assignment, or preparing an appraisal report as defined in section
182.29 82B.02, subdivisions 2 to 5, on any property within the assessment jurisdiction where the
182.30 individual is employed or performing the duties of the assessor under contract. Violation
182.31 of this prohibition shall result in immediate revocation of the individual's license to assess
182.32 property for property tax purposes. This prohibition must not be construed to prohibit an
182.33 individual from carrying out any duties required for the proper assessment of property

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183.1 for property tax purposes. If a formal resolution has been adopted by the governing body
183.2 of a governmental unit, which specifies the purposes for which such work will be done,
183.3 this prohibition does not apply to appraisal activities undertaken on behalf of and at the
183.4 request of the governmental unit that has employed or contracted with the individual.
183.5 The resolution may only allow appraisal activities which are related to condemnations,
183.6 right-of-way acquisitions, or special assessments.

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

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

183.9 **270.44 CHARGES FOR COURSES, EXAMINATIONS OR MATERIALS.**

183.10 The board shall charge the following fees:

183.11 (1) \$105 for a senior accredited Minnesota assessor license;

183.12 (2) \$80 for an accredited Minnesota assessor license;

183.13 (3) \$65 for a certified Minnesota assessor specialist license;

183.14 (4) \$55 for a certified Minnesota assessor license;

183.15 ~~(5) \$50 for a course challenge examination;~~

183.16 ~~(6) (5) \$35 for grading a form appraisal;~~

183.17 ~~(7) (6) \$60 for grading a narrative appraisal;~~

183.18 ~~(8) (7) \$30 for a reinstatement fee;~~

183.19 ~~(9) (8) \$25 for a record retention fee; and~~

183.20 ~~(10) (9) \$20 for an educational transcript; and~~

183.21 ~~(11) \$30 for all retests of board-sponsored educational courses.~~

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

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

183.24 **270.45 DISPOSITION OF FEES.**

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

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

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

183.30 **270.46 TRAINING COURSES, ESTABLISHMENT, OTHER COURSES,**
183.31 **REGULATION.**

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184.1 The board shall ~~establish~~ review and approve training courses on assessment
184.2 practices ~~and shall review and approve courses on assessment practices, techniques of~~
184.3 assessment, and ethics offered by schools, colleges ~~and, universities as well as courses that~~
184.4 ~~are offered by any units of government on techniques of assessment. Courses shall be~~
184.5 ~~established in various places throughout the state and be offered on regular intervals,~~ units
184.6 of government, and other entities.

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

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

184.9 **270.47 RULES.**

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

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

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

184.21 **270.48 LICENSURE OF QUALIFIED PERSONS.**

184.22 The board ~~shall~~ may license persons as possessing the necessary qualifications of an
184.23 assessing official. Different levels of licensure may be established as to classes of property
184.24 which assessors may be certified to assess at the discretion of the board. Every person,
184.25 except a local or county assessor, regularly employed by the assessor to assist in making
184.26 decisions regarding valuing and classifying property for assessment purposes ~~shall be~~
184.27 ~~required to~~ must become licensed within three years of the date of employment. Licensure
184.28 shall be required for local and county assessors as ~~otherwise~~ provided in sections ~~270.41~~
184.29 ~~to 270.53~~ 270.50 and 273.061, and rules adopted by the board.

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

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

270.50 EMPLOYMENT OF LICENSED ASSESSORS.

No assessor shall be employed who has not been licensed as qualified by the board, provided the time to comply may be extended after application to the board upon a showing that licensed assessors are not available for employment. The board may license ~~that~~ a county or local assessor who has not received the training, but possesses the necessary qualifications for performing the functions of the office by the passage of an 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 beginning after June 30, 2008.

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

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186.1 failure to timely file the return is due to reasonable cause, or if the taxpayer is located
186.2 in a presidentially declared disaster area.

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

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

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

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

186.14 **EFFECTIVE DATE.** This section is effective for penalties imposed after June
186.15 30, 2008.

186.16 Sec. 22. Minnesota Statutes 2007 Supplement, section 272.02, subdivision 64, is
186.17 amended to read:

186.18 Subd. 64. **Job opportunity building zone property.** (a) Improvements to real
186.19 property, and personal property, classified under section 273.13, subdivision 24, and
186.20 located within a job opportunity building zone, designated under section 469.314, are
186.21 exempt from ad valorem taxes levied under chapter 275.

186.22 (b) Improvements to real property, and tangible personal property, of an agricultural
186.23 production facility located within an agricultural processing facility zone, designated
186.24 under section 469.314, is exempt from ad valorem taxes levied under chapter 275.

186.25 (c) For property to qualify for exemption under paragraph (a), the occupant must be
186.26 a qualified business, as defined in section 469.310.

186.27 (d) The exemption applies beginning for the first assessment year after designation
186.28 of the job opportunity building zone by the commissioner of employment and economic
186.29 development. The exemption applies to each assessment year that begins during the
186.30 duration of the job opportunity building zone. To be exempt, the property must be
186.31 occupied by July 1 of the assessment year by a qualified business that has signed the
186.32 business subsidy agreement and relocation agreement, if required, by July 1 of the
186.33 assessment year. This exemption does not apply to:

186.34 (1) the levy under section 475.61 or similar levy provisions under any other law to
186.35 pay general obligation bonds; or

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187.1 (2) other school district levies included in the debt service levy of the district
187.2 under section 123B.55.

187.3 (e) Except for property of a business that was exempt under this subdivision for
187.4 taxes payable in 2008, a business must notify the county assessor in writing of eligibility
187.5 under this subdivision by July 1 in order to begin receiving the exemption under this
187.6 subdivision for taxes payable in the following year. The business need not annually notify
187.7 the county assessor of its continued exemption under this subdivision, but must notify the
187.8 county assessor immediately if the exemption no longer applies.

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

187.10 Sec. 23. Minnesota Statutes 2006, section 272.115, subdivision 1, is amended to read:

187.11 Subdivision 1. **Requirement.** Except as otherwise provided in subdivision 5,
187.12 whenever any real estate is sold for a consideration in excess of \$1,000, whether by
187.13 warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor,
187.14 grantee or the legal agent of either shall file a certificate of value with the county auditor
187.15 in the county in which the property is located when the deed or other document is
187.16 presented for recording. Contract for deeds are subject to recording under section 507.235,
187.17 subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full
187.18 actual consideration thereof, paid or to be paid, including the amount of any lien or liens
187.19 assumed. The items and value of personal property transferred with the real property
187.20 must be listed and deducted from the sale price. The certificate of value shall include
187.21 the classification to which the property belongs for the purpose of determining the fair
187.22 market value of the property. The certificate shall include financing terms and conditions
187.23 of the sale which are necessary to determine the actual, present value of the sale price
187.24 for purposes of the sales ratio study. The commissioner of revenue shall promulgate
187.25 administrative rules specifying the financing terms and conditions which must be included
187.26 on the certificate. ~~Pursuant to the authority of the commissioner of revenue in section~~
187.27 ~~270C.306,~~ The certificate of value must include the Social Security number or the federal
187.28 employer identification number of the grantors and grantees. However, a married person
187.29 who is not an owner of record and who is signing a conveyance instrument along with
187.30 the person's spouse solely to release and convey their marital interest, if any, in the real
187.31 property being conveyed is not a grantor for the purpose of the preceding sentence. A
187.32 statement in the deed that is substantially in the following form is sufficient to allow the
187.33 county auditor to accept a certificate for filing without the Social Security number of the
187.34 named spouse: " (Name) claims no ownership interest in the real property being conveyed
187.35 and is executing this instrument solely to release and convey a marital interest, if any, in

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188.1 that real property." The identification numbers of the grantors and grantees are private
188.2 data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12,
188.3 but, notwithstanding that section, the private or nonpublic data may be disclosed to the
188.4 commissioner of revenue for purposes of tax administration. The information required to
188.5 be shown on the certificate of value is limited to the information required as of the date of
188.6 the acknowledgment on the deed or other document to be recorded.

188.7 **EFFECTIVE DATE.** This section is effective for certificates of value filed after
188.8 June 30, 2008.

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

188.11 **Subd. 3. Cities and townships; employment of licensed assessor.** In the case
188.12 of cities or townships, except cities or towns located in Ramsey County or which have
188.13 elected a county assessor system in accordance with section 273.055, the commissioner
188.14 shall allow the city or town 90 days from the date of incorporation or organization to
188.15 employ a licensed assessor.

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

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

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

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

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

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

188.29 (1) is the homestead of the owner, or of a surviving spouse, child, or sibling of the
188.30 owner or is real estate which is farmed with the real estate which contains the homestead
188.31 property; or

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

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

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

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

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

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

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

189.23 (c) Land that previously qualified for tax deferment under this section and no longer
189.24 qualifies because it is not primarily used for agricultural purposes but would otherwise
189.25 qualify under subdivisions 3 and 6 for a period of at least three years will not be required
189.26 to make payment of the previously deferred taxes, notwithstanding the provisions of
189.27 subdivision 9. Sale of the land prior to the expiration of the three-year period requires
189.28 payment of deferred taxes as follows: sale in the year the land no longer qualifies requires
189.29 payment of the current year's deferred taxes plus payment of deferred taxes for the two
189.30 prior years; sale during the second year the land no longer qualifies requires payment of
189.31 the current year's deferred taxes plus payment of the deferred taxes for the prior year; and
189.32 sale during the third year the land no longer qualifies requires payment of the current
189.33 year's deferred taxes. Deferred taxes shall be paid even if the land qualifies pursuant to
189.34 subdivision 11a. When such property is sold or no longer qualifies under this paragraph, or
189.35 at the end of the three-year period, whichever comes first, all deferred special assessments
189.36 plus interest are payable in equal installments spread over the time remaining until the last

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190.1 maturity date of the bonds issued to finance the improvement for which the assessments
190.2 were levied. If the bonds have matured, the deferred special assessments plus interest
190.3 are payable within 90 days. The provisions of section 429.061, subdivision 2, apply
190.4 to the collection of these installments. Penalties are not imposed on any such special
190.5 assessments if timely paid.

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

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

190.8 **273.117 CONSERVATION PROPERTY TAX VALUATION.**

190.9 The value of real property which is subject to a conservation restriction or easement
190.10 ~~shall be entitled to reduced valuation under this section~~ may be adjusted by the assessor if:

190.11 (a) The restriction or easement is for a conservation purpose as defined in section
190.12 84.64, subdivision 2, and is recorded on the property;

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

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

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

190.17 **273.121 VALUATION OF REAL PROPERTY, NOTICE.**

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

190.26 It shall contain: (1) the market value for the current and prior assessment, (2) the limited
190.27 market value under section 273.11, subdivision 1a, for the current and prior assessment,
190.28 (3) the qualifying amount of any improvements under section 273.11, subdivision 16,
190.29 for the current assessment, (4) the market value subject to taxation after subtracting the
190.30 amount of any qualifying improvements for the current assessment, (5) the classification
190.31 of the property for the current and prior assessment, (6) a note that if the property is
190.32 homestead and at least 45 years old, improvements made to the property may be eligible
190.33 for a valuation exclusion under section 273.11, subdivision 16, (7) the assessor's office

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address, and (8) the dates, places, and times set for the meetings of the local board of appeal and equalization, the review process established under section 274.13, subdivision 1c, and the county board of appeal and equalization. The commissioner of revenue shall specify the form of the notice. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

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

Sec. 29. Minnesota Statutes 2006, section 273.124, subdivision 13, is amended to read:

Subd. 13. **Homestead application.** (a) A person who meets the homestead requirements under subdivision 1 must file a homestead application with the county 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 receive homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.~~

(c) 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

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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, and the federal income tax schedule F required by this section, 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) 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) 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

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193.1 is granted homestead status for ~~the 1993 assessment, or any assessment year thereafter,~~
193.2 that same property shall remain classified as homestead until the property is sold or
193.3 transferred to another person, or the owners, the spouse of the owner, or the relatives no
193.4 longer use the property as their homestead. Upon the sale or transfer of the homestead
193.5 property, a certificate of value must be timely filed with the county auditor as provided
193.6 under section 272.115. Failure to notify the assessor within 30 days that the property has
193.7 been sold, transferred, or that the owner, the spouse of the owner, or the relative is no
193.8 longer occupying the property as a homestead, shall result in the penalty provided under
193.9 this subdivision and the property will lose its current homestead status.

193.10 (f) If the homestead application is not returned within 30 days, the county will send a
193.11 second application to the present owners of record. The notice of proposed property taxes
193.12 prepared under section 275.065, subdivision 3, shall reflect the property's classification.
193.13 ~~Beginning with assessment year 1993 for all properties,~~ If a homestead application has
193.14 not been filed with the county by December 15, the assessor shall classify the property
193.15 as nonhomestead for the current assessment year for taxes payable in the following year,
193.16 provided that the owner may be entitled to receive the homestead classification by proper
193.17 application under section 375.192.

193.18 (g) At the request of the commissioner, each county must give the commissioner a
193.19 list that includes the name and Social Security number of each occupant of homestead
193.20 property who is the property owner and the property owner's spouse occupying the
193.21 property, or, qualifying relative of a property owner, applying for homestead classification
193.22 under this subdivision or a spouse of a qualifying relative. The commissioner shall use the
193.23 information provided on the lists as appropriate under the law, including for the detection
193.24 of improper claims by owners, or relatives of owners, under chapter 290A.

193.25 (h) If the commissioner finds that a property owner may be claiming a fraudulent
193.26 homestead, the commissioner shall notify the appropriate counties. Within 90 days of
193.27 the notification, the county assessor shall investigate to determine if the homestead
193.28 classification was properly claimed. If the property owner does not qualify, the county
193.29 assessor shall notify the county auditor who will determine the amount of homestead
193.30 benefits that had been improperly allowed. For the purpose of this section, "homestead
193.31 benefits" means the tax reduction resulting from the classification as a homestead under
193.32 section 273.13, the taconite homestead credit under section 273.135, the residential
193.33 homestead and agricultural homestead credits under section 273.1384, and the
193.34 supplemental homestead credit under section 273.1391.

193.35 The county auditor shall send a notice to the person who owned the affected property
193.36 at the time the homestead application related to the improper homestead was filed,

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194.1 demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent
194.2 of the homestead benefits. The person notified may appeal the county's determination
194.3 by serving copies of a petition for review with county officials as provided in section
194.4 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax
194.5 Court within 60 days of the date of the notice from the county. Procedurally, the appeal
194.6 is governed by the provisions in chapter 271 which apply to the appeal of a property tax
194.7 assessment or levy, but without requiring any prepayment of the amount in controversy. If
194.8 the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal
194.9 has been filed, the county auditor shall certify the amount of taxes and penalty to the county
194.10 treasurer. The county treasurer will add interest to the unpaid homestead benefits and
194.11 penalty amounts at the rate provided in section 279.03 for real property taxes becoming
194.12 delinquent in the calendar year during which the amount remains unpaid. Interest may be
194.13 assessed for the period beginning 60 days after demand for payment was made.

194.14 If the person notified is the current owner of the property, the treasurer may add the
194.15 total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes
194.16 otherwise payable on the property by including the amounts on the property tax statements
194.17 under section 276.04, subdivision 3. The amounts added under this paragraph to the ad
194.18 valorem taxes shall include interest accrued through December 31 of the year preceding
194.19 the taxes payable year for which the amounts are first added. These amounts, when added
194.20 to the property tax statement, become subject to all the laws for the enforcement of real or
194.21 personal property taxes for that year, and for any subsequent year.

194.22 If the person notified is not the current owner of the property, the treasurer may
194.23 collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of
194.24 the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment
194.25 of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent
194.26 tax obligations of the person who owned the property at the time the application related
194.27 to the improperly allowed homestead was filed. The treasurer may relieve a prior owner
194.28 of personal liability for the homestead benefits, penalty, interest, and costs, and instead
194.29 extend those amounts on the tax lists against the property as provided in this paragraph
194.30 to the extent that the current owner agrees in writing. On all demands, billings, property
194.31 tax statements, and related correspondence, the county must list and state separately the
194.32 amounts of homestead benefits, penalty, interest and costs being demanded, billed or
194.33 assessed.

194.34 (i) Any amount of homestead benefits recovered by the county from the property
194.35 owner shall be distributed to the county, city or town, and school district where the
194.36 property is located in the same proportion that each taxing district's levy was to the total

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195.1 of the three taxing districts' levy for the current year. Any amount recovered attributable
195.2 to taconite homestead credit shall be transmitted to the St. Louis County auditor to be
195.3 deposited in the taconite property tax relief account. Any amount recovered that is
195.4 attributable to supplemental homestead credit is to be transmitted to the commissioner of
195.5 revenue for deposit in the general fund of the state treasury. The total amount of penalty
195.6 collected must be deposited in the county general fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

196.8 The commissioner shall use the information provided on the lists as appropriate
196.9 under the law, including for the detection of improper claims by owners, or relatives
196.10 of owners, under chapter 290A.

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

196.12 Sec. 30. Minnesota Statutes 2006, section 273.1398, subdivision 4, is amended to read:

196.13 Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989,
196.14 class 4a, class 3a, and class 3b property qualifies for a disparity reduction credit if: (1)
196.15 the property is located in a border city that has an enterprise zone designated pursuant
196.16 to section 469.168, subdivision 4; (2) the property is located in a city with a population
196.17 greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the
196.18 city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city
196.19 in another state; and (4) the adjacent city in the other state has a population of greater than
196.20 5,000 and less than 75,000 according to the 1980 decennial census.

196.21 (b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a
196.22 property to 2.3 percent of the property's market value and (ii) the tax on class 3a and class
196.23 3b property to 2.3 percent of market value.

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

196.27 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in
196.28 2001 and thereafter.

196.29 Sec. 31. Minnesota Statutes 2006, section 273.33, subdivision 2, is amended to read:

196.30 Subd. 2. **Listing and assessment by commissioner.** The personal property,
196.31 consisting of the pipeline system of mains, pipes, and equipment attached thereto, of
196.32 pipeline companies and others engaged in the operations or business of transporting
196.33 natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed

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197.1 with and assessed by the commissioner of revenue and the values provided to the city
197.2 or county assessor by order. This subdivision shall not apply to the assessment of
197.3 the products transported through the pipelines nor to the lines of local commercial gas
197.4 companies engaged primarily in the business of distributing gas to consumers at retail nor
197.5 to pipelines used by the owner thereof to supply natural gas or other petroleum products
197.6 exclusively for such owner's own consumption and not for resale to others. If more than
197.7 85 percent of the natural gas or other petroleum products actually transported over the
197.8 pipeline is used for the owner's own consumption and not for resale to others, then this
197.9 subdivision shall not apply; provided, however, that in that event, the pipeline shall be
197.10 assessed in proportion to the percentage of gas actually transported over such pipeline that
197.11 is not used for the owner's own consumption. On or before June 30, the commissioner
197.12 shall certify to the auditor of each county, the amount of such personal property assessment
197.13 against each company in each district in which such property is located.

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

197.15 Sec. 32. Minnesota Statutes 2006, section 273.37, subdivision 2, is amended to read:

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

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

197.27 Sec. 33. Minnesota Statutes 2006, section 273.371, subdivision 1, is amended to read:

197.28 Subdivision 1. **Report required.** Every electric light, power, gas, water, express,
197.29 stage, and transportation company and pipeline doing business in Minnesota shall
197.30 annually file with the commissioner on or before March 31 a report under oath setting
197.31 forth the information prescribed by the commissioner to enable the commissioner to make
197.32 valuations, recommended valuations, and equalization required under sections 273.33,
197.33 273.35, 273.36, ~~and 273.37,~~ and 273.3711. If all the required information is not available

198.1 on March 31, the company or pipeline shall file the information that is available on or
198.2 before March 31, and the balance of the information as soon as it becomes available.

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

198.4 Sec. 34. **[273.3711] RECOMMENDED AND ORDERED VALUES.**

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

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

198.9 Sec. 35. Minnesota Statutes 2006, section 274.01, subdivision 1, is amended to read:

198.10 Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town
198.11 board of a town, or the council or other governing body of a city, is the board of appeal
198.12 and equalization except (1) in cities whose charters provide for a board of equalization or
198.13 (2) in any city or town that has transferred its local board of review power and duties to
198.14 the county board as provided in subdivision 3. The county assessor shall fix a day and
198.15 time when the board or the board of equalization shall meet in the assessment districts
198.16 of the county. Notwithstanding any law or city charter to the contrary, a city board of
198.17 equalization shall be referred to as a board of appeal and equalization. On or before
198.18 February 15 of each year the assessor shall give written notice of the time to the city or
198.19 town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings
198.20 must be held between April 1 and May 31 each year. The clerk shall give published and
198.21 posted notice of the meeting at least ten days before the date of the meeting.

198.22 The board shall meet at the office of the clerk to review the assessment and
198.23 classification of property in the town or city. No changes in valuation or classification
198.24 which are intended to correct errors in judgment by the county assessor may be made by
198.25 the county assessor after the board has adjourned in those cities or towns that hold a
198.26 local board of review; however, corrections of errors that are merely clerical in nature or
198.27 changes that extend homestead treatment to property are permitted after adjournment until
198.28 the tax extension date for that assessment year. The changes must be fully documented and
198.29 maintained in the assessor's office and must be available for review by any person. A copy
198.30 of the changes made during this period in those cities or towns that hold a local board of
198.31 review must be sent to the county board no later than December 31 of the assessment year.

198.32 (b) The board shall determine whether the taxable property in the town or city has
198.33 been properly placed on the list and properly valued by the assessor. If real or personal

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199.1 property has been omitted, the board shall place it on the list with its market value, and
199.2 correct the assessment so that each tract or lot of real property, and each article, parcel,
199.3 or class of personal property, is entered on the assessment list at its market value. No
199.4 assessment of the property of any person may be raised unless the person has been
199.5 duly notified of the intent of the board to do so. On application of any person feeling
199.6 aggrieved, the board shall review the assessment or classification, or both, and correct
199.7 it as appears just. The board may not make an individual market value adjustment or
199.8 classification change that would benefit the property if the owner or other person having
199.9 control over the property has refused the assessor access to inspect the property and the
199.10 interior of any buildings or structures as provided in section 273.20. A board member
199.11 shall not participate in any actions of the board which result in market value adjustments
199.12 or classification changes to property owned by the board member, the spouse, parent,
199.13 stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew,
199.14 or niece of a board member, or property in which a board member has a financial interest.
199.15 The relationship may be by blood or marriage.

199.16 (c) A local board may reduce assessments upon petition of the taxpayer but the total
199.17 reductions must not reduce the aggregate assessment made by the county assessor by more
199.18 than one percent. If the total reductions would lower the aggregate assessments made by
199.19 the county assessor by more than one percent, none of the adjustments may be made. The
199.20 assessor shall correct any clerical errors or double assessments discovered by the board
199.21 without regard to the one percent limitation.

199.22 (d) A local board does not have authority to grant an exemption or to order property
199.23 removed from the tax rolls.

199.24 (e) A majority of the members may act at the meeting, and adjourn from day to day
199.25 until they finish hearing the cases presented. The assessor shall attend, with the assessment
199.26 books and papers, and take part in the proceedings, but must not vote. The county assessor,
199.27 or an assistant delegated by the county assessor shall attend the meetings. The board shall
199.28 list separately, on a form appended to the assessment book, all omitted property added
199.29 to the list by the board and all items of property increased or decreased, with the market
199.30 value of each item of property, added or changed by the board, placed opposite the item.
199.31 The county assessor shall enter all changes made by the board in the assessment book.

199.32 (f) Except as provided in subdivision 3, if a person fails to appear in person, by
199.33 counsel, or by written communication before the board after being duly notified of the
199.34 board's intent to raise the assessment of the property, or if a person feeling aggrieved by an
199.35 assessment or classification fails to apply for a review of the assessment or classification,
199.36 the person may not appear before the county board of appeal and equalization for a review

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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. 36. Minnesota Statutes 2006, section 274.13, subdivision 1, is amended to read:

Subdivision 1. **Members; meetings; rules for equalizing assessments.** The county commissioners, or a majority of them, with the county auditor, or, if the auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall form a board for the equalization of the assessment of the property of the county, including the property of all cities whose charters provide for a board of equalization. This board shall be referred to as the county board of appeal and equalization. The board shall meet annually, on the date specified in section 274.14, at the office of the auditor. Each member shall take an oath to fairly and impartially perform duties as a member. Members shall not participate in any actions of the board which result in market value adjustments or classification changes to property owned by the board member, the spouse, parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece of a board member, or property in which a board member has a financial interest. The relationship may be by blood or marriage. The board shall examine and compare the returns of the assessment of property of the towns or districts, and equalize them so that each tract or lot of real property and each article or class of personal property is entered on the assessment list at its market value, subject to the following rules:

(1) The board shall raise the valuation of each tract or lot of real property which in its opinion is returned below its market value to the sum believed to be its market value. The board must first give notice of intention to raise the valuation to the person in whose name it is assessed, if the person is a resident of the county. The notice must fix a time and place for a hearing.

(2) The board shall reduce the valuation of each tract or lot which in its opinion is returned above its market value to the sum believed to be its market value.

(3) The board shall raise the valuation of each class of personal property which in its opinion is returned below its market value to the sum believed to be its market value. It shall raise the aggregate value of the personal property of individuals, firms, or corporations, when it believes that the aggregate valuation, as returned, is less than the market value of the taxable personal property possessed by the individuals, firms, or corporations, to the sum it believes to be the market value. The board must first give notice to the persons of intention to do so. The notice must set a time and place for a hearing.

(4) The board shall reduce the valuation of each class of personal property that is returned above its market value to the sum it believes to be its market value. Upon complaint of a party aggrieved, the board shall reduce the aggregate valuation of the individual's personal property, or of any class of personal property for which the individual is assessed, which in its opinion has been assessed at too large a sum, to the sum it believes was the market value of the individual's personal property of that class.

(5) The board must not reduce the aggregate value of all the property of its county, as submitted to the county board of equalization, with the additions made by the auditor under this chapter, by more than one percent of its whole valuation. The board may raise the aggregate valuation of real property, and of each class of personal property, of the county, or of any town or district of the county, when it believes it is below the market value of the property, or class of property, to the aggregate amount it believes to be its market value.

(6) The board shall change the classification of any property which in its opinion is not properly classified.

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

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

Sec. 37. [274.135] COUNTY BOARDS; APPEALS AND EQUALIZATION
COURSE AND MEETING REQUIREMENTS.

Subdivision 1. Handbook for county boards. By no later than January 1, 2009, the commissioner of revenue must develop a handbook detailing procedures, responsibilities, and requirements for county boards of appeal and equalization. The handbook must include, but need not be limited to, the role of the county board in the assessment process, the legal and policy reasons for fair and impartial appeal and equalization hearings, county board meeting procedures that foster fair and impartial assessment reviews and other best

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practices recommendations, quorum requirements for county boards, and explanations of alternate methods of appeal.

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

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

(b) The county shall notify the taxpayers when the board of appeal and equalization for a county has been transferred to the special board of equalization under this subdivision and, prior to the meeting time of the special board of equalization, the county shall make available to those taxpayers a procedure for a review of the assessments, including, but not limited to, open book meetings. This alternate review process must take place in April and May.

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

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

Sec. 38. Minnesota Statutes 2007 Supplement, section 275.065, subdivision 3, is amended to read:

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

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

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

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

203.21 (1) the market value of the property as determined under section 273.11, and used
203.22 for computing property taxes payable in the following year and for taxes payable in the
203.23 current year as each appears in the records of the county assessor on November 1 of the
203.24 current year; and, in the case of residential property, whether the property is classified as
203.25 homestead or nonhomestead. The notice must clearly inform taxpayers of the years to
203.26 which the market values apply and that the values are final values;

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

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

203.32 (ii) the proposed tax amount.

203.33 If the county levy under clause (2) includes an amount for a lake improvement
203.34 district as defined under sections 103B.501 to 103B.581, the amount attributable for that
203.35 purpose must be separately stated from the remaining county levy amount.

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

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

204.18 For purposes of this section, the amount of the tax on homesteads qualifying under
204.19 the senior citizens' property tax deferral program under chapter 290B is the total amount
204.20 of property tax before subtraction of the deferred property tax amount.

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

204.23 (1) special assessments;

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

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

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

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

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

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

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

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

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

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

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

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

205.18 (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325,
205.19 473.446, 473.521, 473.547, or 473.834;

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

205.22 (3) Metropolitan Mosquito Control Commission under section 473.711.

205.23 For purposes of this section, any levies made by the regional rail authorities in the
205.24 county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
205.25 398A shall be included with the appropriate county's levy and shall be discussed at that
205.26 county's public hearing.

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

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

205.36 (2) population growth and decline;

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206.1 (3) state or federal government action; and
206.2 (4) other financial factors that affect the level of property taxation and local services
206.3 that the governing body of the county, city, or school district may deem appropriate to
206.4 include.

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

206.8 **EFFECTIVE DATE.** This section is effective for notices required in 2008 and
206.9 thereafter, for taxes payable in 2009 and thereafter.

206.10 Sec. 39. Minnesota Statutes 2006, section 275.065, subdivision 5a, is amended to read:

206.11 Subd. 5a. **Public advertisement.** (a) A city that has a population of more than
206.12 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph
206.13 (i), a regional library district established under section 134.201, or school district shall
206.14 advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or,
206.15 in the case of a school district, to review its current budget and proposed property taxes
206.16 payable in the following year, at a public hearing, if a public hearing is required under
206.17 subdivision 6. The notice must be published not less than two business days nor more
206.18 than six business days before the hearing.

206.19 The advertisement must be at least one-eighth page in size of a standard-size or a
206.20 tabloid-size newspaper. The advertisement must not be placed in the part of the newspaper
206.21 where legal notices and classified advertisements appear. The advertisement must be
206.22 published in an official newspaper of general circulation in the taxing authority. The
206.23 newspaper selected must be one of general interest and readership in the community, and
206.24 not one of limited subject matter. The advertisement must appear in a newspaper that is
206.25 published at least once per week.

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

206.29 In addition to other requirements, a county and a city having a population of
206.30 more than 2,500 must show in the public advertisement required under this subdivision
206.31 the current local tax rate, the proposed local tax rate if no property tax levy increase
206.32 is adopted, and the proposed rate if the proposed levy is adopted. For purposes of this
206.33 subdivision, "local tax rate" means the city's or county's net tax capacity levy divided by
206.34 the city's or county's taxable net tax capacity.

(b) Subject to the provisions of paragraph (g), the advertisement for school districts, metropolitan special taxing districts, and regional library districts must be in the following form, except that the notice for a school district may include references to the current budget in regard to proposed property taxes.

"NOTICE OF
PROPOSED PROPERTY TAXES

(School District/Metropolitan
Special Taxing District/Regional
Library District) of

The governing body of will soon hold budget hearings and vote on the property taxes for (metropolitan special taxing district/regional library district services that will be provided in (year)/school district services that will be provided in (year) and (year)).

NOTICE OF PUBLIC HEARING:

All concerned citizens are invited to attend a public hearing and express their opinions on the proposed (school district/metropolitan special taxing district/regional library district) budget and property taxes, or in the case of a school district, its current budget and proposed property taxes, payable in the following year. The hearing will be held on (Month/Day/Year) at (Time) at (Location, Address)."

(c) Subject to the provisions of paragraph (g), the advertisement for cities and counties must be in the following form.

"NOTICE OF PROPOSED
TOTAL BUDGET AND PROPERTY TAXES

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

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

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

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

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

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

208.3	(Year) Tax Rate	(Year) Tax Rate if NO	(Year) Proposed
208.4		Levy Increase	Tax Rate
208.5			

208.6 ATTEND THE PUBLIC HEARING

208.7 All (city/county) residents are invited to attend the public hearing of the (city/county) to
208.8 express your opinions on the budget and the proposed amount of (year) property taxes.
208.9 The hearing will be held on:

208.10 (Month/Day/Year/Time)
208.11 (Location/Address)

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

208.15 (City/County)
208.16 (Location/Address)"

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

208.19 (1) for cities, the total government fund expenditures, as defined by the state auditor
208.20 under section 471.6965, less any expenditures for improvements or services that are
208.21 specially assessed or charged under chapter 429, 430, 435, or the provisions of any other
208.22 law or charter; and

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

- 208.26 (i) Minnesota family investment program under chapters 256J and 256K;
- 208.27 (ii) medical assistance under sections 256B.041, subdivision 5, and 256B.19,
208.28 subdivision 1;
- 208.29 (iii) general assistance medical care under section 256D.03, subdivision 6;
- 208.30 (iv) general assistance under section 256D.03, subdivision 2;
- 208.31 (v) emergency assistance under section 256J.48;
- 208.32 (vi) Minnesota supplemental aid under section 256D.36, subdivision 1;
- 208.33 (vii) preadmission screening under section 256B.0911, and alternative care grants
208.34 under section 256B.0913;
- 208.35 (viii) general assistance medical care claims processing, medical transportation and
208.36 related costs under section 256D.03, subdivision 4;

209.1 (ix) medical transportation and related costs under section 256B.0625, subdivisions
209.2 17 to 18a;

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

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

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

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

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

209.20 **EFFECTIVE DATE.** This section is effective for advertisements in 2008 and
209.21 thereafter, for proposed taxes payable in 2009 and thereafter.

209.22 Sec. 40. Minnesota Statutes 2006, section 275.067, is amended to read:

209.23 **275.067 SPECIAL TAXING DISTRICTS; ORGANIZATION DATE;**
209.24 **CERTIFICATION OF LEVY OR SPECIAL ASSESSMENTS.**

209.25 Special taxing districts as defined in section 275.066 organized on or before July 1 in
209.26 ~~a the current~~ calendar year ~~may~~, and special taxing districts organized in a prior year that
209.27 have not previously certified a levy to the county auditor, are allowed to certify a levy to
209.28 the county auditor in ~~that same~~ the current year for property taxes or special assessments
209.29 to be payable in the following calendar year to the extent that the special taxing district is
209.30 authorized by statute or special act to levy taxes or special assessments, but only if the
209.31 county auditor receives written notice from the district on or before July 1 of the current
209.32 year that the district may be certifying a levy in the current year, and the notice includes a
209.33 complete list or other description of the tax parcels in the district and a map showing the
209.34 boundaries of the district. Special taxing districts organized after July 1 in a calendar year

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210.1 may not certify a levy of property taxes or special assessments to the county auditor under
210.2 the powers granted to them by statute or special act and subject to the requirements of
210.3 this section until the following calendar year. All special taxing districts must notify the
210.4 county auditor by July 1 in order for its boundaries for the levy to be certified that year
210.5 to be different than its boundaries for levies certified in prior years, and the notice must
210.6 include a complete list or other description of the tax parcels within the new boundaries
210.7 and a map showing the new boundaries of the district.

210.8 **EFFECTIVE DATE.** This section is effective for taxes payable in 2009 and
210.9 thereafter.

210.10 Sec. 41. Minnesota Statutes 2006, section 276.04, is amended by adding a subdivision
210.11 to read:

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

210.17 **EFFECTIVE DATE.** This section is effective for tax statements for taxes payable
210.18 in 2009 and thereafter.

210.19 Sec. 42. Minnesota Statutes 2006, section 277.01, subdivision 2, is amended to read:

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

210.28 **EFFECTIVE DATE.** This section is effective for payments made after the day
210.29 of final enactment.

210.30 Sec. 43. Minnesota Statutes 2006, section 279.01, subdivision 1, is amended to read:

210.31 Subdivision 1. **Due dates; penalties.** Except as provided in subdivision 3 or 4, on
210.32 May 16 or 21 days after the postmark date on the envelope containing the property tax

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211.1 statement, whichever is later, a penalty ~~shall accrue~~ accrues and thereafter ~~be is~~ charged
211.2 upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer.
211.3 The penalty ~~shall be is~~ at a rate of two percent on homestead property until May 31 and
211.4 four percent on June 1. The penalty on nonhomestead property ~~shall be is~~ at a rate of four
211.5 percent until May 31 and eight percent on June 1. This penalty ~~shall~~ does not accrue until
211.6 June 1 of each year, or 21 days after the postmark date on the envelope containing the
211.7 property tax statements, whichever is later, on commercial use real property used for
211.8 seasonal residential recreational purposes and classified as class 1c or 4c, and on other
211.9 commercial use real property classified as class 3a, provided that over 60 percent of the
211.10 gross income earned by the enterprise on the class 3a property is earned during the months
211.11 of May, June, July, and August. ~~Any property owner of such class 3a property who pays~~
211.12 In order for the first half of the tax due on the class 3a property to be paid after May 15
211.13 and before June 1, or 21 days after the postmark date on the envelope containing the
211.14 property tax statement, whichever is later, shall without penalty, the owner of the property
211.15 must attach an affidavit to the payment attesting to compliance with the income provision
211.16 of this subdivision. Thereafter, for both homestead and nonhomestead property, on the
211.17 first day of each month beginning July 1, up to and including October 1 following, an
211.18 additional penalty of one percent for each month ~~shall accrue~~ accrues and ~~be is~~ charged on
211.19 all such unpaid taxes provided that if the due date was extended beyond May 15 as the
211.20 result of any delay in mailing property tax statements no additional penalty shall accrue
211.21 if the tax is paid by the extended due date. If the tax is not paid by the extended due
211.22 date, then all penalties that would have accrued if the due date had been May 15 shall be
211.23 charged. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid
211.24 prior to May 16 or 21 days after the postmark date on the envelope containing the property
211.25 tax statement, whichever is later; and, if so paid, no penalty ~~shall attach~~ attaches; the
211.26 remaining one-half ~~shall~~ may be paid at any time prior to October 16 following, without
211.27 penalty; but, if not so paid, then a penalty of two percent ~~shall accrue~~ accrues thereon for
211.28 homestead property and a penalty of four percent on nonhomestead property. Thereafter,
211.29 for homestead property, on the first day of November an additional penalty of four percent
211.30 ~~shall accrue~~ accrues and on the first day of December following, an additional penalty of
211.31 two percent ~~shall accrue~~ accrues and ~~be is~~ charged on all such unpaid taxes. Thereafter,
211.32 for nonhomestead property, on the first day of November and December following, an
211.33 additional penalty of four percent for each month ~~shall accrue~~ accrues and ~~be is~~ charged
211.34 on all such unpaid taxes. If one-half of such taxes ~~shall are not be~~ paid prior to May 16 or
211.35 21 days after the postmark date on the envelope containing the property tax statement,
211.36 whichever is later, the same may be paid at any time prior to October 16, with accrued

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212.1 penalties to the date of payment added, and thereupon no penalty ~~shall attach~~ attaches to
212.2 the remaining one-half until October 16 following.

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

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

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

212.16 **EFFECTIVE DATE.** This section is effective for payments made after the day
212.17 of final enactment.

212.18 Sec. 44. Minnesota Statutes 2006, section 290B.03, subdivision 2, is amended to read:

212.19 Subd. 2. **Qualifying homestead; defined.** Qualifying homestead property is defined
212.20 as the dwelling located in this state that is taxed as real property and that is occupied as the
212.21 homeowner's principal residence and so much of the land surrounding it as is reasonably
212.22 necessary for use of the dwelling as a home and any other property used for purposes of a
212.23 homestead as defined in section 273.13, subdivisions 22 and 23, but not to exceed one
212.24 acre. The homestead may be part of a multidwelling building and the land on which it is
212.25 built. Property is not qualifying homestead property if a person or entity other than the
212.26 applicant or the applicant's spouse holds an interest in the property as the vendor under a
212.27 contract for deed or as a remainderperson.

212.28 **EFFECTIVE DATE.** This section is effective retroactively for applications
212.29 submitted after December 31, 2007.

212.30 Sec. 45. Minnesota Statutes 2006, section 290C.02, subdivision 3, is amended to read:

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

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

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

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

213.10 The purchaser or grantee must notify the commissioner in writing of the sale or
213.11 transfer of the property. Owners of land that qualifies for inclusion pursuant to section
213.12 88.49, subdivision 9a, or 88.491, subdivision 2, must notify the commissioner in writing
213.13 of the expiration of the auxiliary forest contract or land trade with a governmental unit and
213.14 submit an application to the commissioner by August 15 in order to be eligible to receive a
213.15 payment by October 1 of that same year. For purposes of section 290C.11, claimant also
213.16 includes any person bound by the covenant required in section 290C.04.

213.17 (b) No more than one claimant is entitled to a payment under this chapter with
213.18 respect to any tract, parcel, or piece of land enrolled under this chapter that has been
213.19 assigned the same parcel identification number. When enrolled forest land is owned by
213.20 two or more persons, the owners must determine between them which person is eligible to
213.21 claim the payments provided under sections 290C.01 to 290C.11. In the case of property
213.22 sold or transferred, the former owner and the purchaser or grantee must determine between
213.23 them which person is eligible to claim the payments provided under sections 290C.01 to
213.24 290C.11. The owners, transferees, or grantees must notify the commissioner in writing
213.25 which person is eligible to claim the payments.

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

213.27 Sec. 46. Minnesota Statutes 2006, section 290C.04, is amended to read:

213.28 **290C.04 APPLICATIONS.**

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

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

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

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

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

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

214.30 Sec. 47. Minnesota Statutes 2006, section 290C.05, is amended to read:

214.31 **290C.05 ANNUAL CERTIFICATION.**

214.32 On or before July 1 of each year, beginning with the year after the original claimant
214.33 has received an approved application, the commissioner shall send each claimant enrolled
214.34 under the sustainable forest incentive program a certification form. For purposes of this

215.1 section, the original claimant is the person that filed the first application under section
215.2 290C.04 to enroll the land in the program. The claimant must sign the certification,
215.3 attesting that the requirements and conditions for continued enrollment in the program are
215.4 currently being met, and must return the signed certification form to the commissioner by
215.5 August 15 of that same year. If the claimant does not return an annual certification form
215.6 by the due date, the provisions in section 290C.11 apply.

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

215.8 Sec. 48. Minnesota Statutes 2006, section 290C.11, is amended to read:

215.9 **290C.11 PENALTIES FOR REMOVAL.**

215.10 (a) If the commissioner determines that land enrolled in the sustainable forest
215.11 incentive program is in violation of the conditions for enrollment as specified in section
215.12 290C.03, the commissioner shall notify the claimant of the intent to remove all enrolled
215.13 land from the sustainable forest incentive program. The claimant has 60 days to appeal
215.14 this determination under the provisions of section 290C.13. ~~The appeal must be made~~
215.15 ~~in writing to the commissioner, who shall, within 60 days, notify the claimant as to the~~
215.16 ~~outcome of the appeal. Within 60 days after the commissioner denies an appeal, or within~~
215.17 ~~120 days after the commissioner received a written appeal if the commissioner has not~~
215.18 ~~made a determination in that time, the owner may appeal to Tax Court under chapter 271~~
215.19 ~~as if the appeal is from an order of the commissioner.~~

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

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

215.29 Sec. 49. **[290C.13] APPEALS.**

215.30 Subdivision 1. Claimant right to reconsideration. A claimant may obtain
215.31 reconsideration by the commissioner of a determination removing enrolled land from the
215.32 sustainable forest incentive program, a determination denying an application to enroll land
215.33 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.

217.1 Subd. 8. **Appeal to Tax Court.** Within 60 days after the commissioner denies
217.2 an appeal, or within 120 days after the commissioner received a written appeal if the
217.3 commissioner has not made a determination in that time, the claimant may appeal to Tax
217.4 Court under chapter 271 as if the appeal is from an order of the commissioner.

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

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

217.8 Sec. 50. **REPEALER.**

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

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

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

ARTICLE 13

DEPARTMENT SPECIAL TAXES

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

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

217.25 **EFFECTIVE DATE.** This section is effective for tax returns due after December
217.26 31, 2008.

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

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

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

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

218.2 **287.22 EXEMPTIONS.**

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

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

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

218.9 (3) A will;

218.10 (4) A plat;

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

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

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

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

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

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

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

218.21 (12) A referee's, sheriff's, or certificate holder's certificate of redemption from a
218.22 mortgage or lien foreclosure sale issued ~~to the redeeming mortgagor or licensee~~ under
218.23 section 580.23 or other statute applicable to redemption by an owner of real property;

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

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

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

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

218.31 **287.2205 TAX-FORFEITED LAND.**

218.32 Before a state deed for tax-forfeited land may be issued, the deed tax must be paid
218.33 by the purchaser of tax-forfeited land whether the purchase is the result of a public
218.34 auction or private sale or a repurchase of tax-forfeited land. State agencies and local

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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~~ 4. The refund shall equal the amount paid by the pharmacy to a

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220.1 wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend
220.2 drugs delivered by the pharmacy outside of Minnesota, multiplied by the tax percentage
220.3 specified in section 295.52, subdivision 3. If the amount of the refund exceeds the tax
220.4 liability of the pharmacy under section 295.52, subdivision ~~4~~ 4, the commissioner
220.5 shall provide the pharmacy with a refund equal to the excess amount. Each qualifying
220.6 pharmacy must apply for the refund on the annual return as provided under section 295.55,
220.7 subdivision 5. The refund must be claimed within ~~one year of the due date of the return~~ 18
220.8 months from the date the drugs were delivered outside of Minnesota. Interest on refunds
220.9 paid under this subdivision will begin to accrue 60 days after the date a claim for refund is
220.10 filed. For purposes of this subdivision, the date a claim is filed is the due date of the return
220.11 if a return is due or the date of the actual claim for refund, whichever is later.

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

220.13 Sec. 8. Minnesota Statutes 2006, section 297F.06, subdivision 4, is amended to read:

220.14 Subd. 4. **Tobacco products use tax.** The tobacco products use tax does not apply to
220.15 the possession, use, or storage of tobacco products ~~that if (1) the tobacco products have an~~
220.16 aggregate cost in any calendar month to the consumer of ~~\$100~~ \$50 or less, and (2) the
220.17 tobacco products were carried into this state by that consumer.

220.18 **EFFECTIVE DATE.** This section is effective for the possession, use, or storage
220.19 of tobacco products after June 30, 2008.

220.20 Sec. 9. Minnesota Statutes 2006, section 297F.25, is amended by adding a subdivision
220.21 to read:

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

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

221.1 **EFFECTIVE DATE.** This section is effective for cigarettes which a consumer has
221.2 acquired title to or possession of after June 30, 2008.

221.3 Sec. 10. Minnesota Statutes 2006, section 297I.06, subdivision 1, is amended to read:

221.4 Subdivision 1. **Insurance policies surcharge.** (a) Except as otherwise provided in
221.5 subdivision 2, each licensed insurer engaged in writing policies of homeowner's insurance
221.6 authorized in section 60A.06, subdivision 1, clause (1)(c), or commercial fire policies or
221.7 commercial nonliability policies shall collect a surcharge equal to 0.65 percent of the
221.8 gross premiums and assessments, less return premiums, on direct business received by
221.9 the company, or by its agents for it, for homeowner's insurance policies, commercial fire
221.10 policies, and commercial nonliability insurance policies in this state.

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

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

221.17 **EFFECTIVE DATE.** This section is effective retroactively from July 1, 2007, and
221.18 applies to policies written or renewed on or after that date.

221.19 Sec. 11. Minnesota Statutes 2006, section 297I.06, subdivision 2, is amended to read:

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

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

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

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

222.4 **EFFECTIVE DATE.** This section is effective retroactively from July 1, 2007, and
222.5 applies to insurance policies written or renewed on or after that date.

222.6 Sec. 12. Minnesota Statutes 2006, section 297I.20, subdivision 2, is amended to read:

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

222.15 **EFFECTIVE DATE.** This section is effective for tax returns due after December
222.16 31, 2008.

222.17 Sec. 13. Minnesota Statutes 2006, section 297I.40, subdivision 5, is amended to read:

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

222.22 **EFFECTIVE DATE.** This section is effective for tax returns due after December
222.23 31, 2008.

222.24 ARTICLE 14

222.25 DEPARTMENT MISCELLANEOUS

222.26 Section 1. Minnesota Statutes 2006, section 16D.04, subdivision 1, is amended to read:

222.27 Subdivision 1. **Duties.** The commissioner shall provide services to the state and ~~its~~
222.28 referring agencies to collect debts owed the state referred for collection under this chapter.
222.29 The commissioner is not a collection agency as defined by section 332.31, subdivision 3,
222.30 and is not licensed, bonded, or regulated by the commissioner of commerce under sections
222.31 332.31 to 332.35 or 332.38 to 332.45. The commissioner is subject to section 332.37,

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223.1 except clause (9), (10), (12), or (19). Debts referred to the commissioner for collection
223.2 under section 256.9792 may in turn be referred by the commissioner to the enterprise.
223.3 An audited financial statement may not be required as a condition of debt placement with
223.4 a private agency if the private agency: (1) has errors and omissions coverage under a
223.5 professional liability policy in an amount of at least \$1,000,000; or (2) has a fidelity bond
223.6 to cover actions of its employees, in an amount of at least \$100,000. In cases of debts
223.7 referred under section 256.9792, the provisions of this chapter and section 256.9792 apply
223.8 to the extent they are not in conflict. If they are in conflict, the provisions of section
223.9 256.9792 control. For purposes of this chapter, the referring agency for such debts remains
223.10 the Department of Human Services.

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

223.12 Sec. 2. Minnesota Statutes 2006, section 16D.04, subdivision 2, is amended to read:

223.13 Subd. 2. **Agency participation.** (a) A referring agency ~~may, at its option, must~~
223.14 refer, by electronic means, debts to the commissioner for collection. ~~The ultimate~~
223.15 Responsibility for the debt, including the reporting of the debt to the commissioner of
223.16 finance and the decision with regard to the continuing collection and uncollectibility of the
223.17 debt, remains with the referring agency.

223.18 (b) Before a debt becomes 121 days past due, a referring agency may refer the
223.19 debt to the commissioner for collection at any time after a debt becomes delinquent and
223.20 uncontested and the debtor has no further administrative appeal of the amount of the
223.21 debt. When a debt owed to a ~~state~~ referring agency becomes 121 days past due, the ~~state~~
223.22 referring agency must refer the debt to the commissioner for collection. This requirement
223.23 does not apply if there is a dispute over the amount or validity of the debt, if the debt is the
223.24 subject of legal action or administrative proceedings, or the agency determines that the
223.25 debtor is adhering to acceptable payment arrangements. The commissioner, ~~in consultation~~
223.26 ~~with the commissioner of finance~~, may provide that certain types of debt need not be
223.27 referred to the commissioner for collection under this paragraph. Methods and procedures
223.28 for referral must follow internal guidelines prepared by the commissioner ~~of finance~~.

223.29 (c) If the referring agency is a court, the court must furnish a debtor's Social Security
223.30 number to the commissioner when the court refers the debt.

223.31 **EFFECTIVE DATE.** This section is effective for debts referred after December
223.32 31, 2008.

223.33 Sec. 3. Minnesota Statutes 2006, section 16D.11, subdivision 2, is amended to read:

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Subd. 2. **Computation.** At the time a debt is referred, the amount of collection costs is equal to ~~15~~ 17 percent of the debt, ~~or 25 percent of the debt remaining unpaid if the commissioner or private collection agency has to take enforced collection action by serving a summons and complaint on or entering judgment against the debtor, or by utilizing any of the remedies authorized under section 16D.08, subdivision 2, except for the remedies in sections 270C.32 and 270C.65 or when referred by the commissioner for additional collection activity by a private collection agency.~~ If, after referral of a debt to a private collection agency, the debtor requests cancellation of collection costs under subdivision 3, the debt must be returned to the commissioner for resolution of the request.

EFFECTIVE DATE. This section is effective for debts referred after December 31, 2008.

Sec. 4. Minnesota Statutes 2006, section 16D.11, subdivision 7, is amended to read:

Subd. 7. **Adjustment of rate.** By June 1 of each year, the commissioner ~~of finance~~ shall determine the rate of collection costs for debts referred to the enterprise during the next fiscal year. The rate is a percentage of the debts in an amount that most nearly equals the costs of the enterprise necessary to process and collect referred debts under this chapter. In no event ~~shall the rate of collection costs when a debt is first referred exceed three-fifths of the maximum collection costs, and in no event shall the rate of the maximum~~ collection costs exceed 25 percent of the debt. Determination of the rate of collection costs under this section is not subject to the fee setting requirements of section 16A.1285.

EFFECTIVE DATE. This section is effective January 1, 2009.

Sec. 5. **[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. 6. 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

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225.1 289A.63 or assessed penalties in excess of \$1,000 under section 289A.60, subdivision
225.2 13, paragraph (a).

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

225.4 (1) an administrative or court action contesting the penalty has been filed or served
225.5 and is unresolved at the time when notice would be given under subdivision 3;

225.6 (2) an appeal period to contest the penalty has not expired; or

225.7 (3) the commissioner has been notified that the tax preparer is deceased.

225.8 **EFFECTIVE DATE.** This section is effective for penalties on returns filed after
225.9 December 31, 2008.

225.10 Sec. 7. Minnesota Statutes 2006, section 270C.56, subdivision 1, is amended to read:

225.11 Subdivision 1. **Liability imposed.** A person who, either singly or jointly with
225.12 others, has the control of, supervision of, or responsibility for filing returns or reports,
225.13 paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or
225.14 a person who is liable under any other law, is liable for the payment of taxes, penalties,
225.15 and interest arising under chapters 295, 296A, 297A, 297F, and 297G, or sections 290.92
225.16 and 297E.02, and, for the taxes listed in this subdivision, the applicable penalties for
225.17 nonpayment under section 289A.60.

225.18 **EFFECTIVE DATE.** This section is effective for personal liability assessments
225.19 made after the day of final enactment.

225.20 Sec. 8. Minnesota Statutes 2006, section 270C.63, subdivision 9, is amended to read:

225.21 Subd. 9. **Period of limitations.** The lien imposed by this section shall,
225.22 notwithstanding any other provision of law to the contrary, be enforceable from the time
225.23 the lien arises and for ten years from the date of filing the notice of lien, which must be
225.24 filed by the commissioner within five years after the date of assessment of the tax or final
225.25 administrative or judicial determination of the assessment. A notice of lien filed at the
225.26 Office of the Secretary of State may be transcribed to any county within ten years after the
225.27 date of its filing, but the transcription does not extend the period during which the lien is
225.28 enforceable. A notice of lien filed in one county may be transcribed to the secretary of
225.29 state or to any other county within ten years after the date of its filing, but the transcription
225.30 shall not extend the period during which the lien is enforceable. A notice of lien may be
225.31 renewed by the commissioner before the expiration of the ten-year period for an additional
225.32 ten years. The taxpayer must receive written notice of the renewal.

226.1 **EFFECTIVE DATE.** This section is effective for liens transcribed after the day
226.2 of final enactment.

226.3 Sec. 9. Minnesota Statutes 2007 Supplement, section 424A.10, subdivision 3, is
226.4 amended to read:

226.5 Subd. 3. **State reimbursement.** (a) ~~By February 15 of each year, the treasurer of~~
226.6 ~~the relief association shall apply to the commissioner of revenue~~ Each year, to be eligible
226.7 for state reimbursement of the amount of supplemental benefits paid under subdivision 2
226.8 during the preceding calendar year, the relief association must apply to the commissioner
226.9 of revenue by February 15. By March 15, the commissioner shall reimburse the relief
226.10 association for the amount of the supplemental benefits paid to qualified recipients and to
226.11 survivors of deceased active or deferred volunteer firefighters.

226.12 (b) The commissioner of revenue shall prescribe the form of and supporting
226.13 information that must be supplied as part of the application for state reimbursement.
226.14 The commissioner of revenue shall reimburse the relief association by paying the
226.15 reimbursement amount to the treasurer of the municipality where the association is located.
226.16 Within 30 days after receipt, the municipal treasurer shall transmit the state reimbursement
226.17 to the treasurer of the association if the association has filed a financial report with the
226.18 municipality. If the relief association has not filed a financial report with the municipality,
226.19 the municipal treasurer shall delay transmission of the reimbursement payment to the
226.20 association until the complete financial report is filed. If the association has dissolved or
226.21 has been removed as a trustee of state aid, the treasurer shall deposit the money in a
226.22 special account in the municipal treasury, and the money may be disbursed only for the
226.23 purposes and in the manner provided in section 424A.08. When paid to the association,
226.24 ~~(e)~~ the reimbursement payment must be deposited in the special fund of the relief
226.25 association.

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

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

226.29 **ARTICLE 15**

226.30 **MISCELLANEOUS**

226.31 Section 1. Minnesota Statutes 2006, section 3.987, subdivision 1, is amended to read:

226.32 Subdivision 1. **Local impact notes.** The commissioner of finance shall coordinate
226.33 the development of a local impact note for any proposed legislation introduced after June

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227.1 30, 1997, ~~or any rule proposed after December 31, 1999,~~ upon request of the chair or the
227.2 ranking minority member of either legislative Tax Committee. Upon receipt of a request
227.3 to prepare a local impact note, the commissioner must notify the authors of the proposed
227.4 legislation ~~or, for an administrative rule, the head of the relevant executive agency or~~
227.5 ~~department,~~ that the request has been made. The local impact note must be made available
227.6 to the public upon request. If the action is among the exceptions listed in section 3.988,
227.7 a local impact note need not be requested nor prepared. The commissioner shall make
227.8 a reasonable and timely estimate of the local fiscal impact on each type of political
227.9 subdivision that would result from the proposed legislation. The commissioner of finance
227.10 may require any political subdivision or the commissioner of an administrative agency
227.11 of the state to supply in a timely manner any information determined to be necessary to
227.12 determine local fiscal impact. The political subdivision, its representative association, or
227.13 commissioner shall convey the requested information to the commissioner of finance with
227.14 a signed statement to the effect that the information is accurate and complete to the best
227.15 of its ability. The political subdivision, its representative association, or commissioner,
227.16 when requested, shall update its determination of local fiscal impact based on actual
227.17 cost or revenue figures, improved estimates, or both. Upon completion of the note, the
227.18 commissioner must provide a copy to the authors of the proposed legislation ~~or, for an~~
227.19 ~~administrative rule, to the head of the relevant executive agency or department.~~

227.20 Sec. 2. Minnesota Statutes 2006, section 3.988, subdivision 3, is amended to read:

227.21 Subd. 3. **Miscellaneous exceptions.** A local impact note or an attachment as
227.22 provided in section 3.987, subdivision 2, need not be prepared for the cost of a mandated
227.23 action if the law, ~~including a rulemaking,~~ containing the mandate:

- 227.24 (1) accommodates a specific local request;
- 227.25 (2) results in no new local government duties;
- 227.26 (3) leads to revenue losses from exemptions to taxes;
- 227.27 (4) provided only clarifying or conforming, nonsubstantive charges on local
227.28 government;
- 227.29 (5) imposes additional net local costs that are minor (an amount less than or equal
227.30 to one-half of one percent of the local revenue base as defined in section 477A.011,
227.31 subdivision 27, or \$50,000, whichever is less for any single local government if the
227.32 mandate does not apply statewide or less than \$1,000,000 if the mandate is statewide);
- 227.33 (6) is a law or executive order enacted before July 1, 1997, or a rule initially
227.34 implementing a law enacted before July 1, 1997;

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228.1 (7) implements something other than a law or executive order, such as a federal,
228.2 court, or voter-approved mandate;

228.3 (8) results in savings that equal or exceed costs;

228.4 (9) requires the holding of elections;

228.5 (10) ensures due process or equal protection;

228.6 (11) provides for the notification and conduct of public meetings;

228.7 (12) establishes the procedures for administrative and judicial review of actions
228.8 taken by political subdivisions;

228.9 (13) protects the public from malfeasance, misfeasance, or nonfeasance by officials
228.10 of political subdivisions;

228.11 (14) relates directly to financial administration, including the levy, assessment,
228.12 and collection of taxes;

228.13 (15) relates directly to the preparation and submission of financial audits necessary
228.14 to the administration of state laws; or

228.15 (16) requires uniform standards to apply to public and private institutions without
228.16 differentiation.

228.17 Sec. 3. Minnesota Statutes 2006, section 3.989, subdivision 2, is amended to read:

228.18 Subd. 2. **Report Compilation of local impact notes.** The commissioner of finance
228.19 shall prepare by ~~September 1, 2000, and by~~ September 1 of each even-numbered year
228.20 ~~thereafter, a report compilation of the costs of local mandates established after June 30,~~
228.21 ~~1997~~ key impact notes requested by the legislature during the previous biennial session
228.22 as provided in section 3.987. The commissioner may consult with local government
228.23 representatives and legislative fiscal staff to determine which local impact notes were key.

228.24 ~~The commissioner shall include the statewide total of the statement of costs of local~~
228.25 ~~mandates after June 30, 1997, as a notation in the state biennial budget.~~

228.26 Sec. 4. Minnesota Statutes 2006, section 3.989, subdivision 3, is amended to read:

228.27 Subd. 3. **Certain political subdivisions; report.** The political subdivisions that
228.28 have opted to administer class B state mandates shall report to the commissioner of
228.29 finance by September 1, 1998, and by September 1 of each year thereafter, identifying
228.30 each instance when revenue for a class B state mandate has fallen below 85 percent of
228.31 the total cost of the program and the political subdivision intends to cease administration
228.32 of the program.

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229.1 The commissioner shall forward a copy of the report to the chairs of the appropriate
229.2 funding committees of the senate and the house ~~for proposed inclusion of the shortfall as a~~
229.3 ~~line item appropriation in the state budget for the next fiscal year.~~

229.4 The political subdivision may exercise its option to cease administration only if the
229.5 legislature has failed to include the shortfall as an appropriation in the state budget for
229.6 the next fiscal year.

229.7 Sec. 5. Minnesota Statutes 2006, section 16A.103, subdivision 2, is amended to read:

229.8 Subd. 2. **Local revenue.** In February and November of each year, the commissioner
229.9 of revenue shall prepare and deliver to the governor and the legislature forecasts of
229.10 revenue to be received by school districts as a group, counties as a group, and the group of
229.11 cities and towns that have a population of more than 2,500. The forecasts must assume
229.12 the continuation of current laws, projections of valuation changes in real property, and
229.13 reasonable estimates of projected growth in the national and state economies and affected
229.14 populations. Revenue must be estimated for property taxes, state and federal aids, local
229.15 sales taxes, if any, and a single projection for all other revenue for each group of affected
229.16 local governmental units. ~~As part of the February forecast, the commissioner of revenue~~
229.17 ~~shall report to the governor and legislature on which groups of local government units~~
229.18 ~~exceeded the revenue targets of the governor and legislature in the most recent biennium.~~

229.19 Sec. 6. Minnesota Statutes 2006, section 270A.03, subdivision 2, is amended to read:

229.20 Subd. 2. **Claimant agency.** "Claimant agency" means any state agency, as defined
229.21 by section 14.02, subdivision 2, the regents of the University of Minnesota, any district
229.22 court of the state, any county, any statutory or home rule charter city, including a city that
229.23 is presenting a claim for a municipal hospital or a public library or a municipal ambulance
229.24 service, a hospital district, a private nonprofit hospital that leases its building from the
229.25 county or city in which it is located, any public agency responsible for child support
229.26 enforcement, any public agency responsible for the collection of court-ordered restitution,
229.27 and any public agency established by general or special law that is responsible for the
229.28 administration of a low-income housing program, and the Minnesota collection enterprise
229.29 as defined in section 16D.02, subdivision 8, for the purpose of collecting the costs imposed
229.30 under section 16D.11. A county may act as a claimant agency on behalf of an ambulance
229.31 service licensed under chapter 144E if the ambulance service's primary service area is
229.32 located at least in part within the county, but more than one county may not act as a
229.33 claimant agency for a licensed ambulance service with respect to the same debt.

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230.1 Sec. 7. Minnesota Statutes 2006, section 270A.10, is amended to read:

230.2 **270A.10 PRIORITY OF CLAIMS.**

230.3 If two or more debts, in a total amount exceeding the debtor's refund, are submitted
230.4 for setoff, the priority of payment shall be as follows: ~~First, any~~

230.5 (1) delinquent tax obligations of the debtor which are owed to the department ~~shall~~
230.6 ~~be satisfied. Secondly, the refund shall be applied to;~~

230.7 (2) debts for child support based on the order in time in which the commissioner
230.8 ~~received the debts. Thirdly, the refund shall be applied to;~~

230.9 (3) payment of restitution obligations. ~~Fourthly, the refund shall be applied to;~~

230.10 (4) claims brought for a hospital or an ambulance service;

230.11 (5) the remaining debts based on the order in time in which the commissioner
230.12 ~~received the debts.~~

230.13 Sec. 8. **REPEALER.**

230.14 Minnesota Statutes 2006, section 16A.1522, is repealed.

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16A.1522 REBATE REQUIREMENTS.

Subdivision 1. **Forecast.** If, on the basis of a forecast of general fund revenues and expenditures in November of an even-numbered year or February of an odd-numbered year, the commissioner projects a positive unrestricted budgetary general fund balance at the close of the biennium that exceeds one-half of one percent of total general fund biennial revenues, the commissioner shall designate the entire balance as available for rebate to the taxpayers of this state.

Subd. 2. **Plan.** If the commissioner designates an amount for rebate in either forecast, the governor shall present a plan to the legislature for rebating that amount. The plan must provide for payments to begin no later than August 15 of the odd-numbered year. By April 15 of each odd-numbered year, the legislature shall enact, modify, or reject the plan presented by the governor.

Subd. 3. **Certification.** By July 15 of each odd-numbered year, based on a preliminary analysis of the general fund balance at the end of the fiscal year June 30, the commissioner of finance shall certify to the commissioner of revenue the amount available for rebate.

Subd. 4. **Transfer to tax relief account.** Any positive unrestricted budgetary general fund balance on June 30 of an odd-numbered year is appropriated to the commissioner for transfer to the tax relief account.

Subd. 5. **Appropriation.** A sum sufficient to pay any rebate due under the plan enacted under subdivision 2 is appropriated from the general fund to the commissioner of revenue.

270.073 EXAMINATIONS AND INVESTIGATIONS.

Subdivision 1. **Powers of commissioner.** For the purpose of determining the correctness of any statement, the commissioner shall have the power to examine or cause to be examined any books, papers, records, or memoranda relevant to the determination of the net tax capacity of flight property as herein provided, including the airline company's retained copy of any return or statement made to the United States of America or any state for any year, whether such books, papers, records, or memoranda are the property of or in the possession of the airline company or any other person. The commissioner shall have the right to inspect the originals of such reports with or without obtaining copies from the company. The commissioner shall have further power to require the attendance of any airline company or other person having knowledge or information in the premises, to compel the production of books, papers, records, or memoranda by persons so required to attend, to take testimony on matters material to such determination and to administer oaths or affirmations.

Subd. 2. **Appointments of others; powers of subpoena.** For the purpose of making such examinations, the commissioner may appoint such persons as the commissioner may deem necessary. Such persons shall have the rights and powers with reference to the examining of books, papers, records, or memoranda, and with reference to the subpoenaing of witnesses, administering of oaths and affirmations, and taking of testimony, which are conferred upon the commissioner hereby. The court administrator of any court of record, upon demand of any such person, shall issue a subpoena for the attendance of any witness or the production of any books, papers, records, or memoranda before such person. The commissioner may also issue subpoenas for the appearance of witnesses before the commissioner or before such persons. Disobedience of subpoenas so issued shall be punished by the district court of the district in which the subpoena is issued as for a contempt of the district court.

Subd. 3. **Assessment on available information.** If any airline company shall refuse or neglect to make the statement required by this section to the commissioner, or shall refuse or neglect to permit an inspection and examination of its property, its records, books, accounts or other papers when requested by the commissioner, or shall refuse or neglect to appear before the commissioner or a person appointed under subdivision 2 when required so to do, the commissioner shall assess the tax provided for by sections 270.071 to 270.079 against the airline company according to the commissioner's best judgment on available information, and such airline company shall be estopped to question or impeach the action or determination of the commissioner, except upon proof of fraud on the part of the commissioner; and the commissioner may add to the assessment a penalty not exceeding ten percent of the assessment.

270.41 BOARD OF ASSESSORS.

Subd. 4. **Rules.** The Board of Assessors may adopt rules under chapter 14, defining or interpreting grounds for refusing to grant or renew, and for suspending or revoking a license under

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this section. An action of the Board of Assessors in refusing to grant or renew a license or in suspending or revoking a license is subject to review in accordance with chapter 14.

270.43 COMPENSATION AND EXPENSES.

Members of the board shall receive no compensation but shall be entitled to actual expenses for the performance of their duties.

270.51 PREVIOUSLY ACCREDITED ASSESSORS.

All assessors previously accredited by the commissioner of revenue shall be considered as qualified under sections 270.41 to 270.53 and shall be so licensed.

270.52 COSTS OF MAKING ASSESSMENTS.

The cost of making any assessment provided in sections 270.41 to 270.53 shall be charged to the assessment district involved. The county auditor shall certify the costs incurred to the appropriate governing body not later than August 1 of each year, and if unpaid as of September 1, the county auditor shall levy a tax upon the taxable property of such taxing district sufficient to pay such costs. The amount so collected shall be credited to the general revenue fund of the county.

270.53 EXISTING CONTRACTS FOR ASSESSMENT OF PROPERTY.

Sections 270.41 to 270.53 shall not supersede existing contracts executed pursuant to section 273.072 or 471.59 except to the extent that such contracts may conflict with section 270.50 nor preclude contracts between a taxing district and the county for the assessment of property by the county assessor.

295.60 SPECIAL FUR CLOTHING TAX.

Subdivision 1. **Imposition.** If clothing made of fur is not subject to the sales tax under chapter 297A, a tax is imposed on each furrier equal to 6.5 percent of gross revenues from retail sales in Minnesota of clothing made from fur.

Subd. 1a. **Use tax; credit for taxes paid.** (a) A person that receives fur clothing for use or storage in Minnesota, other than from a furrier that paid the tax under subdivision 1, is subject to tax at the rate imposed under subdivision 1. Liability for the tax is incurred when the person has possession of the fur clothing in Minnesota. The tax must be remitted to the commissioner in the manner prescribed by subdivision 3.

(b) A person that has paid taxes to another jurisdiction on the same transaction and is subject to tax under this section is entitled to a credit for the tax legally due and paid to another jurisdiction to the extent of the lesser of (1) the tax actually paid to the other jurisdiction, or (2) the amount of tax imposed by Minnesota on the transaction subject to tax in the other jurisdiction.

Subd. 1b. **Tax collection required.** A furrier with nexus in Minnesota, who is not subject to tax under subdivision 1, is required to collect the tax imposed under subdivision 1a from the purchaser of the clothing made from fur and give the purchaser a receipt for the tax paid. The tax collected must be remitted to the commissioner in the manner prescribed by subdivision 3.

Subd. 1c. **Taxes paid to another jurisdiction; credit.** A furrier that has paid taxes to another jurisdiction measured by gross revenue and is subject to tax under this section on the same gross revenues is entitled to a credit for the tax legally due and paid to another jurisdiction to the extent of the lesser of (1) the tax actually paid to the other jurisdiction, or (2) the amount of tax imposed by Minnesota on the gross revenues subject to tax in the other taxing jurisdictions.

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

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

(c) "Furrier" means a retailer that sells clothing made of fur.

(d) "Clothing made of fur" means articles of clothing made of fur on the hide or pelt, and articles of clothing of which such fur is the component material of chief value, but only if such value is more than three times the value of the next most valuable material.

(e) "Retail sale" has the meaning given in section 297A.61, subdivision 4.

(f) "Delivered outside of Minnesota" means fur clothing which the furrier delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by

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means of the seller's own delivery vehicles, and which is not returned to a point within Minnesota, except in the course of interstate commerce.

Subd. 2a. **Exemptions.** Payments received by a furrier for clothing made of fur delivered outside of Minnesota are exempt from gross revenues subject to the fur clothing tax.

Subd. 3. **Payment.** (a) Each furrier shall make estimated payments of the taxes for the calendar year in quarterly installments to the commissioner by April 15, July 15, October 15, and January 15 of the following calendar year.

(b) Estimated tax payments are not required if:

(1) the tax for the current calendar year is less than \$500; or

(2) the tax for the previous calendar year is less than \$500, if the taxpayer had a tax liability and was doing business the entire year.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270C.40, from the due date of the payment until paid or until the due date of the annual return, whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) the tax for the actual gross revenues received during the quarter, or (2) one-quarter of the total tax for the previous calendar year if the taxpayer had a tax liability and was doing business the entire year.

Subd. 4. **Electronic funds transfer payments.** A taxpayer with an aggregate tax liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities by electronic means.

Subd. 5. **Annual return.** The taxpayer must file an annual return reconciling the estimated payments by March 15 of the following calendar year.

Subd. 6. **Form of returns.** The estimated payments and annual return must contain the information and be in the form prescribed by the commissioner.

Subd. 7. **Application of other chapters.** Unless specifically provided otherwise by this section, the interest, criminal penalties, and refunds provisions in chapter 289A, the civil penalty provisions applicable to withholding and sales taxes under section 289A.60, and the audit, assessment, appeal, collection, enforcement, and administrative provisions of chapters 270C and 289A, apply to taxes imposed under this section.

Subd. 8. **Interest on overpayments.** Interest must be paid on an overpayment refunded or credited to the taxpayer from the date of payment of the tax until the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the due date of the return or the date of actual payment of the tax, whichever is later.

Subd. 9. **Deposit of revenues.** The commissioner shall deposit all revenues, including penalties and interest, derived from the tax imposed by this section in the general fund.

297A.61 DEFINITIONS.

Subd. 20. **Prepaid telephone calling card.** "Prepaid telephone calling card" means any card or other similar arrangement, including a prepaid authorization number, that permits its holder to obtain telephone services and pay for such services in advance.

297A.668 SOURCING OF SALE; SITUS IN THIS STATE.

Subd. 6. **Multiple points of use.** (a) Notwithstanding the provisions of subdivisions 2 to 5, a business purchaser that is not a holder of a direct pay permit that knows at the time of its purchase of a digital good, computer software delivered electronically, or a service that the digital good, computer software delivered electronically, or service will be concurrently available for use in more than one jurisdiction shall deliver to the seller in conjunction with its purchase a multiple points of use exemption certificate disclosing this fact.

(b) Upon receipt of the multiple points of use exemption certificate, the seller is relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to collect, pay, or remit the applicable tax on a direct pay basis.

(c) A purchaser delivering the multiple points of use exemption certificate may use any reasonable, but consistent and uniform, method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.

(d) The multiple points of use exemption certificate remains in effect for all future sales by the seller to the purchaser until it is revoked in writing, except as to the subsequent sale's specific apportionment that is governed by the principle of paragraph (c) and the facts existing at the time of the sale.

(e) A holder of a direct pay permit is not required to deliver a multiple points or use exemption certificate to the seller. A direct pay permit holder shall follow the provisions

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of paragraph (c) in apportioning the tax due on a digital good, computer software delivered electronically, or a service that will be concurrently available for use in more than one jurisdiction.

297A.67 GENERAL EXEMPTIONS.

Subd. 22. **Property brought into Minnesota by nonresident.** All articles of tangible personal property brought into Minnesota by a person who was a nonresident of this state immediately prior to bringing such property into this state for the person's use, storage, or consumption are exempt from the use tax imposed by section 297A.63.

469.174 DEFINITIONS.

Subd. 29. **Qualified housing district.** "Qualified housing district" means:

(1) a housing district for a residential rental project or projects in which the only properties receiving assistance from revenues derived from tax increments from the district meet the rent restriction requirements and the low-income occupancy test for a qualified low-income housing project under section 42(g) of the Internal Revenue Code of 1986, as amended through December 31, 2002, regardless of whether the project actually receives a low-income housing credit; or

(2) a housing district for a single-family homeownership project or projects, if 95 percent or more of the homes receiving assistance from tax increments from the district are purchased by qualified purchasers. A qualified purchaser means the first purchaser of a home after the tax increment assistance is provided whose income is at or below 85 percent of the median gross income for a family of the same size as the purchaser. Median gross income is the greater of (i) area median gross income, or (ii) the statewide median gross income, as determined by the secretary of Housing and Urban Development.

Laws 1973, chapter 393, section 2 is not available in xtend

Laws 1994, chapter 587, article 9, section 8, subdivision 1, as amended by Laws 2005, First Special Session chapter 3, article 1, section 36;

Sec. 8. Minnesota Statutes 1992, section 290.01, subdivision 19d, is amended to read: Minnesota Statutes 1992, section 297A.25, is amended by adding a subdivision to read: Minnesota Statutes 1992, section 273.1398, is amended by adding a subdivision to read: Minnesota Statutes 1993 Supplement, section 273.124, subdivision 1, is amended to read: EFFECTIVE DATE. Minnesota Statutes 1993 Supplement, section 465.798, is amended to read:

465.798 SERVICE BUDGET MANAGEMENT MODEL GRANTS.

ITASCA COUNTY CEMETERY ASSOCIATION. SEWAGE COLLECTION AND DISPOSAL; POWERS. TAX-EXEMPT PROPERTY. Minnesota Statutes 1993 Supplement, section 296.025, subdivision 1a, is amended to read:

Subdivision 1. **Tax levies.** Notwithstanding Minnesota Statutes, section 471.24, each of the following cities or towns is authorized to levy a tax and make an appropriation not to exceed \$25,000 annually to the Lakeview Cemetery Association, operated by the town of Iron Range, for cemetery purposes: the city of Coleraine, the city of Bovey, and each town which is a member of the cemetery association.

Laws 1998, chapter 389, article 11, section 18

Sec. 18. **CITY OF BURNSVILLE; TAX INCREMENT FINANCING DISTRICT.**

Subdivision 1. **Authorization.** The governing body of the city of Burnsville may create a soils condition tax increment financing district, as provided in this section, for an amphitheater and related infrastructure improvements. Except as otherwise provided in this section, the provisions of Minnesota Statutes, sections 469.174 to 469.179, apply to the district. The city or its economic development authority may be the "authority" for the purposes of Minnesota Statutes, sections 469.174 to 469.179.

Subd. 2. **Special rules.** (a) The district established under subdivision 1 is subject to the provisions of Minnesota Statutes, sections 469.174 to 469.179, except as provided in this subdivision.

(b) The district may consist of all or any portion of the parcels designated by the city of Burnsville as development district No. 2 as of April 26, 1990.

(c) Minnesota Statutes, sections 469.174, subdivision 19, and 469.176, subdivision 4b, do not apply to the district.

(d) Upon approval of the tax increment financing plan, the governing body of the city of Burnsville must find that the present value of the projected cost of closure of the former solid waste landfill within the district equals or exceeds the present value of the projected tax increments for the maximum duration of the district permitted by the plan.

(e) Notwithstanding the provisions of Minnesota Statutes, section 469.1763, increments from the district established under this section may only be expended on improvements and activities within or directly in aid of the district and on administrative expenses.

(f) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, no tax increment may be paid to the authority after 18 years after receipt by the authority of the first increment for the district.

Subd. 3. **[DISTRICT NO. 2-1.]** Upon approval of the tax increment financing plan for the district created under subdivision 1, the city shall request decertification of tax increment financing district No. 2-1. The balance of the tax increments derived from tax increment financing district No. 2-1 may be expended under the tax increment financing plan for the district created under subdivision 1. Minnesota Statutes, section 469.176, subdivision 4c, does not apply to the expenditures. Minnesota Statutes, section 469.1782, subdivision 1, does not apply to tax increment financing district No. 2-1 or the district created under subdivision 1.

Subd. 4. **Effective date.** This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 2.