

A bill for an act

relating to taxation; making policy, technical, administrative, and clarifying changes to income, corporate franchise, estate, sales, use, minerals, mortgage, property, gross receipts, gambling, cigarette, tobacco, liquor, insurance, and various taxes and tax-related provisions; modifying local government aid and tax data provision; appropriating money; amending Minnesota Statutes 2008, sections 126C.21, subdivision 4; 126C.48, subdivision 8; 270B.14, subdivision 16; 270C.12, by adding a subdivision; 270C.446, subdivisions 2, 5; 270C.56, subdivision 1; 273.11, subdivision 23; 273.111, subdivision 4; 273.1115, subdivision 2; 273.113, subdivisions 1, 2; 273.1231, subdivision 8; 273.124, subdivision 21; 273.13, subdivisions 23, 25, 33; 273.33, subdivision 2; 273.37, subdivision 2; 274.13, subdivision 2; 274.135, subdivision 3; 274.14; 274.175; 275.70, subdivision 5; 275.71, subdivision 4; 287.04; 287.05, by adding a subdivision; 287.22; 287.25; 289A.08, subdivision 3; 289A.12, by adding a subdivision; 289A.18, subdivision 1; 289A.19, subdivision 4; 289A.38, subdivision 7; 289A.41; 290.0671, subdivision 1; 290A.10; 290A.14; 290C.06; 290C.07; 295.56; 295.57, subdivision 5; 296A.21, subdivision 1; 297A.70, subdivisions 2, 4; 297A.992, subdivision 2; 297A.993, subdivision 1; 297E.02, subdivision 4; 297E.06, by adding a subdivision; 297E.11, subdivision 1; 297F.09, subdivision 7; 297G.09, subdivision 6; 297I.30, by adding a subdivision; 297I.35, subdivision 2; 298.28, subdivisions 4, 11; 423A.02, subdivisions 1b, 3, by adding a subdivision; 473.843, subdivision 3; 477A.011, subdivisions 34, 42; 477A.013, subdivision 8; repealing Minnesota Statutes 2008, sections 287.26; 287.27, subdivision 1; 297A.67, subdivision 24; 298.28, subdivisions 11a, 13; Minnesota Rules, parts 8115.0200; 8115.0300; 8115.0400; 8115.0500; 8115.0600; 8115.1000; 8115.1100; 8115.1200; 8115.1300; 8115.1400; 8115.1500; 8115.1600; 8115.1700; 8115.1800; 8115.1900; 8115.2000; 8115.2100; 8115.2200; 8115.2300; 8115.2400; 8115.2500; 8115.2600; 8115.2700; 8115.2800; 8115.2900; 8115.3000; 8115.4000; 8115.4100; 8115.4200; 8115.4300; 8115.4400; 8115.4500; 8115.4600; 8115.4700; 8115.4800; 8115.4900; 8115.5000; 8115.5100; 8115.5200; 8115.5300; 8115.5400; 8115.5500; 8115.5600; 8115.5700; 8115.5800; 8115.5900; 8115.6000; 8115.6100; 8115.6200; 8115.6300; 8115.6400; 8115.9900.

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

ARTICLE 1

INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2008, section 289A.08, subdivision 3, is amended to read:

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

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

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2008.

Sec. 2. Minnesota Statutes 2008, section 289A.12, is amended by adding a subdivision to read:

Subd. 16. **Qualified intermediaries.** The commissioner may by notice and demand require a qualified intermediary to file a return relating to transactions for which the intermediary acted to facilitate exchanges under section 1031 of the Internal Revenue Code. The return must include the name, address, and state or federal tax identification number or Social Security number of each of the parties to the exchange, information relating to the property subject to the exchange, and any other information required by the commissioner.

EFFECTIVE DATE. This section is effective July 1, 2009, and applies to all transactions whether facilitated on, before, or after that date.

Sec. 3. Minnesota Statutes 2008, section 289A.18, subdivision 1, is amended to read:

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

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

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

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

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

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

(6) if a corporation has been divested from a unitary group and files a return for a fractional part of a year in which it was a member of a unitary business that files a combined report under section 290.17, subdivision 4, 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 16 must be filed within 30 days after being demanded by the commissioner.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 4. Minnesota Statutes 2008, section 289A.19, subdivision 4, is amended to read:

Subd. 4. **Estate tax returns.** ~~When an extension to file the federal estate tax return has been granted under section 6081 of the Internal Revenue Code, the time for filing the estate tax return is extended for that period. If the estate requests an extension to file an estate tax return within the time provided in section 289A.18, subdivision 3, the commissioner shall extend the time for filing the estate tax return for six months. The time for filing an estate tax return shall be extended for either six months or the amount of time granted under section 6081 of the Internal Revenue Code to file the federal estate tax return, whichever is longer.~~

EFFECTIVE DATE. This section is effective for estates of decedents dying after December 31, 2008.

Sec. 5. Minnesota Statutes 2008, 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, or the wages paid by a taxpayer for any period, 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, 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 amended property tax refund return, if necessary. A taxpayer filing an amended federal tax return must also file a copy of the amended return with the commissioner of revenue within 180 days after filing the amended return.

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

Sec. 6. Minnesota Statutes 2008, section 290.0671, subdivision 1, is amended to read:

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

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

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

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

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

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, including income excluded under section 290.01, subdivision 19b, clause (10) or (16), the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income. For purposes of this paragraph, the

subtractions for military pay under section 290.01, subdivision 19b, clauses (11) and (12), are not considered "earned income not subject to tax under this chapter."

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

~~(g) For tax years beginning after December 31, 2001, and before December 31, 2004, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$1,000 for married taxpayers filing joint returns.~~

~~(h) For tax years beginning after December 31, 2004, and before December 31, 2007, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$2,000 for married taxpayers filing joint returns.~~

~~(i)~~ (g) For tax years beginning after December 31, 2007, and before December 31, 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the commissioner shall annually adjust the \$3,000 is adjusted annually for inflation under subdivision 7. 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 "2007" shall be substituted for the word "1992." For 2009, the commissioner shall then determine the percent change from the 12 months ending on August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent year, from the 12 months ending on August 31, 2007, to the 12 months ending on August 31 of the year preceding the taxable year. The earned income thresholds as adjusted for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2008.

Sec. 7. Minnesota Statutes 2008, section 290A.10, is amended to read:

290A.10 PROOF OF TAXES PAID.

Every claimant who files a claim for relief for property taxes payable shall include with the claim a property tax statement or a reproduction thereof in a form deemed satisfactory by the commissioner of revenue indicating that there are no delinquent property taxes on the homestead. Indication on the property tax statement from the county treasurer that there are no delinquent taxes on the homestead shall be sufficient proof. Taxes included in a confession of judgment under section 277.23 or 279.37 shall not constitute delinquent taxes as long as the claimant is current on the payments required to be made under section 277.23 or 279.37.

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

Sec. 8. Minnesota Statutes 2008, section 290A.14, is amended to read:

290A.14 PROPERTY TAX STATEMENT.

The county treasurer shall prepare and send a sufficient number of copies of the property tax statement to the owner, and to the owner's escrow agent if the taxes are paid via an escrow account, to enable the owner to comply with the filing requirements of this chapter and to retain one copy as a record. The property tax statement, in a form prescribed by the commissioner, shall indicate the manner in which the claimant may claim relief from the state under both this chapter and chapter 290B, and the amount of the tax for which the applicant may claim relief. The statement shall also indicate if there are delinquent property taxes on the property in the preceding year. Taxes included in a confession of judgment under section 277.23 or 279.37 shall not constitute delinquent taxes as long as the claimant is current on the payments required to be made under section 277.23 or 279.37.

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

ARTICLE 2
SALES AND USE TAXES

Section 1. Minnesota Statutes 2008, section 297A.70, subdivision 2, is amended to read:

Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b), to the following governments and political subdivisions, or to the listed agencies or instrumentalities of governments and political subdivisions, are exempt:

(1) the United States and its agencies and instrumentalities;

(2) school districts, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich Minnesota Center for Arts Education, and an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools;

(3) hospitals and nursing homes owned and operated by political subdivisions of the state of tangible personal property and taxable services used at or by hospitals and nursing homes;

(4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip operations provided for in section 473.4051;

(5) other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state; and

(6) sales to public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the Legislative Reference Library.

(b) This exemption does not apply to the sales of the following products and services:

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

(2) construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities;

(3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except for leases entered into by the United States or its agencies or instrumentalities; or

(4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause (2), and prepared food, candy, ~~and~~ soft drinks, and alcoholic beverages as defined in section 297A.67, subdivision 2, except for lodging, prepared food, candy, ~~and~~ soft drinks, and alcoholic beverages purchased directly by the United States or its agencies or instrumentalities.

(c) As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, and any instrumentality of a school district, as defined in section 471.59.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2009.

9.1 Sec. 2. Minnesota Statutes 2008, section 297A.70, subdivision 4, is amended to read:

9.2 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph
9.3 (b), to the following "nonprofit organizations" are exempt:

9.4 (1) a corporation, society, association, foundation, or institution organized and
9.5 operated exclusively for charitable, religious, or educational purposes if the item
9.6 purchased is used in the performance of charitable, religious, or educational functions; and

9.7 (2) any senior citizen group or association of groups that:

9.8 (i) in general limits membership to persons who are either age 55 or older, or
9.9 physically disabled; ~~and~~

9.10 (ii) is organized and operated exclusively for pleasure, recreation, and other
9.11 nonprofit purposes, not including housing, no part of the net earnings of which inures to
9.12 the benefit of any private shareholders; and

9.13 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code.

9.14 For purposes of this subdivision, charitable purpose includes the maintenance of a
9.15 cemetery owned by a religious organization.

9.16 (b) This exemption does not apply to the following sales:

9.17 (1) building, construction, or reconstruction materials purchased by a contractor
9.18 or a subcontractor as a part of a lump-sum contract or similar type of contract with a
9.19 guaranteed maximum price covering both labor and materials for use in the construction,
9.20 alteration, or repair of a building or facility;

9.21 (2) construction materials purchased by tax-exempt entities or their contractors to
9.22 be used in constructing buildings or facilities that will not be used principally by the
9.23 tax-exempt entities; and

9.24 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause
9.25 (2), and prepared food, candy, ~~and~~ soft drinks, and alcoholic beverages as defined in
9.26 section 297A.67, subdivision 2, except wine purchased by an established religious
9.27 organization for sacramental purposes; and

9.28 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except
9.29 as provided in paragraph (c).

9.30 (c) This exemption applies to the leasing of a motor vehicle as defined in section
9.31 297B.01, subdivision 11, only if the vehicle is:

9.32 (1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a
9.33 passenger automobile, as defined in section 168.002, if the automobile is designed and
9.34 used for carrying more than nine persons including the driver; and

(2) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

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

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2009, except that the amendment to paragraph (a) is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2008, section 297A.992, subdivision 2, is amended to read:

Subd. 2. **Authorization; rates.** (a) Notwithstanding section 297A.99, subdivisions 1, 2, and 3, or 477A.016, or any other law, the board of a county participating in a joint powers agreement as specified in this section shall impose by resolution (1) a transportation sales and use tax at a rate of one-quarter of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority. The taxes authorized are to fund transportation improvements as specified in this section, including debt service on obligations issued to finance such improvements pursuant to subdivision 7.

(b) The tax imposed under this section is not included in determining if the total tax on lodging in the city of Minneapolis exceeds the maximum allowed tax under Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session chapter 5, article 12, section 87, or in determining a tax that may be imposed under any other limitations.

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

Sec. 4. Minnesota Statutes 2008, section 297A.993, subdivision 1, is amended to read:

Subdivision 1. **Authorization; rates.** Notwithstanding section 297A.99, subdivisions 1, 2, 3, 5, and 13, or 477A.016, or any other law, the board of a county outside the metropolitan transportation area, as defined under section 297A.992, subdivision 1, or more than one county outside the metropolitan transportation area acting under a joint powers agreement, may impose (1) a transportation sales tax at a rate of up to one-half of one percent on retail sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired

from any person engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction of the taxing authority. The taxes imposed under this section are subject to approval by a majority of the voters in each of the counties affected at a general election who vote on the question to impose the taxes.

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

Sec. 5. **REPEALER.**

Minnesota Statutes 2008, section 297A.67, subdivision 24, is repealed.

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

ARTICLE 3
SPECIAL TAXES

Section 1. Minnesota Statutes 2008, section 126C.21, subdivision 4, is amended to read:

Subd. 4. **Taconite deductions.** For districts that have revenue under sections 298.018; 298.225; 298.24 to 298.28, excluding 298.26 and 298.28, subdivision 4, paragraph (b), item (ii), two cents per taxable ton under paragraphs (c), item (i), and (d); 298.34 to 298.39; 298.391 to 298.396; 298.405; and 477A.15, or any law imposing a tax upon severed mineral values; the general education aid must be reduced in the final adjustment payment by (1) the amount of the revenue recognized pursuant to those sections for the fiscal year to which the final adjustment is attributable, less (2) the amount that was calculated, pursuant to section 126C.48, subdivision 8, as a reduction of the levy attributable to the fiscal year to which the final adjustment is attributable. If the final adjustment of a district's general education aid for a fiscal year is a negative amount because of this subdivision, the next fiscal year's general education aid to that district must be reduced by this negative amount in the following manner: there must be withheld from each scheduled general education aid payment due the district in such fiscal year, 15 percent of the total negative amount, until the total negative amount has been withheld. The amount reduced from general education aid pursuant to this subdivision must reduce revenue in the fiscal year to which the final adjustment payment is attributable.

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

Sec. 2. Minnesota Statutes 2008, section 126C.48, subdivision 8, is amended to read:

Subd. 8. **Taconite payment and other reductions.** (1) Reductions in levies pursuant to subdivision 1 must be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts that have revenue pursuant to sections 298.018; 298.225; 298.24 to 298.28, except an amount distributed under sections 298.26; 298.28, subdivision 4, paragraph (b), item (ii), two cents per taxable ton under paragraphs (c), ~~clause~~ items (i) and (ii), and (d); 298.34 to 298.39; 298.391 to 298.396; 298.405; 477A.15; and any law imposing a tax upon severed mineral values must reduce the levies authorized by this chapter and chapters 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by 95 percent of the previous year's revenue specified under this clause.

(3) The amount of any voter approved referendum, facilities down payment, and debt levies shall not be reduced by more than 50 percent under this subdivision. In administering this paragraph, the commissioner shall first reduce the nonvoter approved levies of a district; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved referendum levies authorized under section 126C.17; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved facilities down payment levies authorized under section 123B.63 and then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved debt levies.

(4) Before computing the reduction pursuant to this subdivision of the health and safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, the commissioner shall ascertain from each affected school district the amount it proposes to levy under each section or subdivision. The reduction shall be computed on the basis of the amount so ascertained.

(5) To the extent the levy reduction calculated under paragraph (2) exceeds the limitation in paragraph (3), an amount equal to the excess must be distributed from the school district's distribution under sections 298.225, 298.28, and 477A.15 in the following year to the cities and townships within the school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution. No city or township shall receive a distribution greater than its levy for taxes payable in the year prior to distribution. The commissioner of revenue shall certify the distributions of cities and towns under this paragraph to the county auditor by September 30 of the year preceding distribution. The county auditor shall reduce the proposed and final levies of cities and towns receiving distributions by the amount of their distribution. Distributions to the cities and towns shall be made at the times provided under section 298.27.

13.1 **EFFECTIVE DATE.** The section is effective the day following final enactment.

13.2 Sec. 3. Minnesota Statutes 2008, section 287.04, is amended to read:

13.3 **287.04 EXEMPTIONS.**

13.4 The tax imposed by section 287.035 does not apply to:

13.5 (a) A decree of marriage dissolution or an instrument made pursuant to it.

13.6 (b) A mortgage given to correct a misdescription of the mortgaged property.

13.7 (c) A mortgage or other instrument that adds additional security for the same debt
13.8 for which mortgage registry tax has been paid.

13.9 (d) A contract for the conveyance of any interest in real property, including a
13.10 contract for deed.

13.11 (e) A mortgage secured by real property subject to the minerals production tax of
13.12 sections 298.24 to 298.28.

13.13 (f) The principal amount of a mortgage loan made under a low and moderate
13.14 income or other affordable housing program, if the mortgagee is a federal, state, or local
13.15 government agency.

13.16 (g) Mortgages granted by fraternal benefit societies subject to section 64B.24.

13.17 (h) A mortgage amendment or extension, as defined in section 287.01.

13.18 (i) An agricultural mortgage if the proceeds of the loan secured by the mortgage are
13.19 used to acquire or improve real property classified under section 273.13, subdivision 23,
13.20 paragraph (a); or (b), ~~clause (1), (2), or (3).~~

13.21 (j) A mortgage on an armory building as set forth in section 193.147.

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

13.23 Sec. 4. Minnesota Statutes 2008, section 287.05, is amended by adding a subdivision
13.24 to read:

13.25 Subd. 9. **Modification of mortgage.** If a mortgage, or a document modifying a
13.26 mortgage, contains more than one statement that purports to limit: the enforcement of
13.27 the mortgage to a certain dollar amount; the tax imposed on the mortgage under this
13.28 chapter; or the effect of a modifying document, including but not limited to the statements
13.29 authorized in subdivisions 1, 1a, and 8, then the tax must be imposed based on the
13.30 combined effect, if any, of all the statements.

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

14.1 Sec. 5. Minnesota Statutes 2008, section 287.22, is amended to read:

14.2 **287.22 EXEMPTIONS.**

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

14.4 (1) an executory contract for the sale of real property under which the purchaser is
14.5 entitled to or does take possession of the real property, or any assignment or cancellation
14.6 of the contract;

14.7 (2) a mortgage or an amendment, assignment, extension, partial release, or
14.8 satisfaction of a mortgage;

14.9 (3) a will;

14.10 (4) a plat;

14.11 (5) a lease, amendment of lease, assignment of lease, or memorandum of lease;

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

14.14 (7) a deed for a cemetery lot or lots;

14.15 (8) a deed of distribution by a personal representative;

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

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

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

14.21 (12) a referee's, sheriff's, or certificate holder's certificate of redemption from a
14.22 mortgage or lien foreclosure sale issued under section 580.23 or other statute applicable to
14.23 redemption by an owner of real property;

14.24 (13) a deed, instrument, or writing which grants, creates, modifies, or terminates
14.25 an easement;

14.26 (14) a decree of marriage dissolution, as defined in section 287.01, subdivision 4,
14.27 or a deed or other instrument between the parties to the dissolution made pursuant to the
14.28 terms of the decree; and

14.29 (15) a transfer on death deed under section 507.071, and any affidavit or other
14.30 document to the extent it references a transfer on death deed.

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

14.32 Sec. 6. Minnesota Statutes 2008, section 287.25, is amended to read:

14.33 **287.25 PAYMENT OF TAX;~~STAMPS.~~**

Except for documents filed electronically, ~~the county board shall determine the method for collection of the tax imposed by section 287.21.~~

~~(1) The tax imposed by section 287.21 may be paid by the affixing of a documentary stamp or stamps in the amount of the tax to the document or instrument with respect to which the tax is paid, provided that the county board may permit the payment of the tax without the affixing of the documentary stamps and in such cases shall direct the treasurer to endorse a receipt for such tax upon the face of the document or instrument. Documents submitted electronically must have the deed tax data affixed electronically and the tax paid as provided in section 287.08.~~

~~(2)~~ the tax imposed by section 287.21 ~~may~~ must be paid in the manner prescribed by section 287.08 relating to payment of mortgage registration tax, and the treasurer must endorse a receipt for the tax on the face of the document or instrument.

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

Sec. 7. Minnesota Statutes 2008, section 295.56, is amended to read:

295.56 TRANSFER OF ACCOUNTS RECEIVABLE.

When a hospital ~~or, surgical center,~~ health care provider, or wholesale drug distributor transfers, assigns, or sells accounts receivable to another person who is subject to tax under this chapter, liability for the tax on the accounts receivable is imposed on the transferee, assignee, or buyer of the accounts receivable. No liability for these accounts receivable is imposed on the transferor, assignor, or seller of the accounts receivable.

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

Sec. 8. Minnesota Statutes 2008, section 295.57, subdivision 5, is amended to read:

Subd. 5. **Exemption for amounts paid for legend drugs.** If a hospital, surgical center, or health care provider cannot determine the actual cost or reimbursement of legend drugs under the exemption provided in section 295.53, subdivision 1, paragraph (a), clause ~~(6)~~ (5), the following method must be used:

A hospital, surgical center, or health care provider must determine the amount paid for legend drugs used during the month or quarter and multiply that amount by a ratio, the numerator of which is the total amount received for taxable patient services, and the denominator of which is the total amount received for all patient services, including amounts exempt under section 295.53, subdivision 1. The result represents the allowable exemption for the monthly or quarterly cost of drugs.

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

16.2 Sec. 9. Minnesota Statutes 2008, section 296A.21, subdivision 1, is amended to read:

16.3 Subdivision 1. **General rules.** (a) The commissioner shall make determinations,
16.4 corrections, assessments, and refunds with respect to taxes and fees under this chapter,
16.5 including interest, additions to taxes, and assessable penalties. Except as otherwise
16.6 provided in this section, the amount of taxes assessable must be assessed within 3-1/2
16.7 years after the date the return is filed. For purposes of this section, a tax return filed before
16.8 the last day prescribed by law for filing is considered to be filed on the last day.

16.9 (b) A claim for a refund of an overpayment of state tax or fees must be filed within
16.10 3-1/2 years from the date prescribed for filing the return, plus any extension of time
16.11 granted for filing the return, but only if filed within the extended time; or the claim must
16.12 be filed within one year from the date of an order assessing tax or fees, or from the date of
16.13 a return filed by the commissioner, upon payment in full of the tax, fees, penalties, and
16.14 interest shown on the order or return, whichever period expires later.

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

16.16 Sec. 10. Minnesota Statutes 2008, section 297E.02, subdivision 4, is amended to read:

16.17 Subd. 4. **Pull-tab and tipboard tax.** (a) A tax is imposed on the sale of each deal
16.18 of pull-tabs and tipboards sold by a distributor. The rate of the tax is 1.7 percent of the
16.19 ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter 297A on the
16.20 sale of the pull-tabs and tipboards by the distributor is imposed on the retail sales price
16.21 less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the
16.22 organization is exempt from taxes imposed by chapter 297A and is exempt from all local
16.23 taxes and license fees except a fee authorized under section 349.16, subdivision 8.

16.24 (b) The liability for the tax imposed by this section is incurred when the pull-tabs
16.25 and tipboards are delivered by the distributor to the customer or to a common or contract
16.26 carrier for delivery to the customer, or when received by the customer's authorized
16.27 representative at the distributor's place of business, regardless of the distributor's method
16.28 of accounting or the terms of the sale.

16.29 The tax imposed by this subdivision is imposed on all sales of pull-tabs and
16.30 tipboards, except the following:

16.31 (1) sales to the governing body of an Indian tribal organization for use on an Indian
16.32 reservation;

(2) sales to distributors licensed under the laws of another state or of a province of Canada, as long as all statutory and regulatory requirements are met in the other state or province;

(3) sales of promotional tickets as defined in section 349.12; and

(4) pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2. A distributor shall require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to the organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.

(c) A distributor having a liability of ~~\$120,000~~ \$10,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by electronic means.

(d) Any customer who purchases deals of pull-tabs or tipboards from a distributor may file an annual claim for a refund or credit of taxes paid pursuant to this subdivision for unsold pull-tab and tipboard tickets. The claim must be filed with the commissioner on a form prescribed by the commissioner by March 20 of the year following the calendar year for which the refund is claimed. The refund must be filed as part of the customer's February monthly return. The refund or credit is equal to 1.7 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be 1.75 percent of the face value of the unsold pull-tab or tipboard tickets for claims for a refund or credit of taxes filed on the February 2001 monthly return. The refund claimed will be applied as a credit against tax owing under this chapter on the February monthly return. If the refund claimed exceeds the tax owing on the February monthly return, that amount will be refunded. The amount refunded will bear interest pursuant to section 270C.405 from 90 days after the claim is filed.

EFFECTIVE DATE. This section is effective for payments due in calendar year 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2009, and in fiscal years thereafter.

Sec. 11. Minnesota Statutes 2008, section 297E.06, is amended by adding a subdivision to read:

Subd. 1a. Required signatures. The gambling manager and the chief executive officer of the organization, or their respective designees, and the person who completed the tax return must sign the tax return. The organization shall inform the commissioner of

18.1 revenue in writing of the identity of the designees as soon as practicable in the form and
18.2 manner prescribed by the commissioner.

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

18.4 Sec. 12. Minnesota Statutes 2008, section 297E.11, subdivision 1, is amended to read:

18.5 Subdivision 1. **General rule.** Except as otherwise provided in this chapter, the
18.6 amount of taxes assessable must be assessed within 3-1/2 years after the return is filed,
18.7 whether or not the return is filed on or after the date prescribed. A return must not be
18.8 treated as filed until it is in processible form. A return is in processible form if it is filed
18.9 on a permitted form and contains sufficient data to identify the taxpayer and permit the
18.10 mathematical verification of the tax liability shown on the return. For purposes of this
18.11 section, a tax return filed before the last day prescribed by law for filing is considered to
18.12 be filed on the last day.

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

18.14 Sec. 13. Minnesota Statutes 2008, section 297F.09, subdivision 7, is amended to read:

18.15 Subd. 7. **Electronic payment.** A cigarette or tobacco products distributor having a
18.16 liability of ~~\$120,000~~ \$10,000 or more during a fiscal year ending June 30 must remit all
18.17 liabilities in the subsequent calendar year by electronic means.

18.18 **EFFECTIVE DATE.** This section is effective for payments due in calendar year
18.19 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30,
18.20 2009, and in fiscal years thereafter.

18.21 Sec. 14. Minnesota Statutes 2008, section 297G.09, subdivision 6, is amended to read:

18.22 Subd. 6. **Electronic payments.** A licensed brewer, importer, or wholesaler having
18.23 an excise tax liability of ~~\$120,000~~ \$10,000 or more during a fiscal year ending June 30
18.24 must remit all excise tax liabilities in the subsequent calendar year by electronic means.

18.25 **EFFECTIVE DATE.** This section is effective for payments due in calendar year
18.26 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30,
18.27 2009, and in fiscal years thereafter.

18.28 Sec. 15. Minnesota Statutes 2008, section 297I.30, is amended by adding a subdivision
18.29 to read:

19.1 Subd. 9. **Extensions for filing returns.** When, in the commissioner's judgment,
19.2 good cause exists, the commissioner may extend the time for filing returns for not more
19.3 than six months.

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

19.5 Sec. 16. Minnesota Statutes 2008, section 297I.35, subdivision 2, is amended to read:

19.6 Subd. 2. **Electronic payments.** If the aggregate amount of tax and surcharges
19.7 due under this chapter during a calendar year is equal to or exceeds ~~\$120,000~~ \$10,000,
19.8 or if the taxpayer is required to make payment of any other tax to the commissioner by
19.9 electronic means, then all tax and surcharge payments in the subsequent calendar year
19.10 must be paid by electronic means.

19.11 **EFFECTIVE DATE.** This section is effective for payments due in calendar year
19.12 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30,
19.13 2009, and in fiscal years thereafter.

19.14 Sec. 17. Minnesota Statutes 2008, section 298.28, subdivision 4, is amended to read:

19.15 Subd. 4. **School districts.** (a) 23.15 cents per taxable ton, plus the increase provided
19.16 in paragraph (d) must be allocated to qualifying school districts to be distributed, based
19.17 upon the certification of the commissioner of revenue, under paragraphs (b), (c), and (f).

19.18 (b)(i) 3.43 cents per taxable ton must be distributed to the school districts in which
19.19 the lands from which taconite was mined or quarried were located or within which the
19.20 concentrate was produced. The distribution must be based on the apportionment formula
19.21 prescribed in subdivision 2.

19.22 (ii) Four cents per taxable ton from each taconite facility must be distributed to
19.23 each affected school district for deposit in a fund dedicated to building maintenance
19.24 and repairs, as follows:

19.25 (1) proceeds from Keewatin Taconite or its successor are distributed to Independent
19.26 School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor
19.27 districts;

19.28 (2) proceeds from the Hibbing Taconite Company or its successor are distributed to
19.29 Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor
19.30 districts;

19.31 (3) proceeds from the Mittal Steel Company and Minntac or their successors are
19.32 distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia,
19.33 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

(4) proceeds from the Northshore Mining Company or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior, or their successor districts; and

(5) proceeds from United Taconite or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their successor districts.

Revenues that are required to be distributed to more than one district shall be apportioned according to the number of pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year.

(c)(i) 15.72 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values after reduction for any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve the lesser of the amount received under this paragraph or \$25 times the number of pupil units served in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of education.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

~~(f) Four cents per taxable ton must be distributed to qualifying school districts according to the distribution specified in paragraph (b), clause (ii), and two cents per taxable ton must be distributed according to the distribution specified in paragraph (c). These amounts are not subject to sections 126C.21, subdivision 4, and 126C.48, subdivision 8.~~

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

Sec. 18. Minnesota Statutes 2008, section 298.28, subdivision 11, is amended to read:

Subd. 11. **Remainder.** (a) The proceeds of the tax imposed by section 298.24 which remain after the distributions and payments in subdivisions 2 to 10a, as certified by the commissioner of revenue, and paragraphs (b), (c), and (d), ~~and (c)~~ have been made, together with interest earned on all money distributed under this section prior to distribution, shall be divided between the taconite environmental protection fund created in section 298.223 and the Douglas J. Johnson economic protection trust fund created in section 298.292 as follows: Two-thirds to the taconite environmental protection fund and one-third to the Douglas J. Johnson economic protection trust fund. The proceeds shall be placed in the respective special accounts.

(b) There shall be distributed to each city, town, and county the amount that it received under section 294.26 in calendar year 1977; provided, however, that the amount

distributed in 1981 to the unorganized territory number 2 of Lake County and the town of Beaver Bay based on the between-terminal trackage of Erie Mining Company will be distributed in 1982 and subsequent years to the unorganized territory number 2 of Lake County and the towns of Beaver Bay and Stony River based on the miles of track of Erie Mining Company in each taxing district.

(c) There shall be distributed to the Iron Range Resources and Rehabilitation Board the amounts it received in 1977 under section 298.22. The amount distributed under this paragraph shall be expended within or for the benefit of the taconite assistance area defined in section 273.1341.

(d) There shall be distributed to each school district 62 percent of the amount that it received under section 294.26 in calendar year 1977.

~~(e) In 2003 only, \$100,000 must be distributed to a township located in a taconite tax relief area as defined in section 273.134, paragraph (a), that received \$119,259 of homestead and agricultural credit aid and \$182,014 in local government aid in 2001.~~

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

Sec. 19. Minnesota Statutes 2008, section 473.843, subdivision 3, is amended to read:

Subd. 3. **Payment of fee.** On or before the 20th day of each month each operator shall pay the fee due under this section for the previous month, using a form provided by the commissioner of revenue.

An operator having a fee of ~~\$120,000~~ \$10,000 or more during a fiscal year ending June 30 must pay all fees in the subsequent calendar year by electronic means.

EFFECTIVE DATE. This section is effective for payments due in calendar year 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30, 2009, and in fiscal years thereafter.

Sec. 20. **REPEALER.**

Minnesota Statutes 2008, sections 287.26; 287.27, subdivision 1; and 298.28, subdivisions 11a and 13, are repealed.

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

ARTICLE 4

PROPERTY TAXES AND AIDS

Section 1. Minnesota Statutes 2008, section 273.11, subdivision 23, is amended to read:

Subd. 23. **First tier valuation limit; agricultural homestead property.** (a) ~~Beginning with assessment year 2006,~~ The commissioner of revenue shall annually certify the first tier limit for agricultural homestead property ~~as~~. For assessment year 2010, the limit is \$1,100,000. Beginning with assessment year 2011, the limit is the product of (i) \$600,000 the first tier limit for the preceding assessment year, and (ii) the ratio of the statewide average taxable market value of agricultural property per acre of deeded farm land in the preceding assessment year to the statewide average taxable market value of agricultural property per acre of deeded farm land for the second preceding assessment year 2004. The limit shall be rounded to the nearest \$10,000.

(b) For the purposes of this subdivision, "agricultural property" means all class ~~2~~ 2a property under section 273.13, subdivision 23, except for ~~(1) timberland, (2) a landing area or public access area of a privately owned public use airport, and (3) property~~ consisting of the house, garage, and immediately surrounding one acre of land of an agricultural homestead.

(c) The commissioner shall certify the limit by January 2 of each assessment year; ~~except that for assessment year 2006 the commissioner shall certify the limit by June 1, 2006.~~

EFFECTIVE DATE. This section is effective for taxes payable in 2011 and thereafter.

Sec. 2. Minnesota Statutes 2008, section 273.111, subdivision 4, is amended to read:

Subd. 4. **Determination of value.** (a) The value of any real estate described in subdivision 3 shall upon timely application by the owner, in the manner provided in subdivision 8, be determined solely with reference to its appropriate agricultural classification and value notwithstanding sections 272.03, subdivision 8, and 273.11. Furthermore, the assessor shall not consider any added values resulting from nonagricultural factors. In order to account for the presence of nonagricultural influences that may affect the value of agricultural land, the commissioner of revenue shall develop a fair and uniform method of determining agricultural values for each county in the state that are consistent with this subdivision. The commissioner shall annually assign the resulting values to each county, and these values shall be used as the basis for determining the agricultural value for all properties in the county qualifying for tax deferment under this section.

(b) In the case of property qualifying for tax deferment only under subdivision 3a, the value shall be based on the value in effect for assessment year 2008, multiplied by the ratio of the total taxable market value of all property in the county for the year prior

24.1 to the current assessment year divided by the total taxable market value of all property
24.2 in the county for assessment year 2008.

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

24.5 Sec. 3. Minnesota Statutes 2008, section 273.1115, subdivision 2, is amended to read:

24.6 Subd. 2. **Requirement.** Real estate is entitled to valuation under this section only if
24.7 all of the following requirements are met:

24.8 (1) the property is classified as class 1a, 1b, 2a, or 2b property under section 273.13,
24.9 subdivisions 22 and 23, or the property is classified as class 2e under section 273.13,
24.10 subdivision 23, and immediately before being classified as class 2e was classified as
24.11 class 1a or 1b;

24.12 (2) the property is at least ten contiguous acres, when the application is filed under
24.13 subdivision 3;

24.14 (3) the owner has filed a completed application for deferment as specified in
24.15 subdivision 3 with the county assessor in the county in which the property is located;

24.16 (4) there are no delinquent taxes on the property; and

24.17 (5) a covenant on the land restricts its use as provided in subdivision 3, clause (4).

24.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2010 and
24.19 thereafter.

24.20 Sec. 4. Minnesota Statutes 2008, section 273.113, subdivision 1, is amended to read:

24.21 Subdivision 1. **Definition.** For the purposes of this section, the following terms
24.22 have the meanings given to them:

24.23 (1) "proposed bovine tuberculosis modified accredited zone" means the modified
24.24 accredited zone proposed by the Board of Animal Health under section 35.244; ~~and~~

24.25 (2) "located within" ~~means~~ requires that (i) the herd ~~is was~~ kept in the area on the
24.26 land for at least a part of calendar year 2007; or (ii) the herd on the land was eradicated or
24.27 purchased by a state or federal governmental agency in 2006 for the purpose of controlling
24.28 the spread of bovine tuberculosis.

24.29 **EFFECTIVE DATE.** This section is effective for taxes payable in 2009.

24.30 Sec. 5. Minnesota Statutes 2008, section 273.113, subdivision 2, is amended to read:

24.31 Subd. 2. **Eligibility; amount of credit.** Agricultural land classified under section
24.32 273.13, subdivision 23, located within a proposed bovine tuberculosis modified accredited

zone is eligible for a property tax credit equal to the property tax on the ~~parcel~~ property where the herd had been located, excluding any tax attributable to residential structures. To begin to qualify for the tax credit, the owner shall file an application with the county by December 1 of the levy year. The credit must be given for each subsequent taxes payable year until the credit terminates under subdivision 4. The assessor shall indicate the amount of the property tax reduction on the property tax statement of each taxpayer receiving a credit under this section. The credit paid pursuant to this section shall be deducted from the tax due on the property as provided in section 273.1393.

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

Sec. 6. Minnesota Statutes 2008, section 273.1231, subdivision 8, is amended to read:

Subd. 8. **Utility property.** "Utility property" means property appraised and classified for tax purposes by order of the commissioner of revenue under sections 273.33 to 273.3711.

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

Sec. 7. Minnesota Statutes 2008, section 273.124, subdivision 21, is amended to read:

Subd. 21. **Trust property; homestead.** Real or personal property held by a trustee under a trust is eligible for classification as homestead property if: the property satisfies the requirements of paragraph (a), (b), (c), or (d).

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

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

~~(3)~~ (c) A family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm in which the grantor or the grantor's surviving spouse is a shareholder, member, or partner rents the property; ~~and, either (1) a shareholder, member, or partner of the corporation, joint farm venture, limited liability company, or partnership occupies and uses the property as a homestead; or is actively farming, (2) the property is at least 40 acres, including undivided government lots and correctional 40's, and a shareholder, member, or partner of the tenant-entity is actively farming the property on behalf of the corporation, joint farm venture, limited liability company, or partnership; or~~

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

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

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

Sec. 8. Minnesota Statutes 2008, section 273.13, subdivision 23, is amended to read:

Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural land that is homesteaded, along with any class 2b rural vacant land that is contiguous to the class 2a land under the same ownership. The market value of the house and garage and immediately surrounding one acre of land has the same class rates as class 1a or 1b property under subdivision 22. The value of the remaining land including improvements up to the first tier valuation limit of agricultural homestead property has a net class rate of 0.5 percent of market value. The remaining property over the first tier has a class rate of one percent of market value. For purposes of this subdivision, the "first tier valuation limit of agricultural homestead property" and "first tier" means the limit certified under section 273.11, subdivision 23.

(b) Class 2a agricultural land consists of parcels of property, or portions thereof, that are agricultural land and buildings. Class 2a property has a net class rate of one percent of market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a property may contain property that would otherwise be classified as 2b, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, and other similar land impractical for the assessor to value separately from the rest of the property.

An assessor may classify the part of a parcel described in this subdivision that is used for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

(c) Class 2b rural vacant land consists of parcels of property, or portions thereof, that are unplatted real estate, rural in character and not used for agricultural purposes, including land used for growing trees for timber, lumber, and wood and wood products, that is not improved with a structure. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from

classification under this paragraph. Any parcel of 20 acres or more improved with a structure that is not a minor, ancillary nonresidential structure must be split-classified, and ten acres must be assigned to the split parcel containing the structure. Class 2b property has a net class rate of one percent of market value unless it is part of an agricultural homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

(d) Class 2c managed forest land consists of no less than 20 and no more than 1,920 acres statewide per taxpayer that is being managed under a forest management plan that meets the requirements of chapter 290C, but is not enrolled in the sustainable forest resource management incentive program. It has a class rate of .65 percent, provided that the owner of the property must apply to the assessor ~~to receive the reduced class in order for the property to initially qualify for the reduced~~ rate and provide the information required by the assessor to verify that the property qualifies for the reduced rate. If the assessor receives the application and information before May 1 in an assessment year, the property qualifies beginning with that assessment year. If the assessor receives the application and information after April 30 in an assessment year, the property may not qualify until the next assessment year. The commissioner of natural resources must concur that the land is qualified. The commissioner of natural resources shall annually provide county assessors verification information on a timely basis. The presence of a minor, ancillary nonresidential structure as defined by the commissioner of revenue does not disqualify the property from classification under this paragraph.

(e) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising, cultivation, drying, or storage of agricultural products for sale, or the storage of machinery or equipment used in support of agricultural production by the same farm entity. For a property to be classified as agricultural based only on the drying or storage of agricultural products, the products being dried or stored must have been produced by the same farm entity as the entity operating the drying or storage facility. "Agricultural purposes" also includes enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar state or federal conservation program if the property was classified as agricultural (i) under this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment. Agricultural classification shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(f) Real estate of less than ten acres, which is exclusively or intensively used for raising or cultivating agricultural products, shall be considered as agricultural land. To

28.1 qualify under this paragraph, property that includes a residential structure must be used
28.2 intensively for one of the following purposes:

28.3 (i) for drying or storage of grain or storage of machinery or equipment used to
28.4 support agricultural activities on other parcels of property operated by the same farming
28.5 entity;

28.6 (ii) as a nursery, provided that only those acres used to produce nursery stock are
28.7 considered agricultural land;

28.8 (iii) for livestock or poultry confinement, provided that land that is used only for
28.9 pasturing and grazing does not qualify; or

28.10 (iv) for market farming; for purposes of this paragraph, "market farming" means the
28.11 cultivation of one or more fruits or vegetables or production of animal or other agricultural
28.12 products for sale to local markets by the farmer or an organization with which the farmer
28.13 is affiliated.

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) wholesale and retail sales;

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

(3) warehousing or storage of processed goods; and

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

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

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

~~(k)~~ (l) Class 2d airport landing area consists of a landing area or public access area of a privately owned public use airport. It has a class rate of one percent of market value. To qualify for classification under this paragraph, a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of this paragraph, "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

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

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

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

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

~~(t)~~ (m) Class 2e consists of land with a commercial aggregate deposit that is not actively being mined and is not otherwise classified as class 2a or 2b, provided that the land is not located in a county that has elected to opt-out of the aggregate preservation program as provided in section 273.1115, subdivision 6. It has a class rate of one percent of market value. To qualify for classification under this paragraph, the property must be at least ten contiguous acres in size and the owner of the property must record with the county recorder of the county in which the property is located an affidavit containing:

(1) a legal description of the property;

(2) a disclosure that the property contains a commercial aggregate deposit that is not actively being mined but is present on the entire parcel enrolled;

(3) documentation that the conditional use under the county or local zoning ordinance of this property is for mining; and

(4) documentation that a permit has been issued by the local unit of government or the mining activity is allowed under local ordinance. The disclosure must include a statement from a registered professional geologist, engineer, or soil scientist delineating the deposit and certifying that it is a commercial aggregate deposit.

For purposes of this section and section 273.1115, "commercial aggregate deposit" means a deposit that will yield crushed stone or sand and gravel that is suitable for use as a construction aggregate; and "actively mined" means the removal of top soil and overburden in preparation for excavation or excavation of a commercial deposit.

~~(m)~~ (n) When any portion of the property under this subdivision or subdivision 22 begins to be actively mined, the owner must file a supplemental affidavit within 60 days from the day any aggregate is removed stating the number of acres of the property that is actively being mined. The acres actively being mined must be (1) valued and classified under subdivision 24 in the next subsequent assessment year, and (2) removed from the aggregate resource preservation property tax program under section 273.1115, if the land was enrolled in that program. Copies of the original affidavit and all supplemental affidavits must be filed with the county assessor, the local zoning administrator, and the Department of Natural Resources, Division of Land and Minerals. A supplemental affidavit must be filed each time a subsequent portion of the property is actively mined,

31.1 provided that the minimum acreage change is five acres, even if the actual mining activity
31.2 constitutes less than five acres.

31.3 (o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are
31.4 not rules, are exempt from the rulemaking provisions of chapter 14, and the provisions
31.5 in section 14.386 concerning exempt rules do not apply.

31.6 **EFFECTIVE DATE.** The section is effective the day following final enactment.

31.7 Sec. 9. Minnesota Statutes 2008, section 273.13, subdivision 25, is amended to read:

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

31.15 (b) Class 4b includes:

31.16 (1) residential real estate containing less than four units that does not qualify as class
31.17 4bb, other than seasonal residential recreational property;

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

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

31.21 (4) unimproved property that is classified residential as determined under subdivision
31.22 33.

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

31.24 (c) Class 4bb includes:

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

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

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

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

31.33 (d) Class 4c property includes:

31.34 (1) except as provided in subdivision 22, paragraph (c), ~~or subdivision 23, paragraph~~
31.35 ~~(b), clause (1),~~ real and personal property devoted to temporary and seasonal residential

32.1 occupancy for recreation purposes, including real and personal property devoted to
32.2 temporary and seasonal residential occupancy for recreation purposes and not devoted to
32.3 commercial purposes for more than 250 days in the year preceding the year of assessment.
32.4 For purposes of this clause, property is devoted to a commercial purpose on a specific
32.5 day if any portion of the property is used for residential occupancy, and a fee is charged
32.6 for residential occupancy. Class 4c property under this clause must contain three or
32.7 more rental units. A "rental unit" is defined as a cabin, condominium, townhouse,
32.8 sleeping room, or individual camping site equipped with water and electrical hookups
32.9 for recreational vehicles. Class 4c property under this clause must provide recreational
32.10 activities such as renting ice fishing houses, boats and motors, snowmobiles, downhill or
32.11 cross-country ski equipment; provide marina services, launch services, or guide services;
32.12 or sell bait and fishing tackle. A camping pad offered for rent by a property that otherwise
32.13 qualifies for class 4c under this clause is also class 4c under this clause regardless of the
32.14 term of the rental agreement, as long as the use of the camping pad does not exceed 250
32.15 days. In order for a property to be classified as class 4c, seasonal residential recreational
32.16 for commercial purposes under this clause, at least 40 percent of the annual gross lodging
32.17 receipts related to the property must be from business conducted during 90 consecutive
32.18 days and either (i) at least 60 percent of all paid bookings by lodging guests during the
32.19 year must be for periods of at least two consecutive nights; or (ii) at least 20 percent
32.20 of the annual gross receipts must be from charges for rental of fish houses, boats and
32.21 motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina
32.22 services, launch services, and guide services, or the sale of bait and fishing tackle. For
32.23 purposes of this determination, a paid booking of five or more nights shall be counted as
32.24 two bookings. Class 4c property classified under this clause also includes commercial
32.25 use real property used exclusively for recreational purposes in conjunction with other
32.26 class 4c property classified under this clause and devoted to temporary and seasonal
32.27 residential occupancy for recreational purposes, up to a total of two acres, provided the
32.28 property is not devoted to commercial recreational use for more than 250 days in the year
32.29 preceding the year of assessment and is located within two miles of the class 4c property
32.30 with which it is used. Owners of real and personal property devoted to temporary and
32.31 seasonal residential occupancy for recreation purposes and all or a portion of which was
32.32 devoted to commercial purposes for not more than 250 days in the year preceding the
32.33 year of assessment desiring classification as class 4c, must submit a declaration to the
32.34 assessor designating the cabins or units occupied for 250 days or less in the year preceding
32.35 the year of assessment by January 15 of the assessment year. Those cabins or units and
32.36 a proportionate share of the land on which they are located must be designated class

4c under this clause as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (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 4c;

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

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

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

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

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

(i) the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment; or

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

For purposes of this clause,

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

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

(C) a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from

34.1 federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal
34.2 Revenue Code; and

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

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

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

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

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

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

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

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

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

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

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

(i) the land abuts a public airport; and

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

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

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

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

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

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

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

(10) real property up to a maximum of three acres and operated as a restaurant as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B) is either devoted to commercial purposes for not more than 250 consecutive days, or receives at least 60 percent of its annual gross receipts from business conducted during four consecutive months. Gross receipts from the sale of alcoholic beverages must be included in determining the property's qualification under subitem (B). The property's primary business must be as a restaurant and not as a bar. Gross receipts from gift shop sales located on the premises must be excluded. Owners of real property desiring 4c classification under this clause must submit an annual declaration to the assessor by February 1 of the current assessment year, based on the property's relevant information for the preceding assessment year.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has

the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal residential recreational property has a class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2), (6), and (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

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

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

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

Sec. 10. Minnesota Statutes 2008, section 273.13, subdivision 33, is amended to read:

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

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

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

Sec. 11. Minnesota Statutes 2008, section 273.33, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of

pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed with and assessed by the commissioner of revenue and the values provided to the city or county assessor by order. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing gas to consumers at retail nor to pipelines used by the owner thereof to supply natural gas or other petroleum products exclusively for such owner's own consumption and not for resale to others. If more than 85 percent of the natural gas or other petroleum products actually transported over the pipeline is used for the owner's own consumption and not for resale to others, then this subdivision shall not apply; provided, however, that in that event, the pipeline shall be assessed in proportion to the percentage of gas actually transported over such pipeline that is not used for the owner's own consumption. On or before ~~June 30~~ August 1, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located.

EFFECTIVE DATE. This section is effective for assessment year 2009 and thereafter.

Sec. 12. Minnesota Statutes 2008, section 273.37, subdivision 2, is amended to read:

Subd. 2. **Listing and assessment by commissioner.** Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated and the values provided to the city or county assessor by order. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before ~~June 30~~ August 1, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property.

EFFECTIVE DATE. This section is effective for assessment year 2009 and thereafter.

Sec. 13. Minnesota Statutes 2008, section 274.13, subdivision 2, is amended to read:

Subd. 2. **Special board; delegated duties.** The board of equalization for any county may appoint a special board of equalization and may delegate to it the powers and

duties in subdivision 1. The special board of equalization shall serve at the direction and discretion of the appointing county board, subject to the restrictions imposed by law on the appointing board. The appointing board may determine the number of members to be appointed to the special board, the compensation and expenses to be paid, and the term of office of each member. At least one member of the special board of equalization must be an appraiser, realtor, or other person familiar with property valuations in the county. The county auditor is a nonvoting member and serves as the recorder for the special board. The special board is subject to the quorum requirements for county boards and the training requirements for county boards in section 274.135, subdivision 2.

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

Sec. 14. Minnesota Statutes 2008, section 274.135, subdivision 3, is amended to read:

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.

(d) If a person who was entitled to appeal to the county board of appeal and equalization or to the county special board of equalization is not able to do so in a particular year because the county board or special board did not meet the quorum and training requirements in this section and section 274.13, or because the special board was not appointed, that person may instead appeal to the commissioner of revenue, provided that the appeal is received by the commissioner prior to August 1. The appeal is not subject to either chapter 14 or section 270C.92. The commissioner must issue an appropriate order to the county assessor in response to each timely appeal, either upholding or changing the valuation or classification of the property. Prior to October 1 of each year, the commissioner must charge and bill the county where the property is located \$500 for each tax parcel covered by an order issued under this paragraph in that year. Amounts received by the commissioner under this paragraph must be deposited in the state's general fund. If payment of a billed amount is not received by the commissioner before December 1 of the year when billed, the commissioner must deduct that unpaid amount from any state aid the commissioner would otherwise pay to the county under chapter 477A in the next year. Late payments may either be returned to the county uncashed and undeposited or may be accepted. If a late payment is accepted, the state aid paid to the county under chapter 477A must be adjusted within 12 months to eliminate any reduction that occurred because the payment was late. Amounts needed to make these adjustments are included in the appropriation under section 477A.03, subdivision 2.

EFFECTIVE DATE. This section is effective for taxes payable in 2010 and thereafter.

Sec. 15. Minnesota Statutes 2008, section 274.14, is amended to read:

274.14 LENGTH OF SESSION; RECORD.

The board ~~may~~ must meet ~~on any~~ after the second Friday in June on at least one meeting day and may meet for up to ten consecutive meeting days in June, after the second Friday in June. The actual meeting dates must be contained on the valuation notices mailed to each property owner in the county as provided in section 273.121. For this purpose, "meeting days" is defined as any day of the week excluding Sunday. At the board's discretion, "meeting days" may include Saturday. No action taken by the county board of review after June 30 is valid, except for corrections permitted in sections 273.01 and 274.01. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county

commissioners. A copy of the published record must be sent to the commissioner of revenue, with the abstract of assessment required by section 274.16.

For counties that conduct either regular board of review meetings or open book meetings, at least one of the meeting days must include a meeting that does not end before 7:00 p.m. For counties that require taxpayer appointments for the board of review, appointments must include some available times that extend until at least 7:00 p.m. The county may have a Saturday meeting in lieu of, or in addition to, the extended meeting times under this paragraph.

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

Sec. 16. Minnesota Statutes 2008, section 274.175, is amended to read:

274.175 VALUES FINALIZED.

The assessments recorded by the county assessor and the county auditor under sections 273.124, subdivision 9; 274.16; 274.17; or other law for real and personal property are final on July 1 of the assessment year, except for property added to the assessment rolls under section 272.02, subdivision 38, and assessments certified to the auditor under sections 273.33, subdivision 2, and 273.37, subdivision 2, or deleted because of tax forfeiture pursuant to chapter 281. No changes in value may be made after July 1 of the assessment year, except for corrections permitted in sections 273.01 and 274.01, or assessments certified to the auditor under sections 273.33, subdivision 2, and 273.37, subdivision 2.

EFFECTIVE DATE. This section is effective for assessment year 2009 and thereafter.

Sec. 17. Minnesota Statutes 2008, section 275.70, subdivision 5, is amended to read:

Subd. 5. **Special levies.** "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota State Armory Building Commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) property taxes approved by voters ~~which are levied against the referendum market value~~ as provided under section 275.61;

(6) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 2001, or (ii) it is a new matching requirement that did not exist prior to 2002;

(7) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the Emergency Services Division of the state Department of Public Safety, as allowed by the commissioner of revenue under section 275.74, subdivision 2;

(8) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year;

(9) to pay an abatement under section 469.1815;

(10) to pay any costs attributable to increases in the employer contribution rates under chapter 353, or locally administered pension plans, that are effective after June 30, 2001;

(11) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (f), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the Department of Corrections, or to pay the operating or maintenance costs of a regional jail

as authorized in section 641.262. For purposes of this clause, a district court order is not a rule, minimum requirement, minimum standard, or directive of the Department of Corrections. If the county utilizes this special levy, except to pay operating or maintenance costs of a new regional jail facility under sections 641.262 to 641.264 which will not replace an existing jail facility, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

~~(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71 shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;~~

(13) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative;

~~(14) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this clause is limited to the amount of aid the county is certified to receive under section 273.1398, subdivision 4a;~~

~~(15)~~ (14) to fund a police or firefighters relief association as required under section 69.77 to the extent that the required amount exceeds the amount levied for this purpose in 2001;

~~(16)~~ (15) for purposes of a storm sewer improvement district under section 444.20;

~~(17)~~ (16) to pay for the maintenance and support of a city or county society for the prevention of cruelty to animals under section 343.11. If the city or county uses this special levy, any amount levied by the city or county in the previous levy year for the purposes specified in this clause and included in the city's or county's previous year's levy

limit computed under section 275.71, must be deducted from the levy limit base under section 275.71, subdivision 2, in determining the city's or county's current year levy limit;

~~(18)~~ (17) for counties, to pay for the increase in their share of health and human service costs caused by reductions in federal health and human services grants effective after September 30, 2007;

~~(19)~~ (18) for a city, for the costs reasonably and necessarily incurred for securing, maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by the commissioner of revenue under section 275.74, subdivision 2. A city must have either (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in the city or in a zip code area of the city that is at least 50 percent higher than the average foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2, to use this special levy. For purposes of this paragraph, "foreclosure rate" means the number of foreclosures, as indicated by sheriff sales records, divided by the number of households in the city in 2007;

~~(20)~~ (19) for a city, for the unreimbursed costs of redeployed traffic control agents and lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified to the Federal Highway Administration;

~~(21)~~ (20) to pay costs attributable to wages and benefits for sheriff, police, and fire personnel. If a local governmental unit did not use this special levy in the previous year its levy limit base under section 275.71 shall be reduced by the amount equal to the amount it levied for the purposes specified in this clause in the previous year; and

~~(22)~~ (21) an amount equal to any reductions in the certified aids or credits payable under sections 477A.011 to 477A.014, and section 273.1384, due to unallotment under section 16A.152. The amount of the levy allowed under this clause is equal to the amount unallotted in the calendar year in which the tax is levied unless the unallotment amount is not known by September 1 of the levy year, in which case the unallotment amount may be levied in the following year.

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

Sec. 18. Minnesota Statutes 2008, section 275.71, subdivision 4, is amended to read:

Subd. 4. **Adjusted levy limit base.** For taxes levied in 2008 through 2010, the adjusted levy limit base is equal to the levy limit base computed under subdivision 2 or section 275.72, multiplied by:

(1) one plus the lesser of 3.9 percent or the percentage growth in the implicit price deflator;

(2) one plus a percentage equal to 50 percent of the percentage increase in the number of households, if any, for the most recent 12-month period for which data is available; and

(3) one plus a percentage equal to 50 percent of the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision ~~4~~ 24, except for state-assessed utility and railroad property, for the most recent year for which data is available.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 through 2011.

Sec. 19. Minnesota Statutes 2008, section 290C.06, is amended to read:

**290C.06 CALCULATION OF AVERAGE ESTIMATED MARKET VALUE;
~~TIMBERLAND~~ MANAGED FOREST LAND.**

The commissioner shall annually calculate a statewide average estimated market value per acre for class ~~2b timberland~~ 2c managed forest land under section 273.13, subdivision 23, ~~paragraph (b).~~

EFFECTIVE DATE. This section is effective for calculations made in 2010 and thereafter.

Sec. 20. Minnesota Statutes 2008, section 290C.07, is amended to read:

290C.07 CALCULATION OF INCENTIVE PAYMENT.

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

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

(2) two-thirds of the property tax amount determined by using the previous year's statewide average total township tax rate, the estimated market value per acre as calculated in section 290C.06, and ~~the a class rate for 2b timberland under section 273.13, subdivision 23, paragraph (b) of one percent,~~ provided that the payment shall be no less than \$7 per acre for each acre enrolled in the sustainable forest incentive program.

EFFECTIVE DATE. This section is effective for calculations made in 2010 and thereafter.

Sec. 21. Minnesota Statutes 2008, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. **Additional amortization state aid.** (a) Annually, on October 1, the commissioner of revenue shall allocate the additional amortization state aid transferred under section 69.021, subdivision 11, to:

(1) all police or salaried firefighters relief associations governed by and in full compliance with the requirements of section 69.77, that had an unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31;

(2) all local police or salaried firefighter consolidation accounts governed by chapter 353A that are certified by the executive director of the public employees retirement association as having for the current fiscal year an additional municipal contribution amount under section 353A.09, subdivision 5, paragraph (b), and that have implemented section 353A.083, subdivision 1, if the effective date of the consolidation preceded May 24, 1993, and that have implemented section 353A.083, subdivision 2, if the effective date of the consolidation preceded June 1, 1995; and

(3) the municipalities that are required to make an additional municipal contribution under section 353.665, subdivision 8, for the duration of the required additional contribution.

(b) The commissioner shall allocate the state aid on the basis of the proportional share of the relief association or consolidation account of the total unfunded actuarial accrued liability of all recipient relief associations and consolidation accounts as of December 31, 1993, for relief associations, and as of June 30, 1994, for consolidation accounts.

(c) Beginning October 1, 2000, and annually thereafter, the commissioner shall allocate the state aid, including any state aid in excess of the limitation in subdivision 4, on the following basis:

(1) 64.5 percent to the municipalities to which section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), apply for distribution in accordance with paragraph (b) and subject to the limitation in subdivision 4;

(2) 34.2 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Fire Department Relief Association; and

(3) 1.3 percent to the city of Virginia to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Virginia Fire Department Relief Association.

If there is no unfunded actuarial accrued liability in both the Minneapolis Police Relief Association and the Minneapolis Fire Department Relief Association as disclosed in the most recent actuarial valuations for the relief associations prepared under sections 356.215 and 356.216, the commissioner shall allocate that 34.2 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. If there is no unfunded actuarial accrued liability in the Virginia Fire Department Relief Association as disclosed in the most recent actuarial valuation for the relief association prepared under sections 356.215 and 356.216, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. Upon the final payment to municipalities required by section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), the commissioner shall allocate that 64.5 percent of the aid as follows: 20 percent to the St. Paul Teachers Retirement Fund Association, 20 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation proposed under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Firefighters Relief Association, 20 percent for the city of Duluth to pay for any costs associated with the police and firefighters pensions, and 40 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. The allocation must be made by the commissioner at the same time and under the same procedures as specified in subdivision 3. With respect to the St. Paul Teachers Retirement Fund Association, annually, beginning on July 1, 2005, if the applicable teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent in bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid allocation to that retirement fund under this section ceases until the five-year annual rate of investment return equals or exceeds the performance of that composite portfolio.

(d) The amounts required under this subdivision are the amounts annually appropriated to the commissioner of revenue under section 69.021, subdivision 11, paragraph (e).

EFFECTIVE DATE. This section is effective retroactively for fiscal year 2004, aid payable in 2003, and thereafter.

Sec. 22. Minnesota Statutes 2008, section 423A.02, subdivision 3, is amended to read:

Subd. 3. **Reallocation of amortization or supplementary amortization state aid.** (a) Seventy percent of the difference between \$5,720,000 and the current year amortization aid ~~or~~ and supplemental amortization aid distributed under subdivisions 1 and 1a that is not distributed for any reason to a municipality for use by a local police or salaried fire relief association must be distributed by the commissioner of revenue according to this paragraph. The commissioner shall distribute 70 percent of the amounts derived under this paragraph to the Teachers Retirement Association and 30 percent to the St. Paul Teachers Retirement Fund Association to fund the unfunded actuarial accrued liabilities of the respective funds. These payments shall be made on or before June 30 each fiscal year. ~~The amount required under this paragraph is appropriated annually from the general fund to the commissioner of revenue.~~ If the St. Paul Teachers Retirement Fund Association becomes fully funded, its eligibility for this aid ceases. Amounts remaining in the undistributed balance account at the end of the biennium if aid eligibility ceases cancel to the general fund.

(b) In order to receive amortization and supplementary amortization aid under paragraph (a), Independent School District No. 625, St. Paul, must make contributions to the St. Paul Teachers Retirement Fund Association in accordance with the following schedule:

Fiscal Year	Amount
1996	\$ 0
1997	\$ 0
1998	\$ 200,000
1999	\$ 400,000
2000	\$ 600,000
2001 and thereafter	\$ 800,000

(c) Special School District No. 1, Minneapolis, and the city of Minneapolis must each make contributions to the Teachers Retirement Association in accordance with the following schedule:

48.1	Fiscal Year	City amount	School district
48.2			amount
48.3	1996	\$ 0	\$ 0
48.4	1997	\$ 0	\$ 0
48.5	1998	\$ 250,000	\$ 250,000
48.6	1999	\$ 400,000	\$ 400,000
48.7	2000	\$ 550,000	\$ 550,000
48.8	2001	\$ 700,000	\$ 700,000
48.9	2002	\$ 850,000	\$ 850,000
48.10	2003 and thereafter	\$ 1,000,000	\$ 1,000,000

48.11 (d) Money contributed under paragraph (a) and either paragraph (b) or (c), as
48.12 applicable, must be credited to a separate account in the applicable teachers retirement
48.13 fund and may not be used in determining any benefit increases. The separate account
48.14 terminates for a fund when the aid payments to the fund under paragraph (a) cease.

48.15 (e) Thirty percent of the difference between \$5,720,000 and the current year
48.16 amortization aid ~~or~~ and supplemental amortization aid under subdivisions 1 and 1a that
48.17 is not distributed for any reason to a municipality for use by a local police or salaried
48.18 firefighter relief association must be distributed under section 69.021, subdivision 7,
48.19 paragraph (d), as additional funding to support a minimum fire state aid amount for
48.20 volunteer firefighter relief associations. ~~The amount required under this paragraph is~~
48.21 ~~appropriated annually to the commissioner of revenue.~~

48.22 **EFFECTIVE DATE.** This section is effective retroactively for fiscal year 2004, aid
48.23 payable in 2003, and thereafter.

48.24 Sec. 23. Minnesota Statutes 2008, section 423A.02, is amended by adding a
48.25 subdivision to read:

48.26 Subd. 3a. **Appropriations for amortization aid, supplementary amortization**
48.27 **state aid, and amortization state aid and supplementary state aid reallocations.**
48.28 \$4,720,000 is annually appropriated from the general fund to the commissioner of revenue
48.29 for amortization state aid under subdivision 1 and for the reallocation of amortization aid
48.30 under subdivision 3. \$1,000,000 is annually appropriated from the general fund to the
48.31 commissioner of revenue for supplementary amortization state aid under subdivision 1a
48.32 and for the reallocation of supplementary amortization state aid under subdivision 3.

48.33 **EFFECTIVE DATE.** This section is effective retroactively for fiscal year 2004, aid
48.34 payable in 2003, and thereafter.

Sec. 24. Minnesota Statutes 2008, section 477A.011, subdivision 34, is amended to read:

Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater than 2,500, "city revenue need" is the greater of 285 or the sum of (1) 5.0734098 times the pre-1940 housing percentage; plus (2) 19.141678 times the population decline percentage; plus (3) 2504.06334 times the road accidents factor; plus (4) 355.0547; minus (5) the metropolitan area factor; minus (6) 49.10638 times the household size.

(b) For a city with a population less than 2,500, "city revenue need" is the sum of (1) 2.387 times the pre-1940 housing percentage; plus (2) 2.67591 times the commercial industrial percentage; plus (3) 3.16042 times the population decline percentage; plus (4) 1.206 times the transformed population; minus (5) 62.772.

(c) For a city with a population of 2,500 or more and a population in one of the most recently available five years that was less than 2,500, "city revenue need" is the sum of (1) its city revenue need calculated under paragraph (a) multiplied by its transition factor; plus (2) its city revenue need calculated under the formula in paragraph (b) multiplied by the difference between one and its transition factor. For purposes of this paragraph, a city's "transition factor" is equal to 0.2 multiplied by the number of years that the city's population estimate has been 2,500 or more. This provision only applies for aids payable in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500. It applies to any city for aids payable in 2009 and thereafter. ~~The city revenue need under this paragraph may not be less than 285.~~

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

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

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

Sec. 25. Minnesota Statutes 2008, section 477A.011, subdivision 42, is amended to read:

Subd. 42. **City jobs base.** (a) "City jobs base" for a city with a population of 5,000 or more is equal to the product of (1) \$25.20, (2) the number of jobs per capita in the city, and (3) its population. For cities with a population less than 5,000, the city jobs base is equal

to zero. For a city receiving aid under subdivision 36, paragraph ~~(h)~~ (k), its city jobs base is reduced by the lesser of 36 percent of the amount of aid received under that paragraph or \$1,000,000. No city's city jobs base may exceed \$4,725,000 under this paragraph.

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

(c) For purposes of this subdivision, "jobs per capita in the city" means (1) the average annual number of employees in the city based on the data from the Quarterly Census of Employment and Wages, as reported by the Department of Employment and Economic Development, for the most recent calendar year available as of May 1, 2008, divided by (2) the city's population for the same calendar year as the employment data. The commissioner of the Department of Employment and Economic Development shall certify to the city the average annual number of employees for each city by June 1, 2008. A city may challenge an estimate under this paragraph by filing its specific objection, including the names of employers that it feels may have misreported data, in writing with the commissioner by June 20, 2008. The commissioner shall make every reasonable effort to address the specific objection and adjust the data as necessary. The commissioner shall certify the estimates of the annual employment to the commissioner of revenue by July 15, 2008, including any estimates still under objection.

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

Sec. 26. Minnesota Statutes 2008, section 477A.013, subdivision 8, is amended to read:

Subd. 8. **City formula aid.** (a) In calendar year 2009, the formula aid for a city is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase percentage multiplied by its unmet need.

(b) In calendar year 2010 and subsequent years, the formula aid for a city is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase percentage multiplied by the average of its unmet need for the most recently available two years.

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. For aids payable in 2009 only, all data used in calculating aid to cities under sections 477A.011 to 477A.013 will be based on the data available for calculating aid to cities for aids payable in 2008. For aids payable in 2010 and thereafter, data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be the most recently available data as of January 1 in the year in which the aid is calculated except for the levies used to calculate maximum increases and decreases under section 477A.013, subdivision 9, paragraphs (b), (c), and (d).

EFFECTIVE DATE. This section is effective for assessment year 2009 and thereafter.

Sec. 27. **REPEALER.**

Minnesota Rules, parts 8115.0200; 8115.0300; 8115.0400; 8115.0500; 8115.0600; 8115.1000; 8115.1100; 8115.1200; 8115.1300; 8115.1400; 8115.1500; 8115.1600; 8115.1700; 8115.1800; 8115.1900; 8115.2000; 8115.2100; 8115.2200; 8115.2300; 8115.2400; 8115.2500; 8115.2600; 8115.2700; 8115.2800; 8115.2900; 8115.3000; 8115.4000; 8115.4100; 8115.4200; 8115.4300; 8115.4400; 8115.4500; 8115.4600; 8115.4700; 8115.4800; 8115.4900; 8115.5000; 8115.5100; 8115.5200; 8115.5300; 8115.5400; 8115.5500; 8115.5600; 8115.5700; 8115.5800; 8115.5900; 8115.6000; 8115.6100; 8115.6200; 8115.6300; 8115.6400; and 8115.9900; are repealed.

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

ARTICLE 5
MISCELLANEOUS

Section 1. Minnesota Statutes 2008, section 270B.14, subdivision 16, is amended to read:

Subd. 16. **Disclosure to law enforcement authorities.** Under circumstances involving threat of death or physical injury to, or harassment of, any individual, the commissioner may disclose return information to the extent necessary to apprise appropriate federal, state, or local law enforcement authorities of such circumstances. For purposes of this subdivision, "harassment" is purposeful conduct directed at an individual and causing an individual to feel frightened, threatened, oppressed, persecuted, or intimidated. Data disclosed under this subdivision are classified under section 13.82 once they are received by the law enforcement authority.

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

52.1 Sec. 2. Minnesota Statutes 2008, section 270C.12, is amended by adding a subdivision
52.2 to read:

52.3 Subd. 5. **Duration.** Notwithstanding the provisions of any statutes to the contrary,
52.4 including section 15.059, the coordinating committee as established by this section to
52.5 oversee and coordinate preparation of the microdata samples of income tax returns and
52.6 other information does not expire.

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

52.8 Sec. 3. Minnesota Statutes 2008, section 270C.446, subdivision 2, is amended to read:

52.9 Subd. 2. **Required and excluded tax preparers.** (a) Subject to the limitations of
52.10 paragraph (b), the commissioner must publish lists of tax preparers as defined in section
52.11 289A.60, subdivision 13, paragraph (f), who have been convicted under section 289A.63
52.12 for returns or claims prepared as a tax preparer or assessed penalties in excess of \$1,000
52.13 under section 289A.60, subdivision 13, paragraph (a).

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

52.15 (1) an administrative or court action contesting the penalty has been filed or served
52.16 and is unresolved at the time when notice would be given under subdivision 3;

52.17 (2) an appeal period to contest the penalty has not expired; or

52.18 (3) the commissioner has been notified that the tax preparer is deceased.

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

52.20 Sec. 4. Minnesota Statutes 2008, section 270C.446, subdivision 5, is amended to read:

52.21 Subd. 5. **Removal from list.** The commissioner shall remove the name of a tax
52.22 preparer from the list of tax preparers published under this section:

52.23 (1) when the commissioner determines that the name was included on the list in error;

52.24 (2) within 90 days after the preparer has demonstrated to the commissioner that
52.25 the preparer fully paid all fines imposed, served any suspension, satisfied any sentence
52.26 imposed, and demonstrated to the satisfaction of the commissioner that the preparer has

52.27 successfully completed any remedial actions required by the commissioner, the State
52.28 Board of Accountancy, or the Lawyers Board of Professional Responsibility; or

52.29 (3) when the commissioner has been notified that the tax preparer is deceased.

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

52.31 Sec. 5. Minnesota Statutes 2008, section 270C.56, subdivision 1, is amended to read:

Subdivision 1. **Liability imposed.** A person who, either singly or jointly with others, has the control of, supervision of, or responsibility for filing returns or reports, paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or a person who is liable under any other law, is liable for the payment of taxes, ~~penalties, and interest~~ arising under chapters 295, 296A, 297A, 297F, and 297G, or sections 256.9658, 290.92, and 297E.02, and, ~~for the taxes listed in this subdivision,~~ the applicable penalties ~~for nonpayment under section 289A.60~~ and interest on those taxes.

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

Sec. 6. Minnesota Statutes 2008, section 289A.41, is amended to read:

289A.41 BANKRUPTCY; SUSPENSION OF TIME.

The running of the period during which a tax must be assessed or collection proceedings commenced is suspended during the period from the date of a filing of a petition in bankruptcy until 30 days after either notice to the commissioner of revenue that the bankruptcy proceedings have been closed or dismissed, or notice that the automatic stay has been terminated or has expired, whichever occurs first.

The suspension of the statute of limitations under this section applies to the person the petition in bankruptcy is filed against and other persons who may also be wholly or partially liable for the tax.

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

APPENDIX
Article locations in H0885-1

	INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND	
ARTICLE 1	ESTATE TAXES	Page.Ln 2.1
ARTICLE 2	SALES AND USE TAXES	Page.Ln 7.26
ARTICLE 3	SPECIAL TAXES	Page.Ln 11.9
ARTICLE 4	PROPERTY TAXES AND AIDS	Page.Ln 22.29
ARTICLE 5	MISCELLANEOUS	Page.Ln 51.20

287.26 CANCELLATION OF STAMPS.

A person using or affixing a stamp shall cancel it and so deface it as to render it unfit for reuse by marking it in ink with the person's initials and the date on which such affixing occurs.

287.27 STAMPS; PRINTING AND SALE-METERS.

Subdivision 1. **Documentary stamps.** The county board may have documentary stamps printed and furnish them to the county treasurer. Documentary stamps may be purchased only from the county treasurer and may not be sold for use in any county other than the county in which the property is located.

297A.67 GENERAL EXEMPTIONS.

Subd. 24. **Constitutional prohibitions.** The sale of and the storage, use, or consumption in Minnesota of tangible personal property, or services, that the state of Minnesota is prohibited from taxing under the Constitution or laws of the United States or under the Constitution of Minnesota, are exempt.

298.28 DIVISION AND DISTRIBUTION OF PROCEEDS.

Subd. 11a. **Prorated distributions.** For production years 1994 through 1999, distributions under this section that are based on a number of cents per ton explicitly provided in this section shall be reduced on a pro rata basis to reflect the reduction in tax proceeds as a result of the tax rate reduction applied to direct reduced ore under section 298.24, subdivision 1, paragraph (f).

Subd. 13. **Deduction for credits; payment.** In determining the distributions and payments of the proceeds of the tax collected under section 298.24, the commissioner of revenue shall deduct the amount of any credits authorized under section 298.24, subdivision 3, against the tax imposed under subdivision 1 of said section, from the amount which would otherwise have been paid to the Iron Range Resources and Rehabilitation Board for credit to the Douglas J. Johnson economic protection trust fund.