

A bill for an act

relating to the financing and operation of state and local government; making policy, technical, administrative, payment, enforcement, collection, refund, and other changes to individual income; corporate franchise, estate, sales and use, local taxes, gross receipts, gross revenues, cigarette, tobacco, insurance, property, minerals, petroleum, and other taxes and tax-related provisions; requiring sunset of new tax expenditures; property tax reform, accountability, value, and efficiency provisions; modifying certain payment schedules; making changes to tax-forfeited land, emergency debt certificate, local government aid, job opportunity building zone, special service district, agricultural preserve, tax increment financing, economic development authority, and special taxing district provisions; increasing and modifying certain borrowing authorities; modifying bond allocation provisions; specifying duties of assessors; requiring studies; providing appointments; repealing political contribution refund; appropriating money; amending Minnesota Statutes 2008, sections 60A.209, subdivision 1; 82B.035, subdivision 2; 103D.335, subdivision 17; 270.075, subdivisions 1, 2; 270.41, subdivision 5; 270A.03, subdivision 7; 270C.11, subdivision 4; 270C.34, subdivision 1; 270C.52, subdivision 2; 270C.87; 270C.94, subdivision 3; 272.0213; 272.025, subdivisions 1, 3; 272.029, subdivisions 4, 7; 273.061, subdivisions 7, 8; 273.113, subdivision 3; 273.1231, subdivision 1; 273.1232, subdivision 1; 273.124, subdivisions 1, 8, 14; 273.13, subdivision 34; 273.1392; 275.71, subdivisions 4, 5; 275.75; 276.02; 276.112; 279.01, subdivision 3; 279.025; 279.37, subdivision 1; 282.01, subdivisions 1, 1a, 1b, 1c, 1d, 2, 3, 4, 7, 7a, by adding subdivisions; 289A.08, subdivision 7; 289A.09, subdivision 2; 289A.10, subdivision 1; 289A.12, subdivision 14; 289A.30, subdivision 2; 289A.50, subdivisions 1, 2, 4; 289A.60, subdivision 7, by adding a subdivision; 290.014, subdivision 2; 290.067, subdivision 1; 290.081; 290.0921, subdivision 3; 290.17, subdivision 2; 290.21, subdivision 4; 290A.04, subdivision 2; 290B.03, by adding a subdivision; 290B.04, subdivisions 3, 4; 290B.05, subdivision 1; 291.03, by adding a subdivision; 295.55, subdivisions 2, 3; 297A.62, as amended; 297A.665; 297A.68, subdivision 39; 297A.70, subdivision 13; 297A.71, subdivisions 23, 39; 297A.995, subdivisions 10, 11; 297F.01, subdivision 22a; 297F.04, by adding a subdivision; 297F.07, subdivision 4; 297F.25, subdivision 1; 297I.01, subdivision 9; 297I.05, subdivision 7; 297I.30, subdivisions 1, 2, 7, 8; 297I.40, subdivisions 1, 5; 297I.65, by adding a subdivision; 298.282, subdivision 1; 428A.12; 428A.18, subdivision 2; 469.101, subdivision 1; 469.319, subdivision 5; 469.3193; 473.39, by adding a subdivision; 473H.05, subdivision 1; 474A.04, subdivision 6; 474A.091, subdivision 3; Minnesota Statutes 2009 Supplement, sections 134.34, subdivision

4; 137.025, subdivision 1; 273.114, subdivision 2; 273.124, subdivision 3a; 273.13, subdivisions 23, 25; 275.065, subdivision 3; 275.70, subdivision 5, as amended; 276.04, subdivision 2; 279.01, subdivision 1; 289A.18, subdivision 1; 289A.20, subdivision 4; 290.01, subdivisions 19a, 19b, as amended, 19d; 290.06, subdivision 2c; 290.0671, subdivision 1; 290.091, subdivision 2; 290B.03, subdivision 1; 291.005, subdivision 1, as amended; 297I.35, subdivision 2; 475.755; 477A.011, subdivision 36, as amended; 477A.013, subdivision 8; Laws 2001, First Special Session chapter 5, article 3, section 50, as amended; Laws 2002, chapter 377, article 3, section 25, as amended; Laws 2009, chapter 88, article 2, section 49; article 4, sections 5; 23, subdivision 4; Laws 2010, chapter 216, sections 2, subdivision 3; 3, subdivision 6; by adding subdivisions; 4, subdivisions 1, 2, 4, 6, 7, 8; proposing coding for new law in Minnesota Statutes, chapters 3; 6; 270C; 273; 296A; 524; 645; repealing Minnesota Statutes 2008, sections 10A.322, subdivision 4; 13.4967, subdivision 2; 282.01, subdivisions 9, 10, 11; 290.06, subdivision 23; 297I.30, subdivisions 4, 5, 6; 383A.76.

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

ARTICLE 1

PROPERTY TAXES

Section 1. Minnesota Statutes 2008, section 82B.035, subdivision 2, is amended to read:

Subd. 2. **Assessors.** Nothing in this chapter shall be construed as requiring the licensing of persons employed and acting in their capacity as assessors for political subdivisions of the state and performing duties enumerated in section 273.061, subdivision 7 or 8.

EFFECTIVE DATE. This section is effective the day following final enactment for testimony offered and opinions or reports prepared in cases or proceedings that have not been finally resolved.

Sec. 2. Minnesota Statutes 2008, section 270.075, subdivision 1, is amended to read:

Subdivision 1. **Rate of tax.** The commissioner shall determine the rate of tax to be levied and collected against the net tax capacity as determined pursuant to section 270.074, subdivision ~~2~~ 3, to generate revenues sufficient to fund the airflight property tax portion of each year's state airport fund appropriation, as certified to the commissioner by the commissioner of transportation. The certification shall be presented to the commissioner prior to December 31 of each year. The property tax portion of the state airport fund appropriation is the difference between the total fund appropriation and the estimated total fund revenues from other sources for the state fiscal year in which the tax is payable and may include a portion of the balance in the state airports fund as determined to be available by the commissioner of transportation. ~~If a levy amount has not been certified by September 1 of a levy year, the commissioner shall use the last previous certified amount~~

~~to determine the rate of tax.~~ The certification by the commissioner of transportation to the commissioner shall state the total fund appropriation and shall list individually the estimated fund revenues including the account carryover balance in the airport fund. The difference of these amounts shall be shown as the property tax portion of the state airport fund appropriation.

If a levy amount has not been certified by December 31 of a levy year, the commissioner shall use the last previous certified amount to determine the rate of tax, and shall notify the chairs and the ranking minority members of the committees of the house of representatives and senate having jurisdiction over the Department of Transportation that a certification was not made under this subdivision.

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

Sec. 3. Minnesota Statutes 2008, section 270.075, subdivision 2, is amended to read:

Subd. 2. **Notice of taxes; payment.** As soon as practicable and not later than ~~December~~ March 1 next following the levy of the tax, the commissioner shall give actual notice to the airline company of the net tax capacity and of the tax. The taxes imposed under sections 270.071 to 270.079 shall become due and payable on ~~January~~ April 1 following the levy thereof. If any tax is not paid on the due date or, if an appeal is made pursuant to section 270.076, within 60 days after notice of an increased tax, a late payment penalty of five percent of the unpaid tax shall be assessed. If the tax remains unpaid for more than 30 days, an additional penalty of five percent of the unpaid tax is imposed for each additional 30 days or fraction of 30 days that the tax remains unpaid. The penalty imposed under this section must not exceed the lesser of \$25,000 or 25 percent of the unpaid tax. The unpaid tax and penalty shall bear interest at the rate specified in section 270C.40 from the time such tax should have been paid until paid. All interest and penalties shall be added to the tax and collected as a part thereof.

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

Sec. 4. Minnesota Statutes 2008, section 270.41, subdivision 5, is amended to read:

Subd. 5. **Prohibited activity.** A licensed assessor or other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes is prohibited from making appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report

as defined in section 82B.02, subdivisions 2 to 5, on any property within the assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violation of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes. This prohibition must not be construed to prohibit an individual from carrying out any duties required for the proper assessment of property for property tax purposes or performing duties enumerated in section 273.061, subdivision 7 or 8. If a formal resolution has been adopted by the governing body of a governmental unit, which specifies the purposes for which such work will be done, this prohibition does not apply to appraisal activities undertaken on behalf of and at the request of the governmental unit that has employed or contracted with the individual. The resolution may only allow appraisal activities which are related to condemnations, right-of-way acquisitions, or special assessments.

EFFECTIVE DATE. This section is effective the day following final enactment for testimony offered and opinions or reports prepared in cases or proceedings that have not been finally resolved.

Sec. 5. Minnesota Statutes 2008, section 272.0213, is amended to read:

272.0213 LEASED SEASONAL-RECREATIONAL LAND.

(a) A county board may elect, by resolution, to exempt from taxation, including the tax under section 273.19, qualified lands. "Qualified lands" for purposes of this section means property that:

(1) is owned by a county, city, town, or the state, ~~or the federal governments;~~

(2) is rented by the entity for noncommercial seasonal-recreational or noncommercial seasonal-recreational residential use; and

(3) was rented for the purposes specified in clause (2) and was exempt from taxation for property taxes payable in 2008.

(b) Lands owned by the federal government and rented for noncommercial seasonal-recreational or noncommercial seasonal-recreational residential use is exempt from taxation, including the tax under section 273.19.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2011.

Sec. 6. Minnesota Statutes 2008, section 273.061, subdivision 7, is amended to read:

Subd. 7. **Division of duties between local and county assessor.** The duty of the duly appointed local assessor shall be to view and appraise the value of all property as provided by law, but all the book work shall be done by the county assessor, or the

assessor's assistants, and the value of all property subject to assessment and taxation shall be determined by the county assessor, except as otherwise hereinafter provided. If directed by the county assessor, the local assessor shall perform the duties enumerated in subdivision 8, paragraph (16).

Sec. 7. Minnesota Statutes 2008, section 273.061, subdivision 8, is amended to read:

Subd. 8. Powers and duties. The county assessor shall have the following powers and duties:

(1) To call upon and confer with the township and city assessors in the county, and advise and give them the necessary instructions and directions as to their duties under the laws of this state, to the end that a uniform assessment of all real property in the county will be attained.

(2) To assist and instruct the local assessors in the preparation and proper use of land maps and record cards, in the property classification of real and personal property, and in the determination of proper standards of value.

(3) To keep the local assessors in the county advised of all changes in assessment laws and all instructions which the assessor receives from the commissioner of revenue relating to their duties.

(4) To have authority to require the attendance of groups of local assessors at sectional meetings called by the assessor for the purpose of giving them further assistance and instruction as to their duties.

(5) To immediately commence the preparation of a large scale topographical land map of the county, in such form as may be prescribed by the commissioner of revenue, showing thereon the location of all railroads, highways and roads, bridges, rivers and lakes, swamp areas, wooded tracts, stony ridges and other features which might affect the value of the land. Appropriate symbols shall be used to indicate the best, the fair, and the poor land of the county. For use in connection with the topographical land map, the assessor shall prepare and keep available in the assessor's office tables showing fair average minimum and maximum market values per acre of cultivated, meadow, pasture, cutover, timber and waste lands of each township. The assessor shall keep the map and tables available in the office for the guidance of town assessors, boards of review, and the county board of equalization.

(6) To also prepare and keep available in the office for the guidance of town assessors, boards of review and the county board of equalization, a land valuation map of the county, in such form as may be prescribed by the commissioner of revenue. This map, which shall include the bordering tier of townships of each county adjoining, shall

show the average market value per acre, both with and without improvements, as finally equalized in the last assessment of real estate, of all land in each town or unorganized township which lies outside the corporate limits of cities.

(7) To regularly examine all conveyances of land outside the corporate limits of cities of the first and second class, filed with the county recorder of the county, and keep a file, by descriptions, of the considerations shown thereon. From the information obtained by comparing the considerations shown with the market values assessed, the assessor shall make recommendations to the county board of equalization of necessary changes in individual assessments or aggregate valuations.

(8) To become familiar with the values of the different items of personal property so as to be in a position when called upon to advise the boards of review and the county board of equalization concerning property, market values thereof.

(9) While the county board of equalization is in session, to give it every possible assistance to enable it to perform its duties. The assessor shall furnish the board with all necessary charts, tables, comparisons, and data which it requires in its deliberations, and shall make whatever investigations the board may desire.

(10) At the request of either the board of county commissioners or the commissioner of revenue, to investigate applications for reductions of valuation and abatements and settlements of taxes, examine the real or personal property involved, and submit written reports and recommendations with respect to the applications, in such form as may be prescribed by the board of county commissioners and commissioner of revenue.

(11) To make diligent search each year for real and personal property which has been omitted from assessment in the county, and report all such omissions to the county auditor.

(12) To regularly confer with county assessors in all adjacent counties about the assessment of property in order to uniformly assess and equalize the value of similar properties and classes of property located in adjacent counties. The conference shall emphasize the assessment of agricultural and commercial and industrial property or other properties that may have an inadequate number of sales in a single county.

(13) To render such other services pertaining to the assessment of real and personal property in the county as are not inconsistent with the duties set forth in this section, and as may be required by the board of county commissioners or by the commissioner of revenue.

(14) To maintain a record, in conjunction with other county offices, of all transfers of property to assist in determining the proper classification of property, including but not limited to, transferring homestead property and name changes on homestead property.

(15) To determine if a homestead application is required due to the transfer of homestead property or an owner's name change on homestead property.

(16) To perform appraisals of property, review the original assessment and determine the accuracy of the original assessment, prepare an appraisal or appraisal report, and testify before any court or other body as an expert or otherwise on behalf of the assessor's jurisdiction with respect to properties in that jurisdiction.

EFFECTIVE DATE. This section is effective the day following final enactment for testimony offered and opinions or reports prepared in cases or proceedings that have not been finally resolved.

Sec. 8. Minnesota Statutes 2008, section 273.1231, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** For purposes of sections 273.1231 to ~~273.1235~~ 273.1236, the following words, terms, and phrases have the meanings given them in this section unless the language or context clearly indicates that a different meaning is intended.

EFFECTIVE DATE. This section is effective for assessment year 2010 and thereafter.

Sec. 9. Minnesota Statutes 2008, section 273.1232, subdivision 1, is amended to read:

Subdivision 1. **Reassessments required.** For the purposes of sections 273.1231 to ~~273.1235~~ 273.1236, the county assessor must reassess all damaged property in a disaster or emergency area, except that the commissioner of revenue shall reassess all property for which an application is submitted to the commissioner under section 273.1233 or 273.1235. As soon as practical, the assessor or commissioner of revenue must report the reassessed value to the county auditor.

EFFECTIVE DATE. This section is effective for assessment year 2010 and thereafter.

Sec. 10. **[273.1236] DISASTER-DAMAGED HOMES; PARTIAL VALUATION EXCLUSION.**

(a) A homestead property that (1) sustained physical damage from a disaster or emergency resulting in a reassessed market value that is at least \$15,000 less than the market value of the property established for the January 2 assessment in the year in which the damage occurred, (2) has been substantially restored or rebuilt by the end of the year following the year in which the damage occurred, (3) has a gross living area after reconstruction that does not exceed 130 percent of the gross living area prior to the disaster or emergency, and (4) has an estimated market value for the assessment year following the year in which the restoration or reconstruction was substantially completed that exceeds

its estimated market value established for the January 2 assessment in the year in which the damage occurred by at least \$25,000 due to the restoration or reconstruction, is eligible for a valuation exclusion under this section for the two assessment years immediately following the year in which the restoration or reconstruction was completed.

(b) The assessor shall determine the difference between the estimated market value established for the January 2 assessment in the year in which the damage occurred and the estimated market value established for the January 2 assessment in the year following the completion of the restoration or reconstruction.

(c) In the first assessment year following the restoration or reconstruction, all of the difference identified under paragraph (b) shall be excluded in determining taxable market value. In the second assessment year following the restoration or reconstruction, half of the difference identified under paragraph (b) shall be excluded in determining taxable market value.

(d) For the purposes of this section, "gross living area" includes only above-grade living area, and does not include any finished basement living area.

(e) Application for the valuation exclusion under this section must be filed by January 2 of the year following the year in which the restoration or reconstruction was substantially completed. The application must be filed with the assessor of the county in which the property is located on the form prescribed by the commissioner of revenue.

EFFECTIVE DATE. This section is effective for assessment year 2010 and thereafter. The application deadline in paragraph (e) is extended to June 30, 2010, for restoration or reconstruction substantially completed in 2009.

Sec. 11. Minnesota Statutes 2008, section 273.124, subdivision 1, is amended to read:

Subdivision 1. **General rule.** (a) Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property held by a trustee under a trust is eligible for homestead classification if the requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law,

the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status. Notwithstanding any other law to the contrary, the Department of Revenue may, upon request from an assessor, verify whether an individual who is requesting or receiving homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner must use the property for the purposes of the homestead, and must apply to the assessor, both by the deadlines given in subdivision 9. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship may be by blood or marriage. Property that has been classified as seasonal residential recreational property at any time during which it has been owned by the current owner or spouse of the current owner will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this prohibition also applies to property that, in the absence of this paragraph, would have been classified as seasonal residential recreational property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d). In the case of nonagricultural property, this paragraph only applies to applications approved before December 16, 2010.

10.1 (d) Agricultural property that is occupied and used for purposes of a homestead by
10.2 a relative of the owner, is a homestead, only to the extent of the homestead treatment
10.3 that would be provided if the related owner occupied the property, and only if all of the
10.4 following criteria are met:

10.5 (1) the relative who is occupying the agricultural property is a son, daughter, brother,
10.6 sister, grandson, granddaughter, father, or mother of the owner of the agricultural property
10.7 or a son, daughter, brother, sister, grandson, or granddaughter of the spouse of the owner
10.8 of the agricultural property;

10.9 (2) the owner of the agricultural property must be a Minnesota resident;

10.10 (3) the owner of the agricultural property must not receive homestead treatment on
10.11 any other agricultural property in Minnesota; and

10.12 (4) the owner of the agricultural property is limited to only one agricultural
10.13 homestead per family under this paragraph.

10.14 Neither the related occupant nor the owner of the property may claim a property
10.15 tax refund under chapter 290A for a homestead occupied by a relative qualifying under
10.16 this paragraph. For purposes of this paragraph, "agricultural property" means the house,
10.17 garage, other farm buildings and structures, and agricultural land.

10.18 Application must be made to the assessor by the owner of the agricultural property to
10.19 receive homestead benefits under this paragraph. The assessor may require the necessary
10.20 proof that the requirements under this paragraph have been met.

10.21 (e) In the case of property owned by a property owner who is married, the assessor
10.22 must not deny homestead treatment in whole or in part if only one of the spouses occupies
10.23 the property and the other spouse is absent due to: (1) marriage dissolution proceedings,
10.24 (2) legal separation, (3) employment or self-employment in another location, or (4) other
10.25 personal circumstances causing the spouses to live separately, not including an intent to
10.26 obtain two homestead classifications for property tax purposes. To qualify under clause
10.27 (3), the spouse's place of employment or self-employment must be at least 50 miles distant
10.28 from the other spouse's place of employment, and the homesteads must be at least 50 miles
10.29 distant from each other. Homestead treatment, in whole or in part, shall not be denied to
10.30 the owner's spouse who previously occupied the residence with the owner if the absence
10.31 of the owner is due to one of the exceptions provided in this paragraph.

10.32 (f) The assessor must not deny homestead treatment in whole or in part if:

10.33 (1) in the case of a property owner who is not married, the owner is absent due to
10.34 residence in a nursing home, boarding care facility, or an elderly assisted living facility
10.35 property as defined in section 273.13, subdivision 25a, and the property is not otherwise
10.36 occupied; or

(2) in the case of a property owner who is married, the owner or the owner's spouse or both are absent due to residence in a nursing home, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, and the property is not occupied or is occupied only by the owner's spouse.

(g) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a co-owner, the assessor shall allow a full homestead classification. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

(h) If residential or agricultural real estate is occupied and used for purposes of a homestead by a child of a deceased owner and the property is subject to jurisdiction of probate court, the child shall receive relative homestead classification under paragraph (c) or (d) to the same extent they would be entitled to it if the owner was still living, until the probate is completed. For purposes of this paragraph, "child" includes a relationship by blood or by marriage.

(i) If a single-family home, duplex, or triplex classified as either residential homestead or agricultural homestead is also used to provide licensed child care, the portion of the property used for licensed child care must be classified as a part of the homestead property.

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

Sec. 12. Minnesota Statutes 2009 Supplement, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for ~~each lot occupied by a shareholder~~ the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land ~~for each homestead~~.

(b) The manufactured home park shall be ~~valued and assessed as if it were homestead property within class 1~~ entitled to homestead treatment if all of the following criteria are met:

12.1 (1) ~~the occupant is using the property as a permanent residence;~~

12.2 ~~(2)~~ the occupant or the cooperative corporation or association is paying the ad
12.3 valorem property taxes and any special assessments levied against the land and structure
12.4 either directly, or indirectly through dues to the corporation or association; and

12.5 ~~(3)~~ (2) the corporation or association organized under chapter 308A or 308B is
12.6 wholly owned by persons having a right to occupy a lot owned by the corporation or
12.7 association.

12.8 (c) A charitable corporation, organized under the laws of Minnesota with no
12.9 outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3)
12.10 tax-exempt status, qualifies for homestead treatment with respect to ~~member residents of~~
12.11 ~~the~~ a manufactured home park who if its members hold residential participation warrants
12.12 entitling them to occupy a lot in the manufactured home park.

12.13 (d) "Homestead treatment" under this subdivision means the class rate provided for
12.14 class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5),
12.15 item (ii). The homestead market value credit under section 273.1384 does not apply and
12.16 the property taxes assessed against the park shall not be included in the determination of
12.17 taxes payable for rent paid under section 290A.03.

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

12.20 Sec. 13. Minnesota Statutes 2008, section 273.124, subdivision 8, is amended to read:

12.21 Subd. 8. **Homestead owned by or leased to family farm corporation, joint farm**
12.22 **venture, limited liability company, or partnership.** (a) Each family farm corporation;
12.23 each joint family farm venture; and each limited liability company or partnership which
12.24 operates a family farm; is entitled to class 1b under section 273.13, subdivision 22,
12.25 paragraph (b), or class 2a assessment for one homestead occupied by a shareholder,
12.26 member, or partner thereof who is residing on the land, and actively engaged in farming of
12.27 the land owned by the family farm corporation, joint family farm venture, limited liability
12.28 company, or partnership. Homestead treatment applies even if legal title to the property is
12.29 in the name of the family farm corporation, joint family farm venture, limited liability
12.30 company, or partnership, and not in the name of the person residing on it.

12.31 "Family farm corporation," "family farm," and "partnership operating a family
12.32 farm" have the meanings given in section 500.24, except that the number of allowable
12.33 shareholders, members, or partners under this subdivision shall not exceed 12. "Limited
12.34 liability company" has the meaning contained in sections 322B.03, subdivision 28, and
12.35 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a

cooperative agreement among two or more farm enterprises authorized to operate a family farm under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13.

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, limited liability company operating a family farm, or by a partnership operating a family farm and leased to the family farm corporation, limited liability company, partnership, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, if the owner is actually residing on the property, and is actually engaged in farming the land on behalf of that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership under the lease.

(d) Agricultural property that (1) is owned by a family farm corporation, joint farm venture, limited liability company, or partnership and (2) is contiguous to a class 2a homestead under section 273.13, subdivision 23, or if noncontiguous, is located in the same township or city, or not farther than four townships or cities, or combination thereof from a class 2a homestead, and the class 2a homestead is owned by one of the shareholders, members, or partners; is entitled to receive the first tier homestead class rate up to the first tier maximum market value on any remaining market value not received on the shareholder's, member's, or partner's homestead class 2a property. The owner must notify the county assessor by July 1 that a portion of the market value under this subdivision may be eligible for homestead classification for the current assessment year, for taxes payable in the following year.

EFFECTIVE DATE. This section is effective for assessment year 2010 and thereafter, for taxes payable in 2011 and thereafter.

Sec. 14. Minnesota Statutes 2008, section 273.124, subdivision 14, is amended to read:

14.1 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than
14.2 ten acres that is the homestead of its owner must be classified as class 2a under section
14.3 273.13, subdivision 23, paragraph (a), if:

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

14.8 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least
14.9 20 acres;

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

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

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

14.20 (b)(i) Agricultural property shall be classified as the owner's homestead, to the same
14.21 extent as other agricultural homestead property, if all of the following criteria are met:

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

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

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

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

14.34 (5) neither the owner nor the person actively farming the property lives farther
14.35 than four townships or cities, or a combination of four townships or cities, from the
14.36 agricultural property, except that if the owner or the owner's spouse is required to live in

15.1 employer-provided housing, the owner or owner's spouse, whichever is actively farming
15.2 the agricultural property, may live more than four townships or cities, or combination of
15.3 four townships or cities from the agricultural property.

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

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

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

15.11 (c) Noncontiguous land shall be included as part of a homestead under section
15.12 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a
15.13 and the detached land is located in the same township or city, or not farther than four
15.14 townships or cities or combination thereof from the homestead. Any taxpayer of these
15.15 noncontiguous lands must notify the county assessor that the noncontiguous land is part of
15.16 the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer
15.17 must also notify the assessor of the other county.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) the owner notifies the county assessor that the relocation was due to the August 2007 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the owner must notify the assessor by December 1, 2008. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(i) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the March 2009 floods;

(2) the property is located in the county of Marshall;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 2008 assessment year and continue to be used for agricultural purposes;

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

(5) the owner notifies the county assessor that the relocation was due to the 2009 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

EFFECTIVE DATE. This section is effective for assessment years 2010 and 2011, for taxes payable in 2011 and 2012.

Sec. 15. Minnesota Statutes 2009 Supplement, 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 must also include any property that would otherwise be classified as 2b, but is interspersed with class 2a property, including but not limited to sloughs, wooded wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement, and other similar land that is impractical for the assessor to value separately from the rest of the property or that is unlikely to be able to be sold 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 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

20.1 as defined by the commissioner of revenue does not disqualify the property from
20.2 classification under this paragraph.

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

20.17 (f) Real estate of less than ten acres, which is exclusively or intensively used for
20.18 raising or cultivating agricultural products, shall be considered as agricultural land. To
20.19 qualify under this paragraph, property that includes a residential structure must be used
20.20 intensively for one of the following purposes:

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

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

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

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

20.32 (v) the commercial processing of milk into cheese products from milk produced
20.33 on the property.

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

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

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

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

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

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

21.13 (3) the commercial boarding of horses, which may include related horse training
21.14 and riding instruction, if the boarding is done ~~in conjunction with~~ on property that is also
21.15 used for raising pasture to graze horses or raising or cultivating other agricultural products
21.16 as defined in clause (1);

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

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

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

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

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

21.26 (9) the commercial processing of milk into cheese products from milk produced on
21.27 the property, provided the property is also the homestead of the property owner.

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

21.30 (1) wholesale and retail sales;

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

21.32 (3) warehousing or storage of processed goods; and

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

21.35 the assessor shall classify the part of the parcel used for agricultural purposes as class
21.36 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its

22.1 use. The grading, sorting, and packaging of raw agricultural products for first sale is
22.2 considered an agricultural purpose. A greenhouse or other building where horticultural
22.3 or nursery products are grown that is also used for the conduct of retail sales must be
22.4 classified as agricultural if it is primarily used for the growing of horticultural or nursery
22.5 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
22.6 those products. Use of a greenhouse or building only for the display of already grown
22.7 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

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

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

22.32 (m) Class 2e consists of land with a commercial aggregate deposit that is not actively
22.33 being mined and is not otherwise classified as class 2a or 2b, provided that the land is not
22.34 located in a county that has elected to opt-out of the aggregate preservation program as
22.35 provided in section 273.1115, subdivision 6. It has a class rate of one percent of market
22.36 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.

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

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

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

Sec. 16. Minnesota Statutes 2009 Supplement, section 273.13, subdivision 25, is amended to read:

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

(b) Class 4b includes:

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

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

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

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

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

(c) Class 4bb includes:

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

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

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

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

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes, including real and personal property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. Class 4c property under this clause must contain three or more rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site equipped with water and electrical hookups for recreational vehicles. Class 4c property

25.1 under this clause must provide recreational activities such as renting ice fishing houses,
25.2 boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina
25.3 services, launch services, or guide services; or sell bait and fishing tackle. A camping pad
25.4 offered for rent by a property that otherwise qualifies for class 4c under this clause is also
25.5 class 4c under this clause regardless of the term of the rental agreement, as long as the
25.6 use of the camping pad does not exceed 250 days. In order for a property to be classified
25.7 as class 4c, seasonal residential recreational for commercial purposes under this clause,
25.8 (i) at least 40 percent of the annual gross lodging receipts related to the property must be
25.9 from business conducted during 90 consecutive days and either ~~(i)~~ (A) at least 60 percent
25.10 of all paid bookings by lodging guests during the year must be for periods of at least
25.11 two consecutive nights; or ~~(ii)~~ (B) at least 20 percent of the annual gross receipts must
25.12 be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or
25.13 cross-country ski equipment, or charges for marina services, launch services, and guide
25.14 services, or the sale of bait and fishing tackle-; or (ii) the property contains 20 or fewer
25.15 rental units, is devoted to temporary residential occupancy for no more than 250 days in
25.16 the year, is located in a township or a city with a population of 2,500 or less, that is located
25.17 outside the metropolitan area as defined under section 473.121, subdivision 2, and that
25.18 contains a portion of a state trail administered by the Department of Natural Resources.
25.19 For purposes of this determination, a paid booking of five or more nights shall be counted
25.20 as two bookings. Class 4c property classified under this clause also includes commercial
25.21 use real property used exclusively for recreational purposes in conjunction with other
25.22 class 4c property classified under this clause and devoted to temporary and seasonal
25.23 residential occupancy for recreational purposes, up to a total of two acres, provided the
25.24 property is not devoted to commercial recreational use for more than 250 days in the year
25.25 preceding the year of assessment and is located within two miles of the class 4c property
25.26 with which it is used. Owners of real and personal property devoted to temporary and
25.27 seasonal residential occupancy for recreation purposes and all or a portion of which was
25.28 devoted to commercial purposes for not more than 250 days in the year preceding the
25.29 year of assessment desiring classification as class 4c, must submit a declaration to the
25.30 assessor designating the cabins or units occupied for 250 days or less in the year preceding
25.31 the year of assessment by January 15 of the assessment year. Those cabins or units and
25.32 a proportionate share of the land on which they are located must be designated class
25.33 4c under this clause as otherwise provided. The remainder of the cabins or units and a
25.34 proportionate share of the land on which they are located will be designated as class 3a.
25.35 The owner of property desiring designation as class 4c property under this clause must
25.36 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 not used for residential purposes on either a temporary or permanent basis, provided that:

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

(D) "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an

27.1 insurance business, or office or other space leased or rented to a lessee who conducts a
27.2 for-profit enterprise on the premises.

27.3 Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use
27.4 of the property for social events open exclusively to members and their guests for periods
27.5 of less than 24 hours, when an admission is not charged nor any revenues are received by
27.6 the organization shall not be considered a revenue-producing activity.

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

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

27.17 (5)(i) manufactured home parks as defined in section 327.14, subdivision 3₂
27.18 excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii)
27.19 manufactured home parks as defined in section 327.14, subdivision 3, that are described in
27.20 section 273.124, subdivision 3a;

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

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

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

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

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

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

27.35 (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;

(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; and

(11) lakeshore and riparian property and adjacent land, not to exceed six acres, used as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to the public and devoted to recreational use for marina services. The marina owner must annually provide evidence to the assessor that it provides services, including lake or river access to the public. No more than 800 feet of lakeshore may be included in this classification. Buildings used in conjunction with a marina for marina services, including but not limited to buildings used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing tackle, are classified as class 3a property.

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), item (i), have the same class rate as class 4b property, and the market value of manufactured home parks assessed under clause (5), item (ii), has the same class rate as class 4d property, (iii) commercial-use seasonal residential recreational property and marina recreational land as described in clause (11), 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 for assessment year 2010, for taxes payable in 2011 and thereafter.

Sec. 17. Minnesota Statutes 2008, section 273.13, subdivision 34, is amended to read:

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

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

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

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

(d) If the spouse of a military service person who dies due to a service-connected cause while in active service, as defined in section 190.05, subdivision 5, holds the legal or beneficial title to a homestead and permanently resides there at the time of the service person's death, the spouse shall be eligible for a market value exclusion of \$300,000 for five years following the death of the service person, or until such time as the spouse sells, transfers, or otherwise disposes of the property, whichever comes first. To qualify for exclusion under this paragraph, the surviving spouse must apply to the assessor and show proof of the service member's death while in active service in any branch or unit of the United States armed forces, as indicated on United States Government Form DD1300 or DD2064. If the application is received prior to July 1 of a given year, the exclusion first applies for taxes payable in the following year. If the application is received after June 30 of a given year, the exclusion first applies for taxes payable in the second year following receipt of the application.

~~(d)~~ (e) In the case of an agricultural homestead, only the portion of the property consisting of the house and garage and immediately surrounding one acre of land qualifies for the valuation exclusion under this subdivision. In the case of a nonagricultural homestead, the exclusion under this subdivision may be carried over to any class 2b property contiguous to the homestead that is under the same ownership, provided that the total number of acres covered by the exclusion may not exceed 40.

~~(e)~~ (f) A property qualifying for a valuation exclusion under this subdivision is not eligible for the credit under section 273.1384, subdivision 1, or classification under subdivision 22, paragraph (b).

~~(f)~~ (g) To qualify for a valuation exclusion under this subdivision a property owner must apply to the assessor by July 1 of each assessment year, except that an annual reapplication is not required once a property has been accepted for a valuation exclusion

under paragraph (b), clause (2), or paragraph (d), and the property continues to qualify until there is a change in ownership.

(h) Property that was subject to market valuation exclusion under this section for taxes payable in 2009 shall continue to receive the market value exclusion for taxes payable in 2011 and subsequent years on the same land and buildings as it received in taxes payable in 2009, up to the maximum allowable exclusion, regardless of the property's classification, provided that the property: (1) was not reclassified due to a change in use or ownership of the property; and (2) continues to meet the other qualification criteria.

EFFECTIVE DATE. The change made to paragraph (c) is effective for taxes payable in 2011 and thereafter, and applies to the surviving spouse of any disabled veteran who had previously been assessed under paragraph (c). Paragraph (d) is effective for deaths occurring the day following final enactment and thereafter. Paragraph (h) is effective for taxes payable in 2011 and thereafter.

Sec. 18. Minnesota Statutes 2009 Supplement, section 275.065, subdivision 3, is amended to read:

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

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

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state general tax, the final tax amount will be its proposed tax. The notice must clearly state for each city, county, school district, regional library authority established under section 134.201, and metropolitan taxing districts as defined in paragraph (i), the time and place of the taxing authorities' regularly scheduled meetings in which the budget and levy will be discussed and the final budget and levy determined, which must occur after November 24. The taxing authorities must provide the county auditor with the information to be included in the notice on or before the time it certifies its proposed levy under subdivision 1. The public must be allowed to speak at the meetings and the meetings shall not be held before 6:00 p.m. It must provide a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice and an address where comments will be received by mail, except that no notice required

under this section shall be interpreted as requiring the printing of a personal telephone number or address as the contact information for a taxing authority. If a taxing authority does not maintain public offices where telephone calls can be received by the authority, the authority may inform the county of the lack of a public telephone number and the county shall not list a telephone number for that taxing authority.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

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

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

(ii) the proposed tax amount.

If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

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

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

33.3 For purposes of this section, the amount of the tax on homesteads qualifying under
33.4 the senior citizens' property tax deferral program under chapter 290B is the total amount
33.5 of property tax before subtraction of the deferred property tax amount.

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

33.8 (1) special assessments;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Metropolitan Mosquito Control Commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy.

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

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

(2) population growth and decline;

(3) state or federal government action; and

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

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

EFFECTIVE DATE. This section is effective for notices prepared in 2010, for taxes payable in 2011 and thereafter.

Sec. 19. Minnesota Statutes 2009 Supplement, section 275.70, subdivision 5, as amended by Laws 2010, chapter 215, article 13, section 3, 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:

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

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

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

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

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

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

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

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

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

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

35.24 (7) to pay the expenses reasonably and necessarily incurred in preparing for or
35.25 repairing the effects of natural disaster including the occurrence or threat of widespread
35.26 or severe damage, injury, or loss of life or property resulting from natural causes, in
35.27 accordance with standards formulated by the Emergency Services Division of the state
35.28 Department of Public Safety, as allowed by the commissioner of revenue under section
35.29 275.74, subdivision 2;

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

35.35 (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) 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) for purposes of a storm sewer improvement district under section 444.20;

(17) to pay for the maintenance and support of a city or county society for the prevention of cruelty to animals under section 343.11, but not to exceed in any year \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most recent federal census, whichever is greater. 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) 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) 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) 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) 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;

(22) 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 or reductions under another provision of law. The amount of the levy allowed under this clause is equal to the amount unallotted or reduced in the calendar year

in which the tax is levied unless the unallotment or reduction amount is not known by September 1 of the levy year, and the local government has not adjusted its levy under section 275.065, subdivision 6, or 275.07, subdivision 6, in which case the unallotment or reduction amount may be levied in the following year;

(23) to pay for the difference between one-half of the costs of confining sex offenders undergoing the civil commitment process and any state payments for this purpose pursuant to section 253B.185, subdivision 5;

(24) for a county to pay the costs of the first year of maintaining and operating a new facility or new expansion, either of which contains courts, corrections, dispatch, criminal investigation labs, or other public safety facilities and for which all or a portion of the funding for the site acquisition, building design, site preparation, construction, and related equipment was issued or authorized prior to the imposition of levy limits in 2008. The levy limit base shall then be increased by an amount equal to the new facility's first full year's operating costs as described in this clause; ~~and~~

(25) for the estimated amount of reduction to market value credit reimbursements under section 273.1384 for credits payable in the year in which the levy is payable; ~~and~~

(26) to pay the estimated costs of all salaries and expenses of county veteran service officers, as provided under section 197.60, subdivision 4.

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

Sec. 20. 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, but the percentage shall not be less than zero or exceed 3.9 percent;

(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, 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 levied in 2010 and thereafter.

Sec. 21. Minnesota Statutes 2008, section 275.75, is amended to read:

275.75 CHARTER EXEMPTION FOR AID LOSS.

Notwithstanding any other provision of a municipal charter that limits ad valorem taxes to a lesser amount, or that would require voter approval for any increase, the governing body of a municipality may by resolution increase its levy ~~for taxes payable in 2004 and 2005 only by an amount equal to the reduction in the amount of aid it is certified to receive under sections 477A.011 to 477A.03 for that same payable year compared to the amount certified for payment in 2003~~ in any year by an amount equal to its special levies under section 275.70, subdivision 5, clauses 22 and 25.

EFFECTIVE DATE. This section is effective for levies payable in calendar year 2011 and thereafter.

Sec. 22. Minnesota Statutes 2008, section 276.02, is amended to read:

276.02 TREASURER TO BE COLLECTOR.

The county treasurer shall collect all taxes extended on the tax lists of the county and the fines, forfeitures, or penalties received by any person or officer for the use of the county. The treasurer shall collect the taxes according to law and credit them to the proper funds. This section does not apply to fines and penalties accruing to municipal corporations for the violation of their ordinances that are recoverable before a city justice. Taxes, fines, interest, and penalties must be paid with United States currency or by check ~~or~~ money order, or electronic payments, including, but not limited to, automated clearing house transactions and federal wires drawn on a bank or other financial institution in the United States. The county board may by resolution authorize the treasurer to impose a charge for any dishonored checks or electronic payments. The charges for dishonored payment of property taxes may be added to the tax, shall constitute a lien on the property, and when collected shall be distributed to the county.

The county board may, by resolution, authorize the treasurer and/or other designees to accept payments of real property taxes by credit card provided that a fee is charged for its use. The fee charged must be commensurate with the costs assessed by the card issuer. If a credit card transaction under this section is subsequently voided or otherwise reversed, the lien of real property taxes under section 272.31 is revived and attaches in the manner and time provided in that section as though the credit card transaction had never occurred, and the voided or reversed credit card transaction shall not impair the right of a lienholder under section 272.31 to enforce the lien in its favor.

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

Sec. 23. Minnesota Statutes 2009 Supplement, section 276.04, subdivision 2, is amended to read:

Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The tax statement must not state or imply that property tax credits are paid by the state of Minnesota. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and ~~the total of the metropolitan~~ each special taxing districts district as defined in section ~~275.065, subdivision 3, paragraph (i) 275.066,~~ must be separately stated. ~~The amounts due all other special taxing districts, if any, may be aggregated except that any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly under the appropriate county's levy.~~ If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey County, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose may be separated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

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

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

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

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

(3) the property's gross tax, before credits;

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

(5) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and

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

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

EFFECTIVE DATE. This section is effective for tax statements relating to taxes payable in 2012 and thereafter.

Sec. 24. Minnesota Statutes 2009 Supplement, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **Due dates; penalties.** Except as provided in subdivision 3 or 4, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty accrues and thereafter is charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty is at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property is at a rate of four percent until May 31 and eight percent on June 1. This penalty does not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is

later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. In order for the first half of the tax due on class 3a property to be paid after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, without penalty, the owner of the property must attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month accrues and is charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed ~~\$250~~ \$100, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty attaches; the remaining one-half may be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent accrues thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent accrues and on the first day of December following, an additional penalty of two percent accrues and is charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month accrues and is charged on all such unpaid taxes. If one-half of such taxes are not paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty attaches to the remaining one-half until October 16 following.

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

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding ~~\$250~~ \$100, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. Payments must be applied first to the oldest installment that is due

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

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

Sec. 25. Minnesota Statutes 2008, section 279.025, is amended to read:

279.025 PAYMENT OF DELINQUENT PROPERTY TAXES, SPECIAL ASSESSMENTS.

Payment of delinquent property tax and related interest and penalties and special assessments shall be paid with United States currency or by check ~~or~~ money order, or electronic means, including, but not limited to, automated clearing house transactions and federal wires drawn on a bank or other financial institution in the United States.

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

Sec. 26. Minnesota Statutes 2009 Supplement, section 290B.03, subdivision 1, is amended to read:

Subdivision 1. **Program qualifications.** The qualifications for the senior citizens' property tax deferral program are as follows:

(1) the property must be owned and occupied as a homestead by a person 65 years of age or older. In the case of a married couple, at least one of the spouses must be at least 65 years old at the time the first property tax deferral is granted, regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status, and the other spouse must be at least 62 years of age;

(2) the total household income of the qualifying homeowners, as defined in section 290A.03, subdivision 5, for the calendar year preceding the year of the initial application may not exceed ~~\$60,000~~ \$75,000;

(3) the homestead must have been owned and occupied as the homestead of at least one of the qualifying homeowners for at least 15 years prior to the year the initial application is filed;

(4) there are no state or federal tax liens or judgment liens on the homesteaded property;

(5) there are no mortgages or other liens on the property that secure future advances, except for those subject to credit limits that result in compliance with clause (6); and

(6) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, does not exceed 75 percent of the assessor's estimated market value for the year.

EFFECTIVE DATE. This section is effective July 1, 2010, and thereafter.

Sec. 27. Minnesota Statutes 2008, section 290B.03, is amended by adding a subdivision to read:

Subd. 1a. Special program qualifications; spouse of service member who died while in active service or deceased disabled veteran. (a) Notwithstanding the requirements of subdivision 1, clauses (1) and (3), but subject to all the other requirements of subdivision 1, homestead property owned and occupied by the spouse of either a service member who died while in active service, or a deceased disabled veteran, is eligible to participate in the program established under this chapter. For purposes of this subdivision, "service member who died while in active service" means a person serving in any branch or unit of the United States armed forces who has died from a service-connected cause while serving in active service, as defined in section 190.05, subdivision 5, as indicated on United States Government Form DD1300 or DD2064. For purposes of this subdivision, "deceased disabled veteran" means a deceased disabled veteran who was honorably discharged from the United States armed forces, as indicated by United States Government Form DD214 or other official military discharge papers, and certified by the United States Veterans Administration as having a total (100 percent) and permanent service-connected disability prior to the veteran's death.

(b) Applications under this subdivision are exempt from the age requirements under the application process in section 290B.04, subdivision 1. The commissioner may require certifications as are necessary to ensure eligibility under this subdivision.

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

Sec. 28. Minnesota Statutes 2008, section 290B.04, subdivision 3, is amended to read:

Subd. 3. **Excess-income certification by taxpayer.** A taxpayer whose initial application has been approved under subdivision 2 shall notify the commissioner of revenue in writing by July 1 if the taxpayer's household income for the preceding calendar year exceeded ~~\$60,000~~ \$75,000. The certification must state the homeowner's total household income for the previous calendar year. No property taxes may be deferred under this chapter in any year following the year in which a program participant filed or should have filed an excess-income certification under this subdivision, unless the participant has filed a resumption of eligibility certification as described in subdivision 4.

EFFECTIVE DATE. This section is effective July 1, 2010, and thereafter.

Sec. 29. Minnesota Statutes 2008, section 290B.04, subdivision 4, is amended to read:

Subd. 4. **Resumption of eligibility certification by taxpayer.** A taxpayer who has previously filed an excess-income certification under subdivision 3 may resume program participation if the taxpayer's household income for a subsequent year is ~~\$60,000~~ \$75,000 or less. If the taxpayer chooses to resume program participation, the taxpayer must notify the commissioner of revenue in writing by July 1 of the year following a calendar year in which the taxpayer's household income is ~~\$60,000~~ \$75,000 or less. The certification must state the taxpayer's total household income for the previous calendar year. Once a taxpayer resumes participation in the program under this subdivision, participation will continue until the taxpayer files a subsequent excess-income certification under subdivision 3 or until participation is terminated under section 290B.08, subdivision 1.

EFFECTIVE DATE. This section is effective July 1, 2010, and thereafter.

Sec. 30. Minnesota Statutes 2008, section 290B.05, subdivision 1, is amended to read:

Subdivision 1. **Determination by commissioner.** The commissioner shall determine each qualifying homeowner's "annual maximum property tax amount" following approval of the homeowner's initial application and following the receipt of a resumption of eligibility certification. The "annual maximum property tax amount" equals three percent of the homeowner's total household income for the year preceding either the initial application or the resumption of eligibility certification, whichever is applicable. Following approval of the initial application, the commissioner shall determine the qualifying homeowner's "maximum allowable deferral." No tax may be deferred relative to the appropriate assessment year for any homeowner whose total household income for the previous year exceeds ~~\$60,000~~ \$75,000. No tax shall be deferred in any year in which the homeowner does not meet the program qualifications in section 290B.03. The

maximum allowable total deferral is equal to 75 percent of the assessor's estimated market value for the year, less the balance of any mortgage loans and other amounts secured by liens against the property at the time of application, including any unpaid and delinquent special assessments and interest and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year.

EFFECTIVE DATE. This section is effective July 1, 2010, and thereafter.

Sec. 31. Minnesota Statutes 2008, section 428A.12, is amended to read:

428A.12 PETITION REQUIRED.

No action may be taken under sections 428A.13 and 428A.14 unless owners of ~~25~~ 50 percent or more of the housing units that would be subject to fees in the proposed housing improvement area file a petition requesting a public hearing on the proposed action with the city clerk. No action may be taken under section 428A.14 to impose a fee unless owners of ~~25~~ 50 percent or more of the housing units subject to the proposed fee file a petition requesting a public hearing on the proposed fee with the city clerk or other appropriate official.

EFFECTIVE DATE. This section is effective for petitions filed beginning July 1, 2010.

Sec. 32. Minnesota Statutes 2008, section 428A.18, subdivision 2, is amended to read:

Subd. 2. **Requirements for veto.** If residents of ~~35~~ 45 percent or more of the housing units in the area subject to the fee file an objection to the ordinance adopted by the city under section 428A.13 with the city clerk before the effective date of the ordinance, the ordinance does not become effective. If owners of ~~35~~ 45 percent or more of the housing units' tax capacity subject to the fee under section 428A.14 file an objection with the city clerk before the effective date of the resolution, the resolution does not become effective.

EFFECTIVE DATE. This section is effective beginning July 1, 2010.

Sec. 33. Minnesota Statutes 2008, section 473H.05, subdivision 1, is amended to read:

Subdivision 1. **Before ~~March~~ June 1 for next year's taxes.** An owner or owners of certified long-term agricultural land may apply to the authority with jurisdiction over the land on forms provided by the commissioner of agriculture for the creation of an agricultural preserve at any time. Land for which application is received prior to ~~March~~ June 1 of any year shall be assessed pursuant to section 473H.10 for taxes payable in the

following year. Land for which application is received on or after ~~March~~ June 1 of any year shall be assessed pursuant to section 473H.10 in the following year. The application shall be executed and acknowledged in the manner required by law to execute and acknowledge a deed and shall contain at least the following information and such other information as the commissioner deems necessary:

(a) Legal description of the area proposed to be designated and parcel identification numbers if so designated by the county auditor and the certificate of title number if the land is registered;

(b) Name and address of owner;

(c) An affidavit by the authority evidencing that the land is certified long-term agricultural land at the date of application;

(d) A statement by the owner covenanting that the land shall be kept in agricultural use, and shall be used in accordance with the provisions of sections 473H.02 to 473H.17 which exist on the date of application and providing that the restrictive covenant shall be binding on the owner or the owner's successor or assignee, and shall run with the land.

EFFECTIVE DATE. This section is effective the day following final enactment, except that in 2010 the application date in this section shall be extended to August 1.

Sec. 34. Minnesota Statutes 2009 Supplement, section 477A.011, subdivision 36, as amended by Laws 2010, chapter 215, article 13, section 4, is amended to read:

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

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

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

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

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

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

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

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

48.1 (iii) the city's net tax capacity used in calculating its 1996 aid under section
48.2 477A.013 is less than \$400 per capita; and

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

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

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

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

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

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

48.15 (1) the city has a population that is greater than 1,000 and less than 2,500;

48.16 (2) its commercial and industrial percentage for aids payable in 1999 is greater
48.17 than 45 percent; and

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

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

48.24 (1) the city had a population in 1997 of 2,500 or more;

48.25 (2) the net tax capacity of the city used in calculating its 1999 aid under section
48.26 477A.013 is less than \$650 per capita;

48.27 (3) the pre-1940 housing percentage of the city used in calculating 1999 aid under
48.28 section 477A.013 is greater than 12 percent;

48.29 (4) the 1999 local government aid of the city under section 477A.013 is less than
48.30 20 percent of the amount that the formula aid of the city would have been if the need
48.31 increase percentage was 100 percent; and

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

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

49.1 (1) the city has a population in 1997 of 2,000 or more;

49.2 (2) the net tax capacity of the city used in calculating its 1999 aid under section
49.3 477A.013 is less than \$455 per capita;

49.4 (3) the net levy of the city used in calculating 1999 aid under section 477A.013 is
49.5 greater than \$195 per capita; and

49.6 (4) the 1999 local government aid of the city under section 477A.013 is less than
49.7 38 percent of the amount that the formula aid of the city would have been if the need
49.8 increase percentage was 100 percent.

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

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

49.13 (2) the city's revenue need used in calculating aids payable in 2000 was greater
49.14 than \$200 per capita;

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

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

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

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

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

49.24 (2) the city's commercial industrial percentage used in calculating aids payable in
49.25 2000 was less than ten percent;

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

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

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

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

50.1 (1) the net tax capacity of the city used in calculating its 2000 aid under section
50.2 477A.013 is less than \$810 per capita;

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

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

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

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

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

50.15 (2) \$2,500,000.

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

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

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

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

50.23 (m) The city aid base for a city is increased by \$150,000 in calendar years 2002 to
50.24 2011 and by an additional \$75,000 in calendar years 2009 to 2014 and the maximum
50.25 amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is
50.26 also increased by \$150,000 in calendar year 2002 only and by \$75,000 in calendar year
50.27 2009 only, provided that:

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

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

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

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

50.33 (n) The city aid base for a city is increased by \$200,000 beginning in calendar
50.34 year 2003 and the maximum amount of total aid it may receive under section 477A.013,
50.35 subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2003 only,

provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.

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

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

(q) The city aid base for a city is increased by \$30,000 in 2009 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.

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

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

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

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

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

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

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

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

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

(t) The city aid base for a city is increased by \$30,000 in 2009 only, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$30,000 in calendar year 2009, only if the city had a population in 2005 of less than

52.1 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities
52.2 and one township in 2002.

52.3 (u) The city aid base for a city is increased by \$100,000 in 2009 and thereafter, and
52.4 the maximum total aid it may receive under section 477A.013, subdivision 9, is also
52.5 increased by \$100,000 in calendar year 2009 only, if the city had a city net tax capacity for
52.6 aids payable in 2007 of less than \$150 per capita and the city experienced flooding on
52.7 March 14, 2007, that resulted in evacuation of at least 40 homes.

52.8 (v) The city aid base for a city is increased by \$100,000 in 2009 to 2013, and the
52.9 maximum total aid it may receive under section 477A.013, subdivision 9, is also increased
52.10 by \$100,000 in calendar year 2009 only, if the city:

52.11 (1) is located outside of the Minneapolis-St. Paul standard metropolitan statistical
52.12 area;

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

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

52.15 (w) The city aid base is increased by \$25,000 in calendar years 2009 to 2013 and the
52.16 maximum amount of total aid it may receive under section 477A.013, subdivision 9, is
52.17 increased by \$25,000 in calendar year 2009 only, provided that:

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

52.19 (2) its population in 2006 is less than 200; and

52.20 (3) the percentage of its housing stock built before 1940, according to the 2000
52.21 United States Census, is greater than 40 percent.

52.22 (x) The city aid base is increased by \$90,000 in calendar year 2009 only and the
52.23 minimum and maximum total amount of aid it may receive under section 477A.013,
52.24 subdivision 9, is also increased by \$90,000 in calendar year 2009 only, provided that the
52.25 city is located in the seven-county metropolitan area, has a 2006 population between 5,000
52.26 and 7,000 and has a 1997 population of over 7,000.

52.27 (y) In calendar year 2010 only, the city aid base for a city is increased by \$225,000 if
52.28 it was eligible for a \$450,000 payment in calendar year 2008 under Minnesota Statutes
52.29 2006, section 477A.011, subdivision 36, paragraph (e), and the second half of the payment
52.30 under that paragraph in December 2008 was canceled due to the governor's unallotment.
52.31 The payment under this paragraph is not subject to any aid reductions under section
52.32 477A.0133 or any future unallotment of the city aid under section 16A.152.

52.33 (z) The city aid base and the maximum total aid the city may receive under section
52.34 477A.013, subdivision 9, is increased by \$25,000 in calendar year 2010 only if:

52.35 (1) the city is a first class city in the seven-county metropolitan area with a
52.36 population below 300,000; and

(2) the city has made an equivalent grant to its local growers' association to reimburse up to \$1,000 each for membership fees and retail leases for members of the association who farm in and around Dakota County and who incurred crop damage as a result of the hail storm in that area on July 10, 2008.

The payment under this paragraph is not subject to any aid reductions under section 477A.0133 or any future unallotment of the city aid under section 16A.152.

(aa) The city aid base for a city is increased by \$106,964 in 2011 only and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$106,964 in calendar year 2011 only, if the city had a population as defined in Minnesota Statutes, section 477A.011, subdivision 3, that was in excess of 1,000 in 2007 and that was less than 1,000 in 2008.

(bb) The city aid base for a city is increased by \$50,000 in 2011 and 2012 only, and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$50,000 in calendar year 2011 only, if the city is:

(1) located outside of the seven-county metropolitan area;

(2) has a 2008 population between 3,000 and 4,000;

(3) has a commercial industrial percentage as defined in subdivision 32, for aids payable in 2008 of less than ten percent; and

(4) experienced the loss of a major manufacturing facility in the city due to a fire in April 2009.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2011 and thereafter.

Sec. 35. Laws 2009, chapter 88, article 2, section 49, is amended to read:

Sec. 49. TAX ABATEMENT; NEWLY CONSTRUCTED RESIDENTIAL STRUCTURES IN FLOOD-DAMAGED CITIES.

Subdivision 1. **Eligibility.** A residential structure qualifies for a tax abatement under this section if:

(1) the structure is located in a city that is eligible to designate a development zone under Minnesota Statutes, section 469.1731;

(2) the structure is located in a county designated as an emergency area under presidential declaration FEMA-3304-EM;

(3) the structure is located on property classified as class 1a, 1b, 2a, 4a, 4b, 4bb, or 4d under Minnesota Statutes, section 273.13;

(4) no part of the structure was in existence prior to January 1, 2009, unless (i) the structure is located on property classified as 1a, 1b, 2a, 4b, or 4bb; (ii) a building permit

was issued and construction commenced in 2008; and (iii) as of March 26, 2009, the property was owned by the original builder, was not subject to any form of purchase contract or agreement, and had never been occupied; and

(5) construction of the structure is commenced prior to December 31, ~~2010~~ 2011.

For the purposes of this clause, construction is deemed to have been commenced if a proper building permit has been issued and the mandatory footing or foundation inspection has been completed.

Subd. 2. **Application.** Application for the abatement authorized under this section must be filed by January 2 of the year following the year in which construction began, except that those qualifying structures for which construction commenced in 2008 must file an application no later than January 2, 2010, for assessment years 2010 and 2011. The application must be filed with the assessor of the county or city in which the property is located on a form prescribed by the commissioner of revenue.

Subd. 3. **Tax abated.** (a) For a property qualifying under subdivision 1 and classified as either 1a, 1b, 2a, 4b, or 4bb, the tax attributable to (1) \$200,000 of market value, or (2) the entire market value of the structure, whichever is less, shall be abated. For a property qualifying under subdivision 1 and classified as class 4a or 4d, the tax attributable to (1) \$20,000 of market value per residential unit, or (2) the entire market value of the structure, whichever is less, shall be abated.

(b) The abatement under paragraph (a) shall be in effect for two taxes payable years, corresponding to the two assessment years after construction has begun. The abatement shall not apply to any special assessments that have been levied against the property.

Subd. 4. **Reimbursement.** By May 1 of each taxes payable year in which an abatement has been authorized under this section, the auditor shall report the amount of taxes abated for each jurisdiction within the county to the commissioner of revenue, on a form prescribed by the commissioner. On or before September 1 of each taxes payable year in which an abatement has been authorized under this section, the commissioner of revenue shall reimburse each local jurisdiction for the amount of taxes abated for the year under this section.

Subd. 5. **Appropriation.** The amount necessary to make the reimbursements required under this section is annually appropriated to the commissioner of revenue from the general fund.

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

Sec. 36. Laws 2009, chapter 88, article 2, section 49, the effective date, is amended to read:

55.1 **EFFECTIVE DATE.** This section is effective for assessment years 2010 to ~~2012~~
55.2 2013, for taxes payable in 2011 to ~~2013~~ 2014.

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

55.4 Sec. 37. **FISCAL DISPARITIES STUDY.**

55.5 The commissioner of revenue shall conduct a study of the metropolitan revenue
55.6 distribution program contained in Minnesota Statutes, chapter 473F, commonly known
55.7 as the fiscal disparities program. By February 1, 2012, the commissioner shall submit a
55.8 report to the chairs and ranking minority members of the house of representatives and
55.9 senate tax committees consisting of the findings of the study and identification of issues
55.10 for policy makers to consider. The study must analyze:

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

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

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

55.17 (4) the relationship between the impacts of the program and overburden on
55.18 jurisdictions containing properties that provide regional benefits, specifically the costs
55.19 those properties impose on their host jurisdictions in excess of their tax payments.

55.20 The report must include a description of other property tax, aid, and local
55.21 development programs that interact with the fiscal disparities program.

55.22 **EFFECTIVE DATE.** This section is effective July 1, 2010.

55.23 Sec. 38. **THIEF RIVER FALLS AIRPORT AUTHORITY; SPECIAL LEVY**
55.24 **AUTHORITY.**

55.25 If an airport authority is established under Minnesota Statutes, section 360.042, that
55.26 includes the city of Thief River Falls within its boundaries, the authority may exercise
55.27 its levy authority through a levy on the referendum market value of the area, as defined
55.28 in Minnesota Statutes, section 126C.01, subdivision 3, in lieu of a levy on the net tax
55.29 capacity of the area. If an authority exercises its option under this section, the intent to do
55.30 so must be stated in the joint agreement establishing the authority.

55.31 **EFFECTIVE DATE.** This section is effective the day following final enactment,
55.32 without local approval, as provided by Minnesota Statutes, section 654.023, subdivision 1,
55.33 paragraph (a).

ARTICLE 2

PROPERTY TAX REFORM, ACCOUNTABILITY, VALUE, AND
EFFICIENCY PROVISIONS

Section 1. [6.90] COUNCIL ON LOCAL RESULTS AND INNOVATION.

Subdivision 1. **Creation.** The Council on Local Results and Innovation consists of 11 members, as follows:

- (1) the state auditor;
- (2) two persons who are not members of the legislature, appointed by the chair of the Property and Local Sales Tax Division of the house of representatives Taxes Committee;
- (3) two persons who are not members of the legislature, appointed by the designated lead minority member of the Property and Local Sales Tax Division of the house of representatives Taxes Committee;
- (4) two persons who are not members of the legislature, appointed by the chair of the Taxes Division on Property Taxes of the senate Taxes Committee;
- (5) two persons who are not members of the legislature, appointed by the designated lead minority member of the Taxes Division on Property Taxes of the senate Taxes Committee;
- (6) one person who is not a member of the legislature, appointed by the Association of Minnesota Counties; and
- (7) one person who is not a member of the legislature, appointed by the League of Minnesota Cities.

Each appointment under clauses (2) to (5) must include one person with expertise or interest in county government and one person with expertise or interest in city government. The appointing authorities must use their best efforts to ensure that a majority of council members have experience with local performance measurement systems. The membership of the council must include geographically balanced representation as well as representation balanced between large and small jurisdictions. The appointments under clauses (2) to (7) must be made within two months of the date of enactment.

Appointees to the council under clauses (2) to (5) serve terms of four years, except that one of each of the initial appointments under clauses (2) to (5) shall serve a term of two years; each appointing agent must designate which appointee is serving the two-year term. Subsequent appointments for members appointed under clauses (2) to (5) must be made by the council, including appointments to replace any appointees who might resign from the council prior to completion of their term. Appointees under clauses (2) to (5) are not eligible to vote on appointing their successor, nor on the successors of other

appointees whose terms are expiring contemporaneously. In making appointments, the council shall make all possible efforts to reflect the geographical distribution and meet the qualifications of appointees required of the initial appointees. Subsequent appointments for members appointed under clauses (6) and (7) must be made by the original appointing authority. Appointees to the council under clauses (2) to (7) may serve no more than two consecutive terms.

Subd. 2. **Duties.** (a) By February 15, 2011, the council shall develop a standard set of approximately ten performance measures for counties and ten performance measures for cities that will aid residents, taxpayers, and state and local elected officials in determining the efficacy of counties and cities in providing services, and measure residents' opinions of those services. In developing its measures, the council must solicit input from private citizens. Counties and cities that elect to participate in the standard measures system shall report their results to the state auditor under section 6.91, who shall compile the results and make them available to all interested parties by publishing them on the auditor's Web site and report them to the legislative tax committees. Each year after the initial designation of performance measures, the council shall evaluate the usefulness of the standard set of performance measures and may revise the set by adding or removing measures as it deems appropriate.

(b) By February 15, 2012, the council shall develop minimum standards for comprehensive performance measurement systems, which may vary by size and type of governing jurisdiction.

(c) In addition to its specific duties under paragraphs (a) and (b), the council shall generally promote the use of performance measurement for governmental entities across the state and shall serve as a resource for all governmental entities seeking to implement a system of local performance measurement. The council may highlight and promote systems that are innovative, or are ones that it deems to be best practices of local performance measurement systems across the state and nation. The council should give preference in its recommendations to systems that are results-oriented. The council may, with the cooperation of the state auditor, establish and foster a collaborative network of practitioners of local performance measurement systems. The council may support the Association of Minnesota Counties and the League of Minnesota Cities to seek and receive private funding to provide expert technical assistance to local governments for the purposes of replicating best practices.

Subd. 3. **Reports.** (a) The council shall report its initial set of standard performance measures to the Property and Local Sales Tax Division of the house of representatives

58.1 Taxes Committee and the Taxes Division on Property Taxes of the senate Taxes Committee
58.2 by February 28, 2011.

58.3 (b) By February 1 of each subsequent year, the council shall report to the committees
58.4 with jurisdiction over taxes in the house of representatives and the senate on participation
58.5 in and results of the performance measurement system, along with any revisions in the
58.6 standard set of performance measures for the upcoming year. These reports may be made
58.7 by the state auditor in lieu of the council if agreed to by the auditor and the council.

58.8 Subd. 4. **Operation of council.** (a) The state auditor shall convene the initial
58.9 meeting of the council.

58.10 (b) The chair of the council shall be elected by the members. Once elected, a chair
58.11 shall serve a term of two years.

58.12 (c) Members of the council serve without compensation.

58.13 (d) Council members shall share and rotate responsibilities for administrative
58.14 support of the council.

58.15 (e) Chapter 13D does not apply to meetings of the council. Meetings of the council
58.16 must be open to the public and the council must provide notice of a meeting on the state
58.17 auditor's Web site at least seven days before the meeting. A meeting of the council occurs
58.18 when a quorum is present.

58.19 (f) The council must meet at least two times prior to the initial release of the standard
58.20 set of measurements. After the initial set has been developed, the council must meet a
58.21 minimum of once per year.

58.22 Subd. 5. **Termination.** The council expires on January 1, 2020.

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

58.24 Sec. 2. **[6.91] LOCAL PERFORMANCE MEASUREMENT AND REPORTING.**

58.25 Subdivision 1. **Reports of local performance measures.** (a) A county or city
58.26 that elects to participate in the standard measures program must report its results to its
58.27 citizens annually through publication, direct mailing, posting on the jurisdiction's Web
58.28 site, or through a public hearing at which the budget and levy will be discussed and public
58.29 input allowed.

58.30 (b) Each year, jurisdictions participating in the local performance measurement
58.31 and improvement program must file a report with the state auditor by July 1, in a form
58.32 prescribed by the auditor. All reports must include a declaration that the jurisdiction has
58.33 complied with, or will have complied with by the end of the year, the requirement in
58.34 paragraph (a). For jurisdictions participating in the standard measures program, the report
58.35 shall consist of the jurisdiction's results for the standard set of performance measures

under section 6.90, subdivision 2, paragraph (a). In 2012, jurisdictions participating in the comprehensive performance measurement program must submit a resolution approved by its local governing body indicating that it either has implemented or is in the process of implementing a local performance measurement system that meets the minimum standards specified by the council under section 6.90, subdivision 2, paragraph (b). In 2013 and thereafter, jurisdictions participating in the comprehensive performance measurement program must submit a statement approved by its local governing body affirming that it has implemented a local performance measurement system that meets the minimum standards specified by the council under section 6.90, subdivision 2, paragraph (b).

Subd. 2. Benefits of participation. (a) A county or city that elects to participate in the standard measures program for 2011 is: (1) eligible for per capita reimbursement of \$0.14 per capita, but not to exceed \$25,000 for any government entity; and (2) exempt from levy limits under sections 275.70 to 275.74 for taxes payable in 2012, if levy limits are in effect.

(b) Any county or city that elects to participate in the standard measures program for 2012 is eligible for per capita reimbursement of \$0.14 per capita, but not to exceed \$25,000 for any government entity. Any jurisdiction participating in the comprehensive performance measurement program is exempt from levy limits under sections 275.70 to 275.74 for taxes payable in 2013 if levy limits are in effect.

(c) Any county or city that elects to participate in the standard measures program for 2013 or any year thereafter is eligible for per capita reimbursement of \$0.14 per capita, but not to exceed \$25,000 for any government entity. Any jurisdiction participating in the comprehensive performance measurement program for 2013 or any year thereafter is exempt from levy limits under sections 275.70 to 275.74 for taxes payable in the following year, if levy limits are in effect.

Subd. 3. Certification of participation. (a) The state auditor shall certify to the commissioner of revenue by August 1 of each year the counties and cities that are participating in the standard measures program and the comprehensive performance measurement program.

(b) The commissioner of revenue shall make per capita aid payments under this section on the second payment date specified in section 477A.015, in the same year that the measurements were reported.

(c) The commissioner of revenue shall notify each county and city that is entitled to exemption from levy limits by August 10 of each levy year.

Subd. 4. **Appropriation.** (a) The amount necessary to fund obligations under subdivision 2 is annually appropriated from the general fund to the commissioner of revenue.

(b) The sum of \$6,000 in fiscal year 2011 and \$2,000 in each fiscal year thereafter is annually appropriated from the general fund to the state auditor to carry out the auditor's responsibilities under sections 6.90 to 6.91.

EFFECTIVE DATE. This section is effective December 31, 2010.

Sec. 3. **[270C.991] PROPERTY TAX SYSTEM BENCHMARKS AND CRITICAL INDICATORS.**

Subdivision 1. **Purpose.** State policy makers should be provided with the tools to create a more accountable and efficient property tax system. This section provides the principles and available tools necessary to work toward achieving that goal.

Subd. 2. **Property tax principles.** To better evaluate the various property tax proposals that come before the legislature, the following basic property tax principles should be taken into consideration. The property taxes proposed should be:

- (1) transparent and understandable;
- (2) simple and efficient;
- (3) equitable;
- (4) stable and predictable;
- (5) compliance and accountability;
- (6) competitive, both nationally and globally; and
- (7) responsive to economic conditions.

Subd. 3. **Major indicators.** There are many different types of indicators available to legislators to evaluate tax legislation. Indicators are useful to have available as benchmarks when legislators are contemplating changes. Each tool has its own limitation, and no one tool is perfect or should be used independently. Some of the tools measure the global characteristics of the entire tax system, while others are only a measure of the property tax impacts and its administration. The following is a list of the available major indicators:

- (1) property tax principles scale, the components of which are listed in subdivision 2, as they relate to the various features of the property tax system;
- (2) price of government report, as required under section 16A.102;
- (3) tax incidence report, as required under section 270C.13;
- (4) tax expenditure budget and report, as required under section 270C.11;
- (5) state tax rankings;

61.1 (6) property tax levy plus aid data, and market value and net tax capacity data, by
61.2 taxing district for current and past years;

61.3 (7) effective tax rate (tax as a percent of market value) and the equalized effective
61.4 tax rate (effective tax rate adjusted for assessment differences);

61.5 (8) assessment sales ratio study, as required under section 127A.48;

61.6 (9) "Voss" database, which matches homeowner property taxes and household
61.7 income;

61.8 (10) revenue estimates under section 270C.11, subdivision 5, and state fiscal notes
61.9 under section 477A.03, subdivision 2b; and

61.10 (11) local impact notes under section 3.987.

61.11 **Subd. 4. Property tax working group.** (a) A property tax working group is
61.12 established as provided in this subdivision. The goals of the working group are:

61.13 (1) to investigate ways to simplify the property tax system and make advisory
61.14 recommendations on ways to make the system more understandable;

61.15 (2) to reexamine the property tax calendar to determine what changes could be made
61.16 to shorten the two-year cycle from assessment through property tax collection; and

61.17 (3) to determine the cost versus the benefits of the various property tax components,
61.18 including property classifications, credits, aids, exclusions, exemptions, and abatements,
61.19 and to suggest ways to achieve some of the goals in simpler and more cost-efficient ways.

61.20 (b) The 13-member working group shall consist of the following members:

61.21 (1) two state representatives, both appointed by the chair of the house of
61.22 representatives Taxes Committee, one from the majority party and one from the minority
61.23 party;

61.24 (2) two senators, both appointed by the chair of the senate Taxes Committee, one
61.25 from the majority party and one from the minority party;

61.26 (3) the commissioner of revenue, or designee;

61.27 (4) one person, appointed by the Association of Minnesota Counties;

61.28 (5) one person, appointed by the League of Minnesota Cities;

61.29 (6) one person, appointed by the Minnesota Association of Townships;

61.30 (7) one person, appointed by the Minnesota Chamber of Commerce;

61.31 (8) one person, appointed by the Minnesota Association of Assessing Officers;

61.32 (9) two homeowners, one who is under 65 years of age, and one who is 65 years of
61.33 age or older, both appointed by the commissioner of revenue; and

61.34 (10) one person, jointly appointed by the Minnesota Farm Bureau and the Minnesota
61.35 Farmers Union.

The commissioner of revenue shall chair the initial meeting, and the working group shall elect a chair at that initial meeting. The working group will meet at the call of the chair. Members of the working group shall serve without compensation. The commissioner of revenue must provide administrative support to the working group. Chapter 13D does not apply to meetings of the working group. Meetings of the working group must be open to the public and the working group must provide notice of a meeting to potentially interested persons at least seven days before the meeting. A meeting of the council occurs when a quorum is present.

(c) The working group shall make its advisory recommendations to the chairs of the house of representatives and senate Taxes Committees on or before February 1, 2012, at which time the working group shall be finished and this subdivision expires. The advisory recommendations should be reviewed by the Taxes Committee under subdivision 5.

Subd. 5. **Taxes Committee review and resolution.** On or before March 1, 2012, and every two years thereafter, the house of representatives and senate Taxes Committees must review the major indicators as contained in subdivision 3, and ascertain the accountability and efficiency of the property tax system. The house of representatives and senate Taxes Committees shall prepare a resolution on targets and benchmarks for use during the current biennium.

Subd. 6. **Department of Revenue; revenue estimates.** As provided under section 270C.11, subdivision 5, the Department of Revenue is required to prepare an estimate of the effect on the state's tax revenues which result from the passage of a legislative bill establishing, extending, or restricting a tax expenditure. Beginning with the 2011 legislative session, those revenue estimates must also identify how the property tax principles contained in subdivision 2 apply to the proposed tax changes. The commissioner of revenue shall develop a scale for measuring the appropriate principles for each proposed change. The department shall quantify the effects, if possible, or at a minimum, shall identify the relevant factors so that legislators are aware of possible outcomes, including administrative difficulties and cost. The interaction of property tax shifting should be identified and quantified to the degree possible.

Subd. 7. **Appropriation.** The sum of \$30,000 in fiscal year 2011 and \$25,000 in each fiscal year thereafter is appropriated from the general fund to the commissioner of revenue to carry out the commissioner's added responsibilities under subdivision 6.

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

ARTICLE 3

INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2008, section 270A.03, subdivision 7, is amended to read:

Subd. 7. **Refund.** "Refund" means an individual income tax refund ~~or political contribution refund~~, pursuant to chapter 290, or a property tax credit or refund, pursuant to chapter 290A, or a sustainable forest tax payment to a claimant under chapter 290C.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, and amounts granted to persons by the legislature on the recommendation of the joint senate-house of representatives Subcommittee on Claims shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total taxable income determined under section 290.01, subdivision 29. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse. For court fines, fees, and surcharges and court-ordered restitution under section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice to the spouse who does not owe the debt.

EFFECTIVE DATE. This section is effective for political contribution refund claims based on contributions that are made after June 30, 2011.

Sec. 2. Minnesota Statutes 2008, section 289A.08, subdivision 7, is amended to read:

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

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

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

64.9 (d) The electing partner must not have any Minnesota source income other than
64.10 the income from the partnership and other electing partnerships. If it is determined that
64.11 the electing partner has other Minnesota source income, the inclusion of the income
64.12 and tax liability for that partner under this provision will not constitute a return to
64.13 satisfy the requirements of subdivision 1. The tax paid for the individual as part of the
64.14 composite return is allowed as a payment of the tax by the individual on the date on
64.15 which the composite return payment was made. If the electing nonresident partner has no
64.16 other Minnesota source income, filing of the composite return is a return for purposes of
64.17 subdivision 1.

64.18 (e) This subdivision does not negate the requirement that an individual pay estimated
64.19 tax if the individual's liability would exceed the requirements set forth in section 289A.25.
64.20 A composite estimate may, however, be filed in a manner similar to and containing the
64.21 information required under paragraph (a).

64.22 (f) If an electing partner's share of the partnership's gross income from Minnesota
64.23 sources is less than the filing requirements for a nonresident under this subdivision, the tax
64.24 liability is zero. However, a statement showing the partner's share of gross income must
64.25 be included as part of the composite return.

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

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

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

(j) For the purposes of this subdivision, "income" means the partner's share of federal adjusted gross income from the partnership modified by the additions provided in section 290.01, subdivision 19a, clauses (6) to (10), and the subtractions provided in: (i) section 290.01, subdivision 19b, clause ~~(9)~~ (8), to the extent the amount is assignable or allocable to Minnesota under section 290.17; and (ii) section 290.01, subdivision 19b, clause ~~(14)~~ (13). The subtraction allowed under section 290.01, subdivision 19b, clause ~~(9)~~ (8), is only allowed on the composite tax computation to the extent the electing partner would have been allowed the subtraction.

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

Sec. 3. Minnesota Statutes 2008, section 289A.09, subdivision 2, is amended to read:

Subd. 2. **Withholding statement.** (a) A person required to deduct and withhold from an employee a tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, or who would have been required to deduct and withhold a tax under section 290.92, subdivision 2a or 3, or persons required to withhold tax under section 290.923, subdivision 2, determined without regard to section 290.92, subdivision 19, if the employee or payee had claimed no more than one withholding exemption, or who paid wages or made payments not subject to withholding under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, to an employee or person receiving royalty payments in excess of \$600, or who has entered into a voluntary withholding agreement with a payee under section 290.92, subdivision 20, must give every employee or person receiving royalty payments in respect to the remuneration paid by the person to the employee or person receiving royalty payments during the calendar year, on or before January 31 of the succeeding year, or, if employment is terminated before the close of the calendar year, within 30 days after the date of receipt of a written request from the employee if the 30-day period ends before January 31, a written statement showing the following:

(1) name of the person;

(2) the name of the employee or payee and the employee's or payee's Social Security account number;

(3) the total amount of wages as that term is defined in section 290.92, subdivision 1, paragraph (1); the total amount of remuneration subject to withholding under section 290.92, subdivision 20; the amount of sick pay as required under section 6051(f) of the Internal Revenue Code; and the amount of royalties subject to withholding under section 290.923, subdivision 2; and

(4) the total amount deducted and withheld as tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2.

(b) The statement required to be furnished by paragraph (a) with respect to any remuneration must be furnished at those times, must contain the information required, and must be in the form the commissioner prescribes.

(c) The commissioner may prescribe rules providing for reasonable extensions of time, not in excess of 30 days, to employers or payers required to give the statements to their employees or payees under this subdivision.

(d) A duplicate of any statement made under this subdivision and in accordance with rules prescribed by the commissioner, along with a reconciliation in the form the commissioner prescribes of the statements for the calendar year, including a reconciliation of the quarterly returns required to be filed under subdivision 1, must be filed with the commissioner on or before February 28 of the year after the payments were made.

(e) If an employer cancels the employer's Minnesota withholding account number required by section 290.92, subdivision 24, the information required by paragraph (d), must be filed with the commissioner within 30 days of the end of the quarter in which the employer cancels its account number.

(f) The employer must submit the statements required to be sent to the commissioner in the same manner required to satisfy the federal reporting requirements of section 6011(e) of the Internal Revenue Code and the regulations issued under it. ~~For wages paid in calendar year 2008, An employer must submit statements to the commissioner required by this section by electronic means if the employer is required to send more than 100~~ 25 statements to the commissioner, even though the employer is not required to submit the returns federally by electronic means. ~~For calendar year 2009, the 100 statements threshold is reduced to 50, and for calendar year 2010, the threshold is reduced to 25, and for statements issued for wages paid in 2011 and after, the threshold is reduced to ten.~~ All statements issued for withholding required under section 290.92 are aggregated for purposes of determining whether the electronic submission threshold is met.

(g) A "third-party bulk filer" as defined in section 290.92, subdivision 30, paragraph (a), clause (2), must submit the returns required by this subdivision and subdivision 1, paragraph (a), with the commissioner by electronic means.

EFFECTIVE DATE. This section is effective for statements required to be filed after December 31, 2010.

Sec. 4. Minnesota Statutes 2008, section 289A.10, subdivision 1, is amended to read:

Subdivision 1. **Return required.** In the case of a decedent who has an interest in property with a situs in Minnesota, the personal representative must submit a Minnesota estate tax return to the commissioner, on a form prescribed by the commissioner, if:

67.1 (1) a federal estate tax return is required to be filed; or

67.2 (2) the federal gross estate exceeds ~~\$700,000 for estates of decedents dying after~~
67.3 ~~December 31, 2001, and before January 1, 2004; \$850,000 for estates of decedents dying~~
67.4 ~~after December 31, 2003, and before January 1, 2005; \$950,000 for estates of decedents~~
67.5 ~~dying after December 31, 2004, and before January 1, 2006; and \$1,000,000 for estates of~~
67.6 ~~decedents dying after December 31, 2005.~~

67.7 The return must contain a computation of the Minnesota estate tax due. The return
67.8 must be signed by the personal representative.

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

67.11 Sec. 5. Minnesota Statutes 2008, section 289A.12, subdivision 14, is amended to read:

67.12 Subd. 14. **Regulated investment companies; reporting exempt-interest**

67.13 **dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest
67.14 dividends to an individual who is a resident of Minnesota must make a return indicating
67.15 the amount of the exempt-interest dividends, the name, address, and Social Security
67.16 number of the recipient, and any other information that the commissioner specifies. The
67.17 return must be provided to the shareholder ~~no later than 30 days after the close of the~~
67.18 ~~taxable year~~ by February 15 of the year following the year of the payment. The return
67.19 provided to the shareholder must include a clear statement, in the form prescribed by the
67.20 commissioner, that the exempt-interest dividends must be included in the computation of
67.21 Minnesota taxable income. ~~The regulated investment company is required in a manner~~
67.22 ~~prescribed by the commissioner to file a copy of the return with the commissioner.~~ By
67.23 June 1 of each year, the regulated investment company must file a copy of the return
67.24 with the commissioner.

67.25 (b) This subdivision applies to regulated investment companies required to register
67.26 under chapter 80A.

67.27 (c) For purposes of this subdivision, the following definitions apply.

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

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

68.1 **EFFECTIVE DATE.** This section is effective for returns due after December 31,
68.2 2010.

68.3 Sec. 6. Minnesota Statutes 2009 Supplement, section 289A.18, subdivision 1, is
68.4 amended to read:

68.5 Subdivision 1. **Individual income, fiduciary income, corporate franchise, and**
68.6 **entertainment taxes; partnership and S corporation returns; information returns;**
68.7 **mining company returns.** The returns required to be made under sections 289A.08 and
68.8 289A.12 must be filed at the following times:

68.9 (1) returns made on the basis of the calendar year must be filed on April 15
68.10 following the close of the calendar year, except that returns of corporations must be filed
68.11 on ~~March 15 following the close of the calendar year~~ the due date for filing the federal
68.12 income tax return;

68.13 (2) returns made on the basis of the fiscal year must be filed on the 15th day of the
68.14 fourth month following the close of the fiscal year, except that returns of corporations
68.15 must be filed on the ~~15th day of the third month following the close of the fiscal year~~ due
68.16 date for filing the federal income tax return;

68.17 (3) returns for a fractional part of a year must be filed on the ~~15th day of the fourth~~
68.18 ~~month following the end of the month in which falls the last day of the period for which~~
68.19 ~~the return is made, except that the returns of corporations must be filed on the 15th day of~~
68.20 ~~the third month following the end of the tax year; or, in the case of a corporation which~~
68.21 ~~is a member of a unitary group, the return of the corporation must be filed on the 15th~~
68.22 ~~day of the third month following the end of the tax year of the unitary group in which~~
68.23 ~~falls the last day of the period for which the return is made~~ due date for filing the federal
68.24 income tax return;

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

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

68.30 (6) if a corporation has been divested from a unitary group and files a return for
68.31 a fractional part of a year in which it was a member of a unitary business that files a
68.32 combined report under section 290.17, subdivision 4, the divested corporation's return
68.33 must be filed on the 15th day of the third month following the close of the common
68.34 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, 4 to 10, or 16 must be filed within 30 days after being demanded by the commissioner.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 7. Minnesota Statutes 2008, section 289A.30, subdivision 2, is amended to read:

Subd. 2. **Estate tax.** Where good cause exists, the commissioner may extend the time for payment of estate tax for a period of not more than six months. If an extension to pay the federal estate tax has been granted under section 6161 of the Internal Revenue Code, the time for payment of the estate tax without penalty is extended for that period. A taxpayer who owes at least \$5,000 in taxes and who, under section 6161 or 6166 of the Internal Revenue Code has been granted an extension for payment of the tax shown on the return, may elect to pay the tax due to the commissioner in equal amounts at the same time as required for federal purposes. A taxpayer electing to pay the tax in installments shall defer a percentage of tax that does not exceed the percentage of federal tax deferred and must notify the commissioner in writing no later than nine months after the death of the person whose estate is subject to taxation. If the taxpayer fails to pay an installment on time, unless it is shown that the failure is due to reasonable cause, the election is revoked and the entire amount of unpaid tax plus accrued interest is due and payable 90 days after the date on which the installment was payable.

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

Sec. 8. Minnesota Statutes 2008, section 289A.50, subdivision 1, is amended to read:

Subdivision 1. **General right to refund.** (a) Subject to the requirements of this section and section 289A.40, a taxpayer who has paid a tax in excess of the taxes lawfully due and who files a written claim for refund will be refunded or credited the overpayment of the tax determined by the commissioner to be erroneously paid.

(b) The claim must specify the name of the taxpayer, the date when and the period for which the tax was paid, the kind of tax paid, the amount of the tax that the taxpayer claims was erroneously paid, the grounds on which a refund is claimed, and other information relative to the payment and in the form required by the commissioner. An income tax, estate tax, or corporate franchise tax return, or amended return claiming an overpayment constitutes a claim for refund.

(c) When, in the course of an examination, and within the time for requesting a refund, the commissioner determines that there has been an overpayment of tax, the commissioner shall refund or credit the overpayment to the taxpayer and no demand is necessary. If the overpayment exceeds \$1, the amount of the overpayment must be refunded to the taxpayer. If the amount of the overpayment is less than \$1, the commissioner is not required to refund. In these situations, the commissioner does not have to make written findings or serve notice by mail to the taxpayer.

(d) If the amount allowable as a credit for withholding, estimated taxes, or dependent care exceeds the tax against which the credit is allowable, the amount of the excess is considered an overpayment. ~~The refund allowed by section 290.06, subdivision 23, is also considered an overpayment.~~ The requirements of section 270C.33 do not apply to the refunding of such an overpayment shown on the original return filed by a taxpayer.

(e) If the entertainment tax withheld at the source exceeds by \$1 or more the taxes, penalties, and interest reported in the return of the entertainment entity or imposed by section 290.9201, the excess must be refunded to the entertainment entity. If the excess is less than \$1, the commissioner need not refund that amount.

(f) If the surety deposit required for a construction contract exceeds the liability of the out-of-state contractor, the commissioner shall refund the difference to the contractor.

(g) An action of the commissioner in refunding the amount of the overpayment does not constitute a determination of the correctness of the return of the taxpayer.

(h) There is appropriated from the general fund to the commissioner of revenue the amount necessary to pay refunds allowed under this section.

EFFECTIVE DATE. This section is effective for political contribution refund claims based on contributions that are made after June 30, 2011.

Sec. 9. Minnesota Statutes 2008, section 289A.50, subdivision 4, is amended to read:

Subd. 4. **Notice of refund.** The commissioner shall determine the amount of refund, if any, that is due, and notify the taxpayer of the determination as soon as practicable after a claim has been filed.

71.1 If the commissioner determines that the address provided by the taxpayer to claim a
71.2 refund is invalid or is no longer the current address of the taxpayer, then the date of the
71.3 mailing of the notification provided under this subdivision is considered the date that
71.4 the refund is paid for purposes of the payment of interest under section 289A.56 and is
71.5 considered the date of issuance of the original warrant or check for purposes of issuing a
71.6 new warrant or check under section 270C.347.

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

71.8 Sec. 10. Minnesota Statutes 2008, section 289A.60, subdivision 7, is amended to read:

71.9 Subd. 7. **Penalty for frivolous return.** If a taxpayer files what purports to be
71.10 a tax return or a claim for refund but which does not contain information on which
71.11 the substantial correctness of the purported return or claim for refund may be judged
71.12 or contains information that on its face shows that the purported return or claim for
71.13 refund is substantially incorrect and the conduct is due to a position that is frivolous or
71.14 a desire that appears on the purported return or claim for refund to delay or impede the
71.15 administration of Minnesota tax laws, then the ~~individual taxpayer~~ shall pay a penalty of
71.16 the greater of \$1,000 or 25 percent of the amount of tax required to be shown on the
71.17 return. In a proceeding involving the issue of whether or not a ~~person~~ taxpayer is liable for
71.18 this penalty, the burden of proof is on the commissioner.

71.19 **EFFECTIVE DATE.** This section is effective the day following final enactment
71.20 and applies to returns filed after that day.

71.21 Sec. 11. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19a,
71.22 is amended to read:

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

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

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

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

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

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

(2) the amount of income, sales and use, motor vehicle sales, or excise taxes paid or accrued within the taxable year under this chapter and the amount of taxes based on net income paid, sales and use, motor vehicle sales, or excise taxes paid to any other state or to any province or territory of Canada, to the extent allowed as a deduction under section 63(d) of the Internal Revenue Code, but the addition may not be more than the amount by which the itemized deductions as allowed under section 63(d) of the Internal Revenue Code exceeds the amount of the standard deduction as defined in section 63(c) of the Internal Revenue Code, disregarding the amounts allowed under sections 63(c)(1)(C) and 63(c)(1)(E) of the Internal Revenue Code. For the purpose of this paragraph, the disallowance of itemized deductions under section 68 of the Internal Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are the last itemized deductions disallowed;

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

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

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

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

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

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

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

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

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

(12) the amount deducted for qualified tuition and related expenses under section 222 of the Internal Revenue Code, to the extent deducted from gross income;

(13) the amount deducted for certain expenses of elementary and secondary school teachers under section 62(a)(2)(D) of the Internal Revenue Code, to the extent deducted from gross income;

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

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

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

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

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

Sec. 12. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19b, as amended by Laws 2010, chapter 187, section 2, is amended to read:

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

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

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

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

(4) income as provided under section 290.0802;

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

(6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E) of the Internal Revenue Code in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions over \$500 allowable

as a deduction for the taxable year under section 170(a) of the Internal Revenue Code, under the provisions of Public Law 109-1 and Public Law 111-126;

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

~~(8)~~ (7) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit;

~~(9)~~ (8) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero;

~~(10)~~ (9) job opportunity building zone income as provided under section 469.316;

~~(11)~~ (10) to the extent included in federal taxable income, the amount of compensation paid to members of the Minnesota National Guard or other reserve components of the United States military for active service performed in Minnesota, excluding compensation for services performed under the Active Guard Reserve (AGR) program. For purposes of this clause, "active service" means (i) state active service as defined in section 190.05, subdivision 5a, clause (1); (ii) federally funded state active service as defined in section 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05, subdivision 5c, but "active service" excludes service performed in accordance with section 190.08, subdivision 3;

~~(12)~~ (11) to the extent included in federal taxable income, the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active duty performed outside Minnesota under United

States Code, title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of the United Nations;

~~(13)~~ (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a qualified donor's donation, while living, of one or more of the qualified donor's organs to another person for human organ transplantation. For purposes of this clause, "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow; "human organ transplantation" means the medical procedure by which transfer of a human organ is made from the body of one person to the body of another person; "qualified expenses" means unreimbursed expenses for both the individual and the qualified donor for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses may be subtracted under this clause only once; and "qualified donor" means the individual or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An individual may claim the subtraction in this clause for each instance of organ donation for transplantation during the taxable year in which the qualified expenses occur;

~~(14)~~ (13) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the case of a shareholder of a corporation that is an S corporation, minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. If the net operating loss exceeds the addition for the tax year, a subtraction is not allowed under this clause;

~~(15)~~ (14) to the extent included in federal taxable income, compensation paid to a service member as defined in United States Code, title 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief Act, Public Law 108-189, section 101(2);

~~(16)~~ (15) international economic development zone income as provided under section 469.325;

~~(17)~~ (16) to the extent included in federal taxable income, the amount of national service educational awards received from the National Service Trust under United States Code, title 42, sections 12601 to 12604, for service in an approved Americorps National Service program; and

~~(18)~~ (17) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only

77.1 to the extent that the income was included in net income in a prior year as a result of the
77.2 addition under section 290.01, subdivision 19a, clause (16).

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

77.4 Sec. 13. Minnesota Statutes 2009 Supplement, section 290.01, subdivision 19d,
77.5 is amended to read:

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

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

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

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

77.17 (4) amounts disallowed for intangible drilling costs due to differences between
77.18 this chapter and the Internal Revenue Code in taxable years beginning before January
77.19 1, 1987, as follows:

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

77.23 (ii) to the extent the disallowed costs are not represented by physical property, an
77.24 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section
77.25 290.09, subdivision 8;

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

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

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

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

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

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

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

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

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

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

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

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

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

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

~~(15) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;~~

~~(16)~~ (15) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during any taxable year ending before January 1, 1995, and a return was filed by August 15, 1996, claiming the deduction under section 290.21, subdivision 4, for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company;

~~(17)~~ (16) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (15), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19c, clause (15). The resulting delayed depreciation cannot be less than zero;

~~(19)~~ (18) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19c, clause (16), an amount equal to one-fifth of the amount of the addition; and

~~(20)~~ (19) to the extent included in federal taxable income, discharge of indebtedness income resulting from reacquisition of business indebtedness included in federal taxable income under section 108(i) of the Internal Revenue Code. This subtraction applies only to the extent that the income was included in net income in a prior year as a result of the addition under section 290.01, subdivision 19c, clause (25).

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

Sec. 14. Minnesota Statutes 2008, section 290.014, subdivision 2, is amended to read:

Subd. 2. **Nonresident individuals.** Except as provided in section 290.015, a nonresident individual is subject to the return filing requirements and to tax as provided in this chapter to the extent that the income of the nonresident individual is:

(1) allocable to this state under section 290.17, 290.191, or 290.20;

(2) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a beneficiary of an estate with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 662(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the estate;

(3) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character that is taxable under this chapter) in the individual's capacity as a beneficiary or grantor or other person treated as a substantial owner of a trust with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 652(b), 662(b), or 664(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the trust;

(4) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a limited or general partner in a partnership with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 702(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the partnership; ~~or~~

(5) taxed to the individual under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in the individual's capacity as a shareholder of a corporation treated as an "S" corporation under section 290.9725, and income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 1366(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the individual directly from the source from which realized by the corporation; or

81.1 (6) taxed to the individual under the Internal Revenue Code (or not taxed under the
81.2 Internal Revenue Code by reason of its character but of a character which is taxable under
81.3 this chapter) in the individual's capacity as the sole member of a limited liability company
81.4 that is disregarded for federal income tax purposes, with income allocable to this state
81.5 under section 290.17, 290.191, or 290.20, as though realized by the individual directly
81.6 from the source from which it was realized by the limited liability company.

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

81.8 Sec. 15. Minnesota Statutes 2009 Supplement, section 290.06, subdivision 2c, is
81.9 amended to read:

81.10 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income
81.11 taxes imposed by this chapter upon married individuals filing joint returns and surviving
81.12 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by
81.13 applying to their taxable net income the following schedule of rates:

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

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

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

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

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

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

81.31 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the
81.32 tax of any individual taxpayer whose taxable net income for the taxable year is less than
81.33 an amount determined by the commissioner must be computed in accordance with tables
81.34 prepared and issued by the commissioner of revenue based on income brackets of not
81.35 more than \$100. The amount of tax for each bracket shall be computed at the rates set

forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

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

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and (17), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), and the subtractions under section 290.01, subdivision 19b, clauses ~~(9), (10), (14), (15), (16), and (18)~~ (8), (9), (13), (14), (15), and (17), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and (17), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), ~~(9), (10), (14), (15), (16), and (18)~~ (8), (9), (13), (14), (15), and (17).

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

Sec. 16. Minnesota Statutes 2008, section 290.067, subdivision 1, is amended to read:

Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the

83.1 Internal Revenue Code. If the child is older than 16 months of age but has not attained the
83.2 age of six years at the close of the taxable year, the amount of expenses deemed to have
83.3 been paid equals the amount the licensee would charge for the care of a child of the same
83.4 age for the same number of hours of care.

83.5 (c) If a married couple:

83.6 (1) has a child who has not attained the age of one year at the close of the taxable
83.7 year;

83.8 (2) files a joint tax return for the taxable year; and

83.9 (3) does not participate in a dependent care assistance program as defined in section
83.10 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid
83.11 for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of
83.12 (i) the combined earned income of the couple or (ii) the amount of the maximum limit for
83.13 one qualified individual under section 21(c) and (d) of the Internal Revenue Code will
83.14 be deemed to be the employment related expense paid for that child. The earned income
83.15 limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed
83.16 amount. These deemed amounts apply regardless of whether any employment-related
83.17 expenses have been paid.

83.18 (d) If the taxpayer is not required and does not file a federal individual income tax
83.19 return for the tax year, no credit is allowed for any amount paid to any person unless:

83.20 (1) the name, address, and taxpayer identification number of the person are included
83.21 on the return claiming the credit; or

83.22 (2) if the person is an organization described in section 501(c)(3) of the Internal
83.23 Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code,
83.24 the name and address of the person are included on the return claiming the credit.

83.25 In the case of a failure to provide the information required under the preceding sentence,
83.26 the preceding sentence does not apply if it is shown that the taxpayer exercised due
83.27 diligence in attempting to provide the information required.

83.28 In the case of a nonresident, part-year resident, or a person who has earned income
83.29 not subject to tax under this chapter including earned income excluded pursuant to section
83.30 290.01, subdivision 19b, clause ~~(10)~~ (9) or ~~(16)~~ (15), the credit determined under section
83.31 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned
83.32 income of the claimant and the claimant's spouse from Minnesota sources bears to the
83.33 total earned income of the claimant and the claimant's spouse.

83.34 For residents of Minnesota, the subtractions for military pay under section 290.01,
83.35 subdivision 19b, clauses ~~(11)~~ (10) and ~~(12)~~ (11), are not considered "earned income not
83.36 subject to tax under this chapter."

84.1 For residents of Minnesota, the exclusion of combat pay under section 112 of the
84.2 Internal Revenue Code is not considered "earned income not subject to tax under this
84.3 chapter."

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

84.5 Sec. 17. Minnesota Statutes 2009 Supplement, section 290.0671, subdivision 1,
84.6 is amended to read:

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

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

84.14 (c) For individuals with one qualifying child, the credit equals 8.5 percent of the first
84.15 \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than
84.16 \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income,
84.17 whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

84.18 (d) For individuals with two or more qualifying children, the credit equals ten
84.19 percent of the first \$9,720 of earned income and 20 percent of earned income over
84.20 \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income
84.21 or adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is
84.22 the credit less than zero.

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

84.25 (f) For a person who was a resident for the entire tax year and has earned income
84.26 not subject to tax under this chapter, including income excluded under section 290.01,
84.27 subdivision 19b, clause ~~(10)~~ (9) or ~~(16)~~ (15), the credit must be allocated based on the
84.28 ratio of federal adjusted gross income reduced by the earned income not subject to tax
84.29 under this chapter over federal adjusted gross income. For purposes of this paragraph, the
84.30 subtractions for military pay under section 290.01, subdivision 19b, clauses ~~(11)~~ (10) and
84.31 ~~(12)~~ (11), are not considered "earned income not subject to tax under this chapter."

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

(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 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 the day following final enactment.

Sec. 18. Minnesota Statutes 2008, section 290.081, is amended to read:

290.081 INCOME OF NONRESIDENTS, RECIPROCITY.

(a) The compensation received for the performance of personal or professional services within this state by an individual whose residence, place of abode, and place customarily returned to at least once a month is in another state, shall be excluded from gross income to the extent such compensation is subject to an income tax imposed by the state of residence; provided that such state allows a similar exclusion of compensation received by residents of Minnesota for services performed therein.

(b) When it is deemed to be in the best interests of the people of this state, the commissioner may determine that the provisions of paragraph (a) shall not apply. As long as the provisions of paragraph (a) apply between Minnesota and Wisconsin, the provisions of paragraph (a) shall apply to any individual who is domiciled in Wisconsin.

(c) For the purposes of paragraph (a), whenever the Wisconsin tax on Minnesota residents which would have been paid Wisconsin without paragraph (a) exceeds the Minnesota tax on Wisconsin residents which would have been paid Minnesota without

paragraph (a), or vice versa, then the state with the net revenue loss resulting from paragraph (a) ~~shall receive from~~ must be compensated by the other state the amount of such loss as provided in the agreement under paragraph (d). This provision shall be effective for all years beginning after December 31, 1972. The data used for computing the loss to either state shall be determined on or before September 30 of the year following the close of the previous calendar year.

(d) Interest is payable on all amounts calculated under paragraph (c) relating to taxable years beginning after December 31, 2000. Interest accrues from July 1 of the taxable year. The commissioner of revenue is authorized to enter into agreements with the state of Wisconsin specifying the compensation required under paragraph (b), the reciprocity payment due date, conditions constituting delinquency, interest rates, and a method for computing interest due. Calculation of compensation under the agreement must specify if the revenue loss is determined before or after the allowance of each state's credit for taxes paid to the other state.

(e) If an agreement cannot be reached as to the amount of the loss, the commissioner of revenue and the taxing official of the state of Wisconsin shall each appoint a member of a board of arbitration and these members shall appoint the third member of the board. The board shall select one of its members as chair. Such board may administer oaths, take testimony, subpoena witnesses, and require their attendance, require the production of books, papers and documents, and hold hearings at such places as are deemed necessary. The board shall then make a determination as to the amount to be paid the other state which determination shall be final and conclusive.

(f) The commissioner may furnish copies of returns, reports, or other information to the taxing official of the state of Wisconsin, a member of the board of arbitration, or a consultant under joint contract with the states of Minnesota and Wisconsin for the purpose of making a determination as to the amount to be paid the other state under the provisions of this section. Prior to the release of any information under the provisions of this section, the person to whom the information is to be released shall sign an agreement which provides that the person will protect the confidentiality of the returns and information revealed thereby to the extent that it is protected under the laws of the state of Minnesota.

Sec. 19. Minnesota Statutes 2009 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following terms have the meanings given:

87.1 (a) "Alternative minimum taxable income" means the sum of the following for
87.2 the taxable year:

87.3 (1) the taxpayer's federal alternative minimum taxable income as defined in section
87.4 55(b)(2) of the Internal Revenue Code;

87.5 (2) the taxpayer's itemized deductions allowed in computing federal alternative
87.6 minimum taxable income, but excluding:

87.7 (i) the charitable contribution deduction under section 170 of the Internal Revenue
87.8 Code;

87.9 (ii) the medical expense deduction;

87.10 (iii) the casualty, theft, and disaster loss deduction; and

87.11 (iv) the impairment-related work expenses of a disabled person;

87.12 (3) for depletion allowances computed under section 613A(c) of the Internal
87.13 Revenue Code, with respect to each property (as defined in section 614 of the Internal
87.14 Revenue Code), to the extent not included in federal alternative minimum taxable income,
87.15 the excess of the deduction for depletion allowable under section 611 of the Internal
87.16 Revenue Code for the taxable year over the adjusted basis of the property at the end of the
87.17 taxable year (determined without regard to the depletion deduction for the taxable year);

87.18 (4) to the extent not included in federal alternative minimum taxable income, the
87.19 amount of the tax preference for intangible drilling cost under section 57(a)(2) of the
87.20 Internal Revenue Code determined without regard to subparagraph (E);

87.21 (5) to the extent not included in federal alternative minimum taxable income, the
87.22 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

87.23 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)
87.24 to (9), (12), (13), (16), and (17);

87.25 less the sum of the amounts determined under the following:

87.26 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);

87.27 (2) an overpayment of state income tax as provided by section 290.01, subdivision
87.28 19b, clause (2), to the extent included in federal alternative minimum taxable income;

87.29 (3) the amount of investment interest paid or accrued within the taxable year on
87.30 indebtedness to the extent that the amount does not exceed net investment income, as
87.31 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include
87.32 amounts deducted in computing federal adjusted gross income; and

87.33 (4) amounts subtracted from federal taxable income as provided by section 290.01,
87.34 subdivision 19b, clauses (6), ~~(9)~~ (8) to ~~(16)~~ (15), and ~~(18)~~ (17).

87.35 In the case of an estate or trust, alternative minimum taxable income must be
87.36 computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Net minimum tax" means the minimum tax imposed by this section.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter.

(e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

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

Sec. 20. Minnesota Statutes 2008, section 290.0921, subdivision 3, is amended to read:

Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable income" is Minnesota net income as defined in section 290.01, subdivision 19, and includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e), (f), and (h) of the Internal Revenue Code. If a corporation files a separate company Minnesota tax return, the minimum tax must be computed on a separate company basis. If a corporation is part of a tax group filing a unitary return, the minimum tax must be computed on a unitary basis. The following adjustments must be made.

(1) For purposes of the depreciation adjustments under section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal income tax purposes, including any modification made in a taxable year under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c).

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation allowance in the first taxable year after December 31, 2000.

(2) The portion of the depreciation deduction allowed for federal income tax purposes under section 168(k) of the Internal Revenue Code that is required as an addition under section 290.01, subdivision 19c, clause (15), is disallowed in determining alternative minimum taxable income.

(3) The subtraction for depreciation allowed under section 290.01, subdivision 19d, clause ~~(18)~~ (17), is allowed as a depreciation deduction in determining alternative minimum taxable income.

(4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d) of the Internal Revenue Code does not apply.

(5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

(7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(8) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

(9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(10) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(11) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.

(12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (10).

(14) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

(15) Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

(16) Alternative minimum taxable income excludes the income from operating in an international economic development zone as provided under section 469.326.

Items of tax preference must not be reduced below zero as a result of the modifications in this subdivision.

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

Sec. 21. Minnesota Statutes 2008, section 290.17, subdivision 2, is amended to read:

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

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

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

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

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

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

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

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

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

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

Gain on the sale of an interest in a single member limited liability company that is disregarded for federal income tax purposes is allocable to this state as if the single member limited liability company did not exist and the assets of the limited liability company are personally owned by the sole member.

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

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

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

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

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

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

92.2 Sec. 22. Minnesota Statutes 2008, section 290.21, subdivision 4, is amended to read:

92.3 Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent
92.4 of dividends received by a corporation during the taxable year from another corporation,
92.5 in which the recipient owns 20 percent or more of the stock, by vote and value, not
92.6 including stock described in section 1504(a)(4) of the Internal Revenue Code when the
92.7 corporate stock with respect to which dividends are paid does not constitute the stock in
92.8 trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not
92.9 constitute property held by the taxpayer primarily for sale to customers in the ordinary
92.10 course of the taxpayer's trade or business, or when the trade or business of the taxpayer
92.11 does not consist principally of the holding of the stocks and the collection of the income
92.12 and gains therefrom; and

92.13 (2)(i) the remaining 20 percent of dividends if the dividends received are the stock in
92.14 an affiliated company transferred in an overall plan of reorganization and the dividend
92.15 is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as
92.16 amended through December 31, 1989;

92.17 (ii) the remaining 20 percent of dividends if the dividends are received from a
92.18 corporation which is subject to tax under section 290.36 and which is a member of an
92.19 affiliated group of corporations as defined by the Internal Revenue Code and the dividend
92.20 is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as
92.21 amended through December 31, 1989, or is deducted under an election under section
92.22 243(b) of the Internal Revenue Code; or

92.23 (iii) the remaining 20 percent of the dividends if the dividends are received from a
92.24 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a
92.25 member of an affiliated group of corporations as defined by the Internal Revenue Code
92.26 and either: (A) the dividend is eliminated in consolidation under Treasury Regulation
92.27 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted
92.28 under an election under section 243(b) of the Internal Revenue Code.

92.29 (b) Seventy percent of dividends received by a corporation during the taxable year
92.30 from another corporation in which the recipient owns less than 20 percent of the stock,
92.31 by vote or value, not including stock described in section 1504(a)(4) of the Internal
92.32 Revenue Code when the corporate stock with respect to which dividends are paid does not
92.33 constitute the stock in trade of the taxpayer, or does not constitute property held by the
92.34 taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or

business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code.

(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

(g) The deduction provided by this subdivision does not apply to dividends received from a real estate investment trust, if the dividends are not considered to be dividends under sections 243(d)(3) and 857(c) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2009.

Sec. 23. Minnesota Statutes 2008, section 290A.04, subdivision 2, is amended to read:

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

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,189	1.0 percent	15 percent	\$ 1,850
1,190 to 2,379	1.1 percent	15 percent	\$ 1,850
2,380 to 3,589	1.2 percent	15 percent	\$ 1,800
3,590 to 4,789	1.3 percent	20 percent	\$ 1,800
4,790 to 5,979	1.4 percent	20 percent	\$ 1,730
5,980 to 8,369	1.5 percent	20 percent	\$ 1,730
8,370 to 9,559	1.6 percent	25 percent	\$ 1,670
9,560 to 10,759	1.7 percent	25 percent	\$ 1,670
10,760 to 11,949	1.8 percent	25 percent	\$ 1,610
11,950 to 13,139	1.9 percent	30 percent	\$ 1,610
13,140 to 14,349	2.0 percent	30 percent	\$ 1,540
14,350 to 16,739	2.1 percent	30 percent	\$ 1,540
16,740 to 17,929	2.2 percent	35 percent	\$ 1,480
17,930 to 19,119	2.3 percent	35 percent	\$ 1,480
19,120 to 20,319	2.4 percent	35 percent	\$ 1,420
20,320 to 25,099	2.5 percent	40 percent	\$ 1,420
25,100 to 28,679	2.6 percent	40 percent	\$ 1,360
28,680 to 35,849	2.7 percent	40 percent	\$ 1,360
35,850 to 41,819	2.8 percent	45 percent	\$ 1,240
41,820 to 47,799	3.0 percent	45 percent	\$ 1,240
47,800 to 53,779	3.2 percent	45 percent	\$ 1,110
53,780 to 59,749	3.5 percent	50 percent	\$ 990
59,750 to 65,729	3.5 percent	50 percent	\$ 870
65,730 to 69,319	3.5 percent	50 percent	\$ 740
69,320 to 71,719	3.5 percent	50 percent	\$ 610
71,720 to 74,619	3.5 percent	50 percent	\$ 500
74,620 to 77,519	3.5 percent	50 percent	\$ 370

(b) The payment made to a claimant shall be the amount of the state refund calculated under ~~this subdivision~~ paragraph (a), increased by 1.7 percent. No payment is allowed if the claimant's household income is \$77,520 or more.

95.1 **EFFECTIVE DATE.** This section is effective for refunds based on taxes payable in
95.2 2011 and thereafter.

95.3 Sec. 24. Minnesota Statutes 2009 Supplement, section 291.005, subdivision 1, as
95.4 amended by Laws 2010, chapter 216, section 15, is amended to read:

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

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

95.9 (2) "Federal gross estate" means the gross estate of a decedent as required to
95.10 be valued and otherwise determined for federal estate tax purposes ~~by federal taxing~~
95.11 ~~authorities pursuant to the provisions of~~ under the Internal Revenue Code.

95.12 (3) "Internal Revenue Code" means the United States Internal Revenue Code of
95.13 1986, as amended through March 18, 2010, but without regard to the provisions of
95.14 sections 501 and 901 of Public Law 107-16.

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

95.18 (5) "Minnesota gross estate" means the federal gross estate of a decedent after (a)
95.19 excluding therefrom any property included therein which has its situs outside Minnesota,
95.20 and (b) including therein any property omitted from the federal gross estate which is
95.21 includable therein, has its situs in Minnesota, and was not disclosed to federal taxing
95.22 authorities.

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

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

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

95.34 (9) "Situs of property" means, with respect to real property, the state or country in
95.35 which it is located; with respect to tangible personal property, the state or country in which

it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

EFFECTIVE DATE. This section is effective the day following final enactment and applies regardless of when the decedent died.

Sec. 25. Minnesota Statutes 2008, section 291.03, is amended by adding a subdivision to read:

Subd. 1b. Qualified terminable interest property. For estates of decedents dying after December 31, 2009, and before January 1, 2011, if no federal estate tax return is filed the executor may make a qualified terminable interest property election, as defined in section 2056(b)(7) of the Internal Revenue Code, for purposes of computing the tax under this chapter. The election may not reduce the taxable estate under this chapter below \$3,500,000. The election must be made on the tax return under this chapter and is irrevocable. All tax under this chapter must be determined using the qualified terminable interest property election made on the Minnesota return. For purposes of applying sections 2044 and 2207A of the Internal Revenue Code when computing the tax under this chapter for the estate of the decedent's surviving spouse, regardless of the date of death of the surviving spouse, amounts for which a qualified terminable interest property election has been made under this section must be treated as though a valid federal qualified terminable interest property election under section 2056(b)(7) of the Internal Revenue Code has been made.

EFFECTIVE DATE. This section is effective for estates of decedents dying after December 31, 2009.

Sec. 26. **[524.2-712] DECEDENTS DYING AFTER DECEMBER 31, 2009, AND BEFORE JANUARY 1, 2011; CONSTRUCTION OF CERTAIN FORMULA CLAUSES BY REFERENCE TO FEDERAL TRANSFER TAX LAW.**

(a) A governing instrument, including a will or trust agreement, of a decedent who dies after December 31, 2009, and before January 1, 2011, that contains a formula or provision referring to the "unified credit," "estate tax exemption," "applicable exemption amount," "applicable credit amount," "applicable exclusion amount," "generation-skipping transfer tax exemption," "GST exemption," "marital deduction," "maximum marital deduction," "unlimited marital deduction," "inclusion ratio," "applicable fraction," or any section of the Internal Revenue Code relating to the federal estate tax or federal

97.1 generation-skipping transfer tax, or that measures a share of an estate or trust by reference
97.2 to federal estate taxes or federal generation-skipping transfer taxes, is deemed to refer to
97.3 the federal estate tax and the federal generation-skipping transfer tax laws as they applied
97.4 with respect to the estates of decedents dying on December 31, 2009. This paragraph does
97.5 not apply to a governing instrument, including a will or trust agreement, that manifests
97.6 an intent that a contrary rule applies if the decedent dies on a date on which there is no
97.7 then-applicable federal estate or federal generation-skipping transfer tax.

97.8 (b) If the federal estate or federal generation-skipping transfer tax becomes effective
97.9 before January 1, 2011, then the reference to January 1, 2011, in paragraph (a) instead
97.10 refers to the first date on which the tax becomes legally effective.

97.11 (c) The personal representative, trustee, or any interested person under the governing
97.12 instrument, including a will or trust agreement, may bring a proceeding to determine
97.13 whether the decedent intended that a formula or provision described in paragraph (a) be
97.14 construed with respect to the law as it existed after December 31, 2009. Such a proceeding
97.15 must be commenced by December 31, 2011.

97.16 **EFFECTIVE DATE.** This section is effective on January 1, 2010.

97.17 Sec. 27. Laws 2010, chapter 216, section 2, subdivision 3, is amended to read:

97.18 Subd. 3. **Certification of qualified investors.** (a) Investors may apply to the
97.19 commissioner for certification as a qualified investor for a taxable year. The application
97.20 must be in the form and be made under the procedures specified by the commissioner,
97.21 accompanied by an application fee of \$350. Application fees are deposited in the small
97.22 business investment tax credit administration account in the special revenue fund. The
97.23 application for certification for 2010 must be made available on the department's Web
97.24 site by August 1, 2010. Applications for subsequent years' certification must be made
97.25 available on the department's Web site by November 1 of the preceding year.

97.26 (b) Within 30 days of receiving an application for certification under this subdivision,
97.27 the commissioner must either certify the investor as satisfying the conditions required
97.28 of a qualified investor, request additional information from the investor, or reject the
97.29 application for certification. If the commissioner requests additional information from the
97.30 investor, the commissioner must either certify the investor or reject the application within
97.31 30 days of receiving the additional information. If the commissioner neither certifies the
97.32 investor nor rejects the application within 30 days of receiving the original application or
97.33 within 30 days of receiving the additional information requested, whichever is later, then
97.34 the application is deemed rejected, and the commissioner must refund the \$350 application
97.35 fee. An investor who applies for certification and is rejected may reapply.

(c) To receive certification, an investor must (1) be a natural person; and (2) certify to the commissioner that the investor will only invest in a transaction that is exempt under section 80A.46, clause (13) or (14), or in a security registered under section 80A.50, paragraph (b).

(d) In order for a qualified investment in a qualified small business to be eligible for tax credits, a qualified investor who makes the investment must have applied for and received certification for the calendar year prior to making the qualified investment, except in the case of an investor who is not an accredited investor, within the meaning of Regulation D of the Securities and Exchange Commission, Code of Federal Regulations, title 17, section 230.501, paragraph (a), application for certification may be made within 30 days after making the qualified investment.

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

Sec. 28. **INCOME TAX RECIPROCITY BENCHMARK STUDY.**

Subdivision 1. Study parameters. (a) The Department of Revenue, in conjunction with the Wisconsin Department of Revenue, must conduct a study of individuals who are residents of Minnesota and earn income for the performance of personal or professional services in Wisconsin, or who are residents of Wisconsin and earn income for the performance of personal or professional services in Minnesota. The purpose of the study is to develop an estimate of net compensation payable from one state to the other for the income tax revenue foregone as a result of the two states entering into a new income tax reciprocity agreement, which would take effect in tax year 2012, with compensation payments from one state to the other made in the same fiscal year in which the net revenue loss resulting from reciprocity occurs. The study must be conducted as soon as practicable, using information obtained from each state's income tax returns for tax year 2010, and from any other source of information the departments determine is necessary to complete the study.

(b) The study must include at least the following:

(1) the number of residents of each state who earn income from the performance of personal or professional services in the other state;

(2) the total amount of income earned by residents of each state who earn income from the performance of personal or professional services in the other state;

(3) the amount of tax revenue that would be gained or foregone by each state if an income tax reciprocity agreement were resumed between the two states under which the taxpayers were required to pay income taxes on the income only in their state of residence beginning in tax year 2012;

(4) a calculation of compensation payable from one state to the other that takes into account the credit each state allows for taxes paid to other states; and

(5) a methodology for using the base year results determined by the study to project the amount of compensation payments in future years.

Subd. 2. **Reports.** (a) No later than July 15, 2011, the commissioner of revenue must report to the governor and to the chairs and ranking minority members of the legislative committees having jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197. The report must include:

(1) the status of negotiations between the states concerning a reciprocity agreement to commence for tax year 2012;

(2) a description of data elements being captured for the study from 2010 income tax returns;

(3) preliminary totals for the number of residents of each state who earn income from the performance of personal or professional services in the other state and the amount of that income; and

(4) any other preliminary conclusions responsive to the requirements in subdivision 1.

(b) No later than September 15, 2011, the commissioner of revenue must report to the governor and to the chairs and ranking minority members of the legislative committees having jurisdiction over taxes in compliance with Minnesota Statutes, sections 3.195 and 3.197. The report must include an update of information provided in paragraph (a).

(c) No later than March 1, 2012, the commissioner of revenue must submit a final report to the governor and to the chairs and ranking minority members of the legislative committees having jurisdiction over taxes, in compliance with Minnesota Statutes, sections 3.195 and 3.197, on the final results of the study and the status of a reciprocity agreement between the two states.

Sec. 29. REPEALER.

(a) Minnesota Statutes 2008, sections 10A.322, subdivision 4; and 13.4967, subdivision 2, are repealed.

(b) Minnesota Statutes 2008, section 290.06, subdivision 23, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective for refund claims based on contributions made after June 30, 2011.

ARTICLE 4

SALES AND USE TAXES

Section 1. Minnesota Statutes 2008, section 289A.50, subdivision 2, is amended to read:

Subd. 2. **Refund of sales tax to vendors; limitation.** (a) If a vendor has collected from a purchaser and remitted to the state a tax on a transaction that is not subject to the tax imposed by chapter 297A, the tax is refundable to the vendor only if and to the extent that the tax and any interest earned on the tax is credited to amounts due to the vendor by the purchaser or returned to the purchaser by the vendor.

(b) In addition to the requirements of subdivision 1, a claim for refund under this subdivision must state in writing that the tax and interest earned on the tax has been or will be refunded or credited to the purchaser by the vendor.

(c) Within 60 days after the date the commissioner issues the refund, any amount not refunded or credited to the purchaser by the vendor, as required by paragraph (a), must be returned to the commissioner by the vendor.

(d) After the commissioner refunds the tax and interest to the vendor, if the commissioner determines that the vendor did not refund or credit the tax and interest as provided in this subdivision, or did not return the amount required to be returned under paragraph (c), the commissioner may assess the vendor for underpayment of tax and interest equal to that portion of the amount that was not refunded or credited to the purchaser. The assessment bears interest which is computed at the rate specified in section 270C.40, subdivision 5, on the unpaid amount from the date the commissioner issues the refund until the date the amount is paid to the commissioner. The assessment may be made at any time within 3-1/2 years after the commissioner refunds the tax and interest to the vendor. If part of the refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.

EFFECTIVE DATE. This section is effective for refunds issued after June 30, 2010.

Sec. 2. Minnesota Statutes 2008, section 297A.62, as amended by Laws 2009, chapter 88, article 4, section 4, is amended to read:

297A.62 SALES TAX IMPOSED; RATES.

Subdivision 1. **Generally.** Except as otherwise provided in subdivision 3 or in this chapter, a sales tax of 6.5 percent is imposed on the gross receipts from retail sales as defined in section 297A.61, subdivision 4, made in this state or to a destination in this

state by a person who is required to have or voluntarily obtains a permit under section 297A.83, subdivision 1.

Subd. 1a. **Constitutionally required sales tax increase.** Except as otherwise provided in subdivision 3 or in this chapter, an additional sales tax of 0.375 percent, as required under the Minnesota Constitution, article XI, section 15, is imposed on the gross receipts from retail sales as defined in section 297A.61, subdivision 4, made in this state or to a destination in this state by a person who is required to have or voluntarily obtains a permit under section 297A.83, subdivision 1. This additional tax expires July 1, 2034.

Subd. 3. **Manufactured housing and park trailers.** For retail sales of manufactured homes as defined in section 327.31, subdivision 6, for residential uses, the sales tax under ~~subdivision~~ subdivisions 1 and 1a is imposed on 65 percent of the dealer's cost of the manufactured home. For retail sales of new or used park trailers, as defined in section 168.002, subdivision 23, the sales tax under ~~subdivision~~ subdivisions 1 and 1a is imposed on 65 percent of the sales price of the park trailer.

Subd. 4. **Combined rates.** In this chapter, wherever there is a reference to the rate under subdivision 1, or to a combined rate under subdivisions 1 and 1a, the rate to be applied is the combined rate under subdivisions 1 and 1a until the additional tax imposed by subdivision 1a expires. This subdivision does not apply to section 297A.65.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after June 30, 2009, except for sales and purchases subject to subdivision 3. This section is effective for sales and purchases subject to subdivision 3 made after June 30, 2010.

Sec. 3. Minnesota Statutes 2008, section 297A.665, is amended to read:

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

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

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

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

(b) The burden of proving that a sale is not a taxable retail sale is on the seller. However, a seller is relieved of liability if:

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

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

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

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

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

(1) fraudulently fails to collect the tax; or

(2) solicits purchasers to participate in the unlawful claim of an exemption.

(d) A certified service provider, as defined in section 297A.995, subdivision 2, is relieved of liability under this section to the extent a seller who is its client is relieved of liability.

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

(f) If a seller claims that certain sales are exempt and does not provide the certificate, information, or proof required by paragraph (b), clause (2), within 120 days after the date of the commissioner's request for substantiation, then the exemptions claimed by the seller that required substantiation are disallowed.

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

Sec. 4. Minnesota Statutes 2008, section 297A.68, subdivision 39, is amended to read:

Subd. 39. **Preexisting bids or contracts.** (a) The sale of tangible personal property or services is exempt from tax or a tax rate increase for a period of six months from the effective date of the law change that results in the imposition of the tax or the tax rate increase under this chapter if:

(1) the act imposing the tax or increasing the tax rate does not have transitional effective date language for existing construction contracts and construction bids; and

(2) the requirements of paragraph (b) are met.

(b) A sale is tax exempt under paragraph (a) if it meets the requirements of either clause (1) or (2):

(1) For a construction contract:

(i) the goods or services sold must be used for the performance of a bona fide written lump sum or fixed price construction contract;

103.1 (ii) the contract must be entered into before the date the goods or services become
103.2 subject to the sales tax or the tax rate was increased;

103.3 (iii) the contract must not provide for allocation of future taxes; and

103.4 (iv) for each qualifying contract the contractor must ~~give the seller~~ keep
103.5 documentation of the contract on which an exemption is to be claimed.

103.6 (2) For a construction bid:

103.7 (i) the goods or services sold must be used pursuant to an obligation of a bid or bids;

103.8 (ii) the bid or bids must be submitted and accepted before the date the goods or
103.9 services became subject to the sales tax or the tax rate was increased;

103.10 (iii) the bid or bids must not be able to be withdrawn, modified, or changed without
103.11 forfeiting a bond; and

103.12 (iv) for each qualifying bid, the contractor must ~~give the seller~~ keep documentation
103.13 of the bid on which an exemption is to be claimed.

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

103.15 Sec. 5. Minnesota Statutes 2008, section 297A.70, subdivision 13, is amended to read:

103.16 Subd. 13. **Fund-raising sales by or for nonprofit groups.** (a) The following
103.17 sales by the specified organizations for fund-raising purposes are exempt, subject to the
103.18 limitations listed in paragraph (b):

103.19 (1) all sales made by ~~an~~ a nonprofit organization that exists solely for the purpose of
103.20 providing educational or social activities for young people primarily age 18 and under;

103.21 (2) all sales made by an organization that is a senior citizen group or association of
103.22 groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized
103.23 and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii)
103.24 no part of its net earnings inures to the benefit of any private shareholders;

103.25 (3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if
103.26 the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization
103.27 under section 501(c)(3) of the Internal Revenue Code; and

103.28 (4) sales of candy sold for fund-raising purposes by a nonprofit organization that
103.29 provides educational and social activities primarily for young people age 18 and under.

103.30 (b) The exemptions listed in paragraph (a) are limited in the following manner:

103.31 (1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross
103.32 annual receipts of the organization from fund-raising do not exceed \$10,000; and

103.33 (2) the exemption under paragraph (a), clause (1), does not apply if the sales are
103.34 derived from admission charges or from activities for which the money must be deposited
103.35 with the school district treasurer under section 123B.49, subdivision 2, or be recorded in

104.1 the same manner as other revenues or expenditures of the school district under section
104.2 123B.49, subdivision 4.

104.3 (c) Sales of tangible personal property are exempt if the entire proceeds, less the
104.4 necessary expenses for obtaining the property, will be contributed to a registered combined
104.5 charitable organization described in section 43A.50, to be used exclusively for charitable,
104.6 religious, or educational purposes, and the registered combined charitable organization
104.7 has given its written permission for the sale. Sales that occur over a period of more than
104.8 24 days per year are not exempt under this paragraph.

104.9 (d) For purposes of this subdivision, a club, association, or other organization of
104.10 elementary or secondary school students organized for the purpose of carrying on sports,
104.11 educational, or other extracurricular activities is a separate organization from the school
104.12 district or school for purposes of applying the \$10,000 limit.

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

104.14 Sec. 6. Minnesota Statutes 2008, section 297A.71, subdivision 23, is amended to read:

104.15 Subd. 23. **Construction materials for qualified low-income housing projects.** (a)
104.16 Purchases of materials and supplies used or consumed in and equipment incorporated into
104.17 the construction, improvement, or expansion of qualified low-income housing projects are
104.18 exempt from the tax imposed under this chapter if the owner of the qualified low-income
104.19 housing project is:

104.20 (1) the public housing agency or housing and redevelopment authority of a political
104.21 subdivision;

104.22 (2) an entity exercising the powers of a housing and redevelopment authority within
104.23 a political subdivision;

104.24 (3) a limited partnership in which the sole or managing general partner is an
104.25 authority under clause (1) or an entity under clause (2) ~~or~~ (4), or (5);

104.26 (4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying
104.27 under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended; ~~or~~

104.28 (5) a limited liability company that consists of a sole member that is an entity under
104.29 clause (4); or

104.30 ~~(5) (6)~~ (6) an owner entity, as defined in Code of Federal Regulations, title 24, part
104.31 941.604, for a qualified low-income housing project described in paragraph (b), clause (5).

104.32 This exemption applies regardless of whether the purchases are made by the owner
104.33 of the facility or a contractor.

104.34 (b) For purposes of this exemption, "qualified low-income housing project" means:

(1) a housing or mixed use project in which at least 20 percent of the residential units are qualifying low-income rental housing units as defined in section 273.126;

(2) a federally assisted low-income housing project financed by a mortgage insured or held by the United States Department of Housing and Urban Development under United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United States Code, title 42, section 1437f; the Native American Housing Assistance and Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar successor federal low-income housing program;

(3) a qualified low-income housing project as defined in United States Code, title 26, section 42(g), meeting all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code regardless of whether the project actually applies for or receives a low-income housing credit;

(4) a project that will be operated in compliance with Internal Revenue Service revenue procedure 96-32; or

(5) a housing or mixed use project in which all or a portion of the residential units are subject to the requirements of section 5 of the United States Housing Act of 1937.

(c) For a project, a portion of which is not used for low-income housing units, the amount of purchases that are exempt under this subdivision must be determined by multiplying the total purchases, as specified in paragraph (a), by the ratio of:

(1) the total gross square footage of units subject to the income limits under section 273.126, the financing for the project, the federal low-income housing tax credit, revenue procedure 96-32, or section 5 of the United States Housing Act of 1937, as applicable to the project; and

(2) the total gross square footage of all units in the project.

(d) The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2010.

Sec. 7. Minnesota Statutes 2008, section 297A.71, subdivision 39, is amended to read:

Subd. 39. **Hydroelectric generating facility.** Materials and supplies used or consumed in the construction of a 10.3 megawatt run-of-the-river hydroelectric generating facility that meets the requirements of this subdivision are exempt. To qualify for the exemption under this subdivision, a hydroelectric generating facility must:

(1) utilize between 12 and 16 turbine generators at a dam site existing on March 31, 1994;

(2) be located on land within 3,000 feet of a 13.8 kilovolt distribution circuit; and
(3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

This exemption applies to materials and supplies purchased after April 30, 2006, and on or before December 31, 2010.

EFFECTIVE DATE. This section is effective retroactively for sales and purchases made after December 31, 2009.

Sec. 8. Minnesota Statutes 2008, section 297A.995, subdivision 10, is amended to read:

Subd. 10. **Relief from certain liability.** (a) Notwithstanding subdivision 9, sellers and certified service providers are relieved from liability to the state for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider (1) relying on erroneous data provided by the commissioner in the database files on tax rates, boundaries, or taxing jurisdiction assignments, or (2) relying on erroneous data provided by the state in its taxability matrix concerning the taxability of products and services.

(b) Notwithstanding subdivision 9, sellers and certified service providers are relieved from liability to the state for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider relying on the certification by the commissioner as to the accuracy of a certified automated system as to the taxability of product categories. The relief from liability provided by this paragraph does not apply when the sellers or certified service providers have incorrectly classified an item or transaction into a product category, unless the item or transaction within a product category was approved by the commissioner or approved jointly by the states that are signatories to the agreement. The sellers and certified service providers must revise a classification within ten days after receipt of notice from the commissioner that an item or transaction within a product category is incorrectly classified as to its taxability, or they are not relieved from liability for the incorrect classification following the notification.

(c) Notwithstanding subdivision 9, if there are not at least 30 days between the enactment of a new tax rate and the effective date of the new rate, sellers and certified service providers shall be relieved from liability for failing to collect tax at the new rate during the first 30 days of the rate change, beginning on the day after the date of enactment of the rate change, provided the seller or certified service provider continued to impose and collect the tax at the immediately preceding tax rate during this period. Relief from liability provided by this paragraph shall not apply if the failure to collect at the newly effective rate extends beyond 30 days after the enactment of the new rate. The relief

provided by this paragraph shall not apply if the commissioner determines that the seller or certified service provider fraudulently failed to collect at the new rate or that the seller or certified service provider solicited purchasers based on the immediately preceding tax rate.

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

Sec. 9. Minnesota Statutes 2008, section 297A.995, subdivision 11, is amended to read:

Subd. 11. **Purchaser relief from certain liability.** (a) Notwithstanding other provisions in the law, a purchaser is relieved from liability resulting from having paid the incorrect amount of sales or use tax if a purchaser, whether or not ~~holding a the~~ commissioner gave the purchaser direct pay permit authorization, or a purchaser's seller or certified service provider relied on erroneous data provided by this state in the database files on tax rates, boundaries, taxing jurisdiction assignments, or in the taxability matrix. After providing an address-based database for assigning taxing jurisdictions and their associated rates, no relief for errors resulting from the purchaser's reliance on a database using zip codes is allowed.

(b) With respect to reliance on the taxability matrix provided by this state in paragraph (a), relief is limited to erroneous classifications in the taxability matrix for items included within the classifications as "taxable," "exempt," "included in sales price," "excluded from sales price," "included in the definition," and "excluded from the definition."

(c) Notwithstanding other provisions in the law, if there are not at least 30 days between the enactment of a new tax rate and the effective date of the new rate, a purchaser shall be relieved from liability resulting from failing to pay the tax at the new rate during the first 30 days of the rate change, beginning on the day after the date of enactment of the rate change, whether or not the purchaser has been given direct pay authorization by the commissioner. Relief from liability provided by this paragraph shall not apply if the failure to pay at the newly effective rate extends beyond 30 days after the enactment of the new rate, and shall not apply to a purchaser that did not continue to pay the tax at the immediately preceding tax rate during the 30-day period. The relief provided by this paragraph shall not apply if the commissioner determines that the purchaser fraudulently failed to pay at the new rate.

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

Sec. 10. **[645.025] SPECIAL LAWS; LOCAL TAXES.**

108.1 Subdivision 1. **Definitions.** (a) If a special law grants a local government unit
108.2 or group of units the authority to impose a local tax other than sales tax, including but
108.3 not limited to taxes such as lodging, entertainment, admissions, or food and beverage
108.4 taxes, and the Department of Revenue either has agreed to or is required to administer
108.5 the tax, such that the tax is reported and paid with the chapter 297A taxes, then the local
108.6 government unit or group of units must adopt each definition used in the special law
108.7 as follows:

108.8 (1) the definition must be identical to the definition found in chapter 297A or in
108.9 Minnesota Rules, chapter 8130; or

108.10 (2) if the specific term is not defined either in chapter 297A or in Minnesota Rules,
108.11 chapter 8130, then the definition must be consistent with the position of the Department of
108.12 Revenue as to the extent of the tax base.

108.13 (b) This subdivision does not apply to terms that are defined by the authorizing
108.14 special law.

108.15 Subd. 2. **Application.** This section applies to a special law that is described in
108.16 subdivision 1 that was:

108.17 (1) originally enacted prior to 2010, and that was amended by special law in or after
108.18 2010, to extend the time for imposing the tax or to modify the tax base; or

108.19 (2) first enacted in or after 2010.

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

108.21 Sec. 11. Laws 2009, chapter 88, article 4, section 5, the effective date, is amended to
108.22 read:

108.23 **EFFECTIVE DATE.** This section is effective July 1, 2009, and applies to
108.24 ~~registrations~~ leases or rentals made or renewed on or after that date.

108.25 **EFFECTIVE DATE.** This section is effective retroactively for leases or rentals
108.26 made or renewed after June 30, 2009.

ARTICLE 5

LOCAL SALES TAX

108.29 Section 1. Laws 2002, chapter 377, article 3, section 25, as amended by Laws 2009,
108.30 chapter 88, article 4, section 19, is amended to read:

108.31 **Sec. 25. ROCHESTER LODGING TAX.**

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, the city of Rochester may impose an additional tax of one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more.

Subd. 1a. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or 477A.016, or any other law, and in addition to the tax authorized by subdivision 1, the city of Rochester may impose an additional tax of one percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more only upon the approval of the city governing body of a total financial package for the project.

Subd. 2. **Disposition of proceeds.** (a) The gross proceeds from the tax imposed under subdivision 1 must be used by the city to fund a local convention or tourism bureau for the purpose of marketing and promoting the city as a tourist or convention center.

(b) The gross proceeds from the one percent tax imposed under subdivision 1a shall be used to pay for (1) construction, renovation, improvement, and expansion of the Mayo Civic Center and related skyway access, lighting, parking, or landscaping; and (2) for payment of any principal, interest, or premium on bonds issued to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex.

Subd. 2a. **Bonds.** The city of Rochester may issue general obligation bonds of the city, in one or more series, in the aggregate principal amount not to exceed \$43,500,000, to pay for capital and administrative costs for the design, construction, renovation, improvement, and expansion of the Mayo Civic Center Complex, and related skyway, access, lighting, parking, and landscaping. The city may pledge the lodging tax authorized by subdivision 1a and the food and beverage tax authorized under Laws 2009, chapter 88, article 4, section 23, to the payment of the bonds. The debt represented by the bonds is not included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation or included in computing or applying any levy limitation applicable to the city. A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required provided that the project financed by these bonds is paid from revenues generated by the proceeds of taxes listed in this subdivision in the same manner as obligations financed partially by tax increments under Minnesota Statutes, section 475.058, subdivision 1, clause (3).

Subd. 3. **Expiration of taxing authority.** The authority of the city to impose a tax under subdivision 1a shall expire when the principal and interest on any bonds or other

obligations issued prior to December 31, 2014, to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping have been paid, including any bonds issued to refund such bonds, or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of the project and retirement or redemption of the bonds shall be placed in the general fund of the city.

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

Sec. 2. Laws 2009, chapter 88, article 4, section 23, subdivision 4, is amended to read:

Subd. 4. **Expiration of taxing authority.** The authority granted under subdivision 1 to the city to impose a one percent tax on food and beverages shall expire when the principal and interest on any bonds or other obligations issued prior to December 31, 2014, to finance the construction, renovation, improvement, and expansion of the Mayo Civic Center Complex and related skyway access, lighting, parking, or landscaping, and any bonds issued to refund such bonds, have been paid or at an earlier time as the city shall, by ordinance, determine. Any funds remaining after completion of the project and retirement or redemption of the bonds shall be placed in the general fund of the city.

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

Sec. 3. **CITY OF DETROIT LAKES; LOCAL TAXES AUTHORIZED.**

Subdivision 1. Food and beverage tax authorized. Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of Detroit Lakes may, by ordinance, impose a sales tax of one-half of one percent on the gross receipts of all food and beverages sold by a restaurant or place of refreshment, as defined by resolution of the city, that is located within the city. For purposes of this section, "food and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

Subd. 2. Entertainment tax. Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of Detroit Lakes may, by ordinance, impose a tax of one-half of one percent on the gross receipts on admission to an entertainment event located within the city. For purposes of this

section, "entertainment event" means any event for which persons pay money in order to be admitted to the premises and to be entertained, including, but not limited to, theaters, concerts, and sporting events.

Subd. 3. **Use of proceeds from authorized taxes.** The proceeds of the taxes imposed under subdivisions 1 and 2 must be used by the city to pay all or a portion of the expenses of the following projects:

- (1) control of flowering rush infestation;
- (2) construction and improvement of bike trail facilities;
- (3) parking improvements near public facilities; and
- (4) redevelopment of the area returned to the city as a result of realignment of Highway 10.

Subd. 4. **Expiration of taxing authority.** The taxes authorized under subdivisions 1 and 2 expire when the governing body of the city determines that sufficient revenues have been raised to finance the projects in subdivision 3, including the amount to prepay to retire at maturity the principal, interest, and premium due on any bonds issued for the projects.

Subd. 5. **Collection, administration, and enforcement.** The city may enter into an agreement with the commissioner of revenue to administer, collect, and enforce the taxes under subdivisions 1 and 2. If the commissioner agrees to collect the tax, the provisions of Minnesota Statutes, section 297A.99, related to collection, administration, and enforcement apply.

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

Sec. 4. CITY OF MARSHALL; SALES AND USE TAX.

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1, 2, and 3, or 477A.016, or any other law, ordinance, or city charter, the city of Marshall, if imposed within two years of the date of final enactment of this section, may impose any or all of the taxes described in this section.

Subd. 2. **Bonds.** (a) The city of Marshall may issue bonds under Minnesota Statutes, chapter 475, to finance all or a portion of the costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center and all or part of the costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center, and may issue bonds to refund bonds previously issued. Authorized expenses include, but are not limited to, acquiring property, predesign, design, and paying construction, furnishing, and equipment costs related to these facilities. The aggregate principal amount of bonds issued

under this subdivision may not exceed \$17,290,000, plus an amount to be applied to the payment of the costs of issuing the bonds. The bonds may be paid from or secured by any funds available to the city of Marshall.

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

Subd. 3. **Lodging tax.** The city of Marshall may impose by ordinance a tax of up to 1-1/2 percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190, for the purposes specified in subdivision 4. This lodging tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and may be imposed within a tax district defined by the city council, which may include areas of the city of Marshall which are not contiguous.

Subd. 4. **Use of lodging tax revenues.** The revenues derived from the tax imposed under subdivision 3 must be used by the city of Marshall to pay the costs of collecting and administering the lodging tax, to pay all or part of the operating costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center, including the payment of debt service on bonds issued under subdivision 2, and to pay all or part of the operating costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center, including the payment of debt service on bonds issued under subdivision 2.

Subd. 5. **Food and beverages tax.** The city of Marshall may impose by ordinance an additional sales tax of up to 1-1/2 percent on gross receipts of food and beverages sold primarily for consumption on the premises by restaurants and places of refreshment that occur in the city of Marshall. The provisions of Minnesota Statutes, section 297A.99, except subdivisions 1, 2, and 3, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 6. **Use of food and beverages tax.** The revenues derived from the tax imposed under subdivision 5 must be used by the city of Marshall to pay the costs of collecting and administering the food and beverages tax, to pay all or part of the operating costs of the new and existing facilities of the Minnesota Emergency Response and Industry Training Center, including the payment of debt service on bonds issued under subdivision 2, and to pay all or part of the operating costs of the facilities of the Southwest Minnesota Regional Amateur Sports Center, including the payment of debt service on bonds issued under subdivision 2.

Subd. 7. **Termination of taxes.** The taxes imposed under subdivisions 3 and 5 expire at the earlier of (1) 30 years after the tax is first imposed, or (2) when the city

council determines that the amount of revenues received from the taxes to pay for the capital, operating, and administrative costs of the facilities under subdivisions 2, 4, and 6 first equals or exceeds the amount authorized to be spent for the facilities plus the additional amount needed to pay the costs related to issuance of the bonds under subdivision 2, including interest on the bonds. Any funds remaining after payment of all the costs and retirement or redemption of the bonds must be placed in the general fund of the city. The taxes imposed under subdivisions 3 and 5 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 5. **GIANTS RIDGE RECREATION AREA TAXING AUTHORITY.**

Subdivision 1. **Additional taxes authorized.** Notwithstanding Minnesota Statutes, section 477A.016, or any other law, ordinance, or charter provision to the contrary, the city of Biwabik, upon approval both by its governing body and by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, may impose any or all of the taxes described in this section.

Subd. 2. **Use of proceeds.** The proceeds of any taxes imposed under this section, less refunds and costs of collection, must be deposited into the Iron Range Resources and Rehabilitation Board account enterprise fund created under the provisions of Minnesota Statutes, section 298.221, paragraph (c), and must be dedicated and expended by the commissioner of the Iron Range Resources and Rehabilitation Board, upon approval by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, to pay costs for the construction, renovation, improvement, expansion, and maintenance of public recreational facilities located in those portions of the city within the Giants Ridge Recreation Area as defined in Minnesota Statutes, section 298.22, subdivision 7, or to pay any principal, interest, or premium on any bond issued to finance the construction, renovation, improvement, or expansion of such public recreational facilities.

Subd. 3. **Lodging tax.** The city of Biwabik, upon approval both by its governing body and by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, may impose, by ordinance, a tax of not more than five percent on the gross receipts subject to the lodging tax under Minnesota Statutes, section 469.190. This tax is in addition to any tax imposed under Minnesota Statutes, section 469.190, and may be imposed only on gross lodging receipts generated within the Giants Ridge Recreation Area as defined in Minnesota Statutes, section 298.22, subdivision 7.

Subd. 4. **Admissions and recreation tax.** (a) The city of Biwabik, upon approval both by its governing body and by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, may impose, by ordinance, a tax of not more than five percent on admission receipts to entertainment and recreational facilities and on receipts from the rental of recreation equipment, at sites within the Giants Ridge Recreation Area as defined in Minnesota Statutes, section 298.22, subdivision 7. The provisions of Minnesota Statutes, section 297A.99, except for subdivisions 2 and 3, govern the imposition, administration, collection, and enforcement of the tax authorized in this subdivision.

(b) If the city imposes the tax under paragraph (a), it must include in the ordinance an exemption for purchases of season tickets or passes.

Subd. 5. **Food and beverage tax.** The city of Biwabik, upon approval both by its governing body and by the vote of at least seven members of the Iron Range Resources and Rehabilitation Board, may impose, by ordinance, an additional sales tax of not more than one percent on gross receipts of food and beverages sold whether it is consumed on or off the premises by restaurants and places of refreshment as defined by resolution of the city within the Giants Ridge Recreation Area as defined in Minnesota Statutes, section 298.22, subdivision 7. The provisions of Minnesota Statutes, section 297A.99, except for subdivisions 2 and 3, govern the imposition, administration, collection, and enforcement of the tax authorized in this subdivision.

EFFECTIVE DATE. This section shall be effective the day after compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3, by the governing body of the city of Biwabik. Notwithstanding Minnesota Statutes, section 645.021, subdivision 3, the city may comply with Minnesota Statutes, section 645.021, at any time before January 1, 2012.

ARTICLE 6

SPECIAL TAXES

Section 1. Minnesota Statutes 2008, section 60A.209, subdivision 1, is amended to read:

Subdivision 1. **Authorization; regulation.** A resident of this state may obtain insurance from an ineligible surplus lines insurer in this state through a surplus lines licensee. The licensee shall first attempt to place the insurance with a licensed insurer, or if that is not possible, with an eligible surplus lines insurer. If coverage is not obtainable from a licensed insurer or an eligible surplus lines insurer, the licensee shall certify to the

commissioner, on a form prescribed by the commissioner, that these attempts were made.

Upon obtaining coverage from an ineligible surplus lines insurer, the licensee shall:

(a) Have printed, typed, or stamped in red ink upon the face of the policy in not less than 10-point type the following notice: "THIS INSURANCE IS ISSUED PURSUANT TO THE MINNESOTA SURPLUS LINES INSURANCE ACT. THIS INSURANCE IS PLACED WITH AN INSURER THAT IS NOT LICENSED BY THE STATE NOR RECOGNIZED BY THE COMMISSIONER OF COMMERCE AS AN ELIGIBLE SURPLUS LINES INSURER. IN CASE OF ANY DISPUTE RELATIVE TO THE TERMS OR CONDITIONS OF THE POLICY OR THE PRACTICES OF THE INSURER, THE COMMISSIONER OF COMMERCE WILL NOT BE ABLE TO ASSIST IN THE DISPUTE. IN CASE OF INSOLVENCY, PAYMENT OF CLAIMS IS NOT GUARANTEED." The notice may not be covered or concealed in any manner; and

(b) Collect from the insured appropriate premium taxes, as provided under chapter 297I, and report the transaction to the commissioner of revenue on a form prescribed by the commissioner. If the insured fails to pay the taxes when due, the insured shall be subject to a civil fine of not more than \$3,000, plus accrued interest from the inception of the insurance.

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

Sec. 2. Minnesota Statutes 2008, section 295.55, subdivision 2, is amended to read:

Subd. 2. **Estimated tax; hospitals; surgical centers.** (a) Each hospital or surgical center must make estimated payments of the taxes for the calendar year in monthly installments to the commissioner within 15 days after the end of the month.

(b) Estimated tax payments are not required of hospitals or surgical centers if: (1) the tax for the current calendar year is ~~less than \$500~~ or less; or (2) the tax for the previous calendar year is ~~less than \$500, if the taxpayer had a tax liability and was doing business the entire year~~ or less.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270C.40, from the due date of the payment until paid or until the due date of the annual return whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) 90 percent of one-twelfth of the tax for the calendar year or (2) one-twelfth of the total tax for the previous calendar year ~~if the taxpayer had a tax liability and was doing business the entire year~~.

EFFECTIVE DATE. This section is effective for gross revenues received after December 31, 2010.

Sec. 3. Minnesota Statutes 2008, section 295.55, subdivision 3, is amended to read:

Subd. 3. **Estimated tax; other taxpayers.** (a) Each taxpayer, other than a hospital or surgical center, must make estimated payments of the taxes for the calendar year in quarterly installments to the commissioner by April 15, July 15, October 15, and January 15 of the following calendar year.

(b) Estimated tax payments are not required if: (1) the tax for the current calendar year is ~~less than \$500 or less~~; or (2) the tax for the previous calendar year is ~~less than \$500, if the taxpayer had a tax liability and was doing business the entire year or less~~.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270C.40, from the due date of the payment until paid or until the due date of the annual return whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) 90 percent of one-quarter of the tax for the calendar year or (2) one-quarter of the total tax for the previous calendar year ~~if the taxpayer had a tax liability and was doing business the entire year~~.

EFFECTIVE DATE. This section is effective for gross revenues received after December 31, 2010.

Sec. 4. **[296A.061] CANCELLATION OR NONRENEWAL OF LICENSES.**

The commissioner may cancel a license or not renew a license if one of the following conditions occurs:

(1) the license holder has not filed a petroleum tax return or report for at least one year;

(2) the license holder has not reported any petroleum tax liability on the license holder's returns or reports for at least one year; or

(3) the license holder requests cancellation of the license.

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

Sec. 5. Minnesota Statutes 2008, section 297F.01, subdivision 22a, is amended to read:

Subd. 22a. **Weighted average retail price.** "Weighted average retail price" means (1) the average retail price per pack of 20 cigarettes, with the average price weighted by the number of packs sold at each price, (2) reduced by the sales tax included in the retail price, and (3) adjusted for the expected inflation ~~from the time of the survey to the average of the 12 months that the sales tax will be imposed. The commissioner shall make the inflation adjustment in accordance with the Consumer Price Index for all urban consumers inflation indicator as published in the most recent state budget forecast. The inflation~~

117.1 ~~factor for the calendar year in which the new tax rate takes effect must be used. If the~~
117.2 ~~survey indicates that the average retail price of cigarettes has not increased relative to the~~
117.3 ~~average retail price in the previous year's survey, then no inflation adjustment must be~~
117.4 ~~made as provided in section 297F.25, subdivision 1.~~

117.5 **EFFECTIVE DATE.** This section is effective January 1, 2011.

117.6 Sec. 6. Minnesota Statutes 2008, section 297F.04, is amended by adding a subdivision
117.7 to read:

117.8 Subd. 2a. **Cancellation or nonrenewal.** The commissioner may cancel a license or
117.9 not renew a license if one of the following conditions occurs:

117.10 (1) the license holder has not filed a cigarette or tobacco products tax return for at
117.11 least one year;

117.12 (2) the license holder has not reported any cigarette or tobacco products tax liability
117.13 on the license holder's returns for at least one year; or

117.14 (3) the license holder requests cancellation of the license.

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

117.16 Sec. 7. Minnesota Statutes 2008, section 297F.07, subdivision 4, is amended to read:

117.17 Subd. 4. **Sales to nonqualified buyers.** A retailer who sells or otherwise disposes of
117.18 unstamped or untaxed stock other than to a qualified purchaser shall collect from the buyer
117.19 or transferee the tax imposed by section 297F.05, and remit the tax to the Department of
117.20 Revenue at the same time and manner as required by section 297F.09. If the retailer fails
117.21 to collect the tax from the buyer or transferee, or fails to remit the tax, the retailer is
117.22 personally responsible for the tax and the commissioner may seize any product destined to
117.23 be delivered to the retailer. The product so seized shall be considered contraband and be
117.24 subject to the procedures outlined in section 297F.21, subdivision 3. ~~The proceeds of the~~
117.25 ~~sale of the stock may be applied to any tax liability owed by the retailer after deducting all~~
117.26 ~~costs and expenses.~~

117.27 This section does not relieve the buyer or possessor of unstamped or untaxed stock
117.28 from personal liability for the tax.

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

117.30 Sec. 8. Minnesota Statutes 2008, section 297F.25, subdivision 1, is amended to read:

117.31 Subdivision 1. **Imposition.** (a) A tax is imposed on distributors on the sale of
117.32 cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this

state. The tax is equal to 6.5 percent of the weighted average retail price. ~~The weighted average retail price and must be expressed in cents per pack when rounded to the nearest one-tenth of a cent. The weighted average retail price must be determined annually, with new rates published by May November 1, and effective for sales on or after August January 1 of the following year.~~ The weighted average retail price must be established by surveying cigarette retailers statewide in a manner and time determined by the commissioner. The commissioner shall make an inflation adjustment in accordance with the Consumer Price Index for all urban consumers inflation indicator as published in the most recent state budget forecast. The commissioner shall use the inflation factor for the calendar year in which the new tax rate takes effect. If the survey indicates that the average retail price of cigarettes has not increased relative to the average retail price in the previous year's survey, then the commissioner shall not make an inflation adjustment. The determination of the commissioner pursuant to this subdivision is not a "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. ~~As of August 1, 2005, the tax is 25.5 cents per pack of 20 cigarettes.~~ For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

(b) Notwithstanding paragraph (a), and in lieu of a survey of cigarette retailers, the tax calculation of the weighted average retail price for the sales of cigarettes from August 1, 2011, through December 31, 2011, shall be calculated by: (1) increasing the average retail price per pack of 20 cigarettes from the most recent survey by the percentage change in a weighted average of the presumed legal prices for cigarettes during the year after completion of that survey, as reported and published by the Department of Commerce under section 325D.371; (2) subtracting the sales tax included in the retail price; and (3) adjusting for expected inflation. The rate must be published by May 1 and is effective for sales after July 31. If the weighted average of the presumed legal prices indicates that the average retail price of cigarettes has not increased relative to the average retail price in the most recent survey, then no inflation adjustment must be made. For packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

EFFECTIVE DATE. This section is effective January 1, 2011.

Sec. 9. Minnesota Statutes 2008, section 297I.01, subdivision 9, is amended to read:

Subd. 9. **Gross premiums.** "Gross premiums" means total premiums paid by policyholders and applicants of policies, whether received in the form of money or other valuable consideration, on property, persons, lives, interests and other risks located, resident, or to be performed in this state, but excluding consideration and premiums for reinsurance assumed from other insurance companies.

119.1 ~~The term~~ (a) "Gross premiums" includes the total consideration paid to bail bond
119.2 agents for bail bonds.

119.3 (b) For title insurance companies, "gross premiums" means the charge for title
119.4 insurance made by a title insurance company or its agents according to the company's rate
119.5 filing approved by the commissioner of commerce without a deduction for commissions
119.6 paid to or retained by the agent. Gross premiums of a title insurance company does not
119.7 include any other charge or fee for abstracting, searching, or examining the title, or
119.8 escrow, closing, or other related services.

119.9 ~~The term~~ (c) "Gross premiums" includes any workers' compensation special
119.10 compensation fund premium surcharge pursuant to section 176.129.

119.11 (d) "Gross premiums" for surplus lines insurance includes all related charges,
119.12 commissions, and fees received by the licensee. Gross premiums does not include the
119.13 stamping fee, as provided under section 60A.2085, subdivision 7, nor the operating
119.14 assessment, as provided under section 60A.208, subdivision 8.

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

119.16 Sec. 10. Minnesota Statutes 2008, section 297I.05, subdivision 7, is amended to read:

119.17 Subd. 7. **Surplus lines tax.** (a) A tax is imposed on surplus lines licensees. The rate
119.18 of tax is equal to three percent of the gross premiums less return premiums ~~received by the~~
119.19 ~~licensee minus any licensee association operating assessments paid under section 60A.208.~~

119.20 (b) If surplus lines insurance placed by a surplus lines licensee and taxed under this
119.21 subdivision covers a subject of insurance residing, located, or to be performed outside
119.22 this state, a proper pro rata portion of the entire premium payable for all of that insurance
119.23 must be allocated according to the subjects of insurance residing, located, or to be
119.24 performed in this state.

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

119.26 Sec. 11. Minnesota Statutes 2008, section 297I.30, subdivision 1, is amended to read:

119.27 Subdivision 1. **General rule.** On or before March 1, every ~~insurer~~ taxpayer subject
119.28 to taxation under section 297I.05, subdivisions 1 to ~~6~~ 5, ~~and 9, 10, 12~~, paragraphs
119.29 (a), clauses (1) to ~~(5)~~ (4), ~~and (b), (c), and (d), and 14~~, shall file an annual return for
119.30 the preceding calendar year ~~setting forth such information as the commissioner may~~
119.31 ~~reasonably require on forms~~ in the form prescribed by the commissioner.

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

Sec. 12. Minnesota Statutes 2008, section 297I.30, subdivision 2, is amended to read:

Subd. 2. **Surplus lines licensees and purchasing groups.** On or before February 15 and August 15 of each year, every surplus lines licensee subject to taxation under section 297I.05, subdivision 7, and every purchasing group or member of a purchasing group subject to tax under section 297I.05, subdivision 12, paragraph (a), clause ~~(6)~~ (5), shall file a return with the commissioner for the preceding six-month period ending December 31, or June 30, ~~setting forth any information the commissioner reasonably prescribes on forms~~ in the form prescribed by the commissioner.

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

Sec. 13. Minnesota Statutes 2008, section 297I.30, subdivision 7, is amended to read:

Subd. 7. **Surcharge.** ~~(a)(1)~~ By April 30 of each year, every company required to pay the surcharge under section 297I.10, subdivision 1, shall file a return for the five-month period ending March 31 ~~setting forth any information the commissioner reasonably requires on forms~~ in the form prescribed by the commissioner.

~~(2)~~ (b) By June 30 of each year, every company required to pay the surcharge under section 297I.10, subdivision 1, shall file a return for the two-month period ending May 31 ~~setting forth any information the commissioner reasonably requires on forms~~ in the form prescribed by the commissioner.

~~(3)~~ (c) By November 30 of each year, every company required to pay the surcharge under section 297I.10, subdivision 1, shall file a return for the five-month period ending October 31 ~~setting forth any information the commissioner reasonably requires on forms~~ in the form prescribed by the commissioner.

~~(b) By February 15 and August 15 of each year, every company required to pay a surcharge under section 297I.10, subdivision 2, must file a return for the preceding six-month period ending December 31 and June 30.~~

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

Sec. 14. Minnesota Statutes 2008, section 297I.30, subdivision 8, is amended to read:

Subd. 8. **Fire insurance surcharge.** On or before May 15, August 15, November 15, and February 15 of each year, every insurer required to pay the surcharge under section 297I.06, subdivisions 1 and 2, shall file a return with the commissioner for the preceding three-month period ending March 31, June 30, September 30, and December 31, ~~setting forth any information the commissioner reasonably requires on forms~~ in the form prescribed by the commissioner.

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

121.2 Sec. 15. Minnesota Statutes 2009 Supplement, section 297I.35, subdivision 2, is
121.3 amended to read:

121.4 Subd. 2. **Electronic payments.** If the aggregate amount of tax and surcharges
121.5 due under this chapter during a ~~calendar~~ fiscal year ending June 30 is equal to or
121.6 exceeds \$10,000, or if the taxpayer is required to make payment of any other tax to the
121.7 commissioner by electronic means, then all tax and surcharge payments in the subsequent
121.8 calendar year must be paid by electronic means.

121.9 **EFFECTIVE DATE.** This section is effective for payments due in calendar year
121.10 2010 and thereafter, based upon liabilities incurred in the fiscal year ending June 30,
121.11 2009, and in fiscal years thereafter.

121.12 Sec. 16. Minnesota Statutes 2008, section 297I.40, subdivision 1, is amended to read:

121.13 Subdivision 1. **Requirement to pay.** On or before March 15, June 15, September
121.14 15, and December 15 of the current year, every taxpayer subject to tax under section
121.15 297I.05, subdivisions 1 to ~~6~~ 5, and 12, ~~paragraphs~~ paragraph (a), clauses (1) to ~~(5), (b),~~
121.16 ~~and (c) (4), and 14,~~ must pay to the commissioner an installment equal to one-fourth of the
121.17 insurer's total estimated tax for the current year.

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

121.19 Sec. 17. Minnesota Statutes 2008, section 297I.40, subdivision 5, is amended to read:

121.20 Subd. 5. **Definition of tax.** The term "tax" as used in this section means the tax
121.21 imposed by section 297I.05, subdivisions 1 to ~~6~~ 5, 11, and 12, paragraphs (a), clauses (1)
121.22 to ~~(5) (4), (b), and (d), and 14,~~ less any offset in section 297I.20.

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

121.24 Sec. 18. Minnesota Statutes 2008, section 297I.65, is amended by adding a subdivision
121.25 to read:

121.26 Subd. 4. **Omission in excess of 25 percent.** Additional taxes or surcharges may be
121.27 assessed within 6-1/2 years after the due date of the return or the date the return was filed,
121.28 whichever is later, if the taxpayer omits from a gross premiums tax or surcharge return an
121.29 amount of tax in excess of 25 percent of the tax or surcharge reported in the return.

122.1 **EFFECTIVE DATE.** This section is effective for premium taxes due after
122.2 December 31, 2010.

122.3 Sec. 19. Minnesota Statutes 2008, section 298.282, subdivision 1, is amended to read:

122.4 Subdivision 1. **Distribution of taconite municipal aid account.** The amount
122.5 deposited with the county as provided in section 298.28, subdivision 3, must be distributed
122.6 as provided by this section among: (1) the municipalities comprising a ~~tax relief~~ taconite
122.7 assistance area under section ~~273.134, paragraph (b)~~ 273.1341; (2) a township that
122.8 contains a state park consisting primarily of an underground iron ore mine; and (3) a city
122.9 located within five miles of that state park, each being referred to in this section as a
122.10 qualifying municipality.

122.11 **EFFECTIVE DATE.** This section is effective for distributions made after the
122.12 day following final enactment.

122.13 Sec. 20. **REPEALER.**

122.14 Minnesota Statutes 2008, section 297I.30, subdivisions 4, 5, and 6, are repealed.

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

122.16 **ARTICLE 7**

122.17 **PUBLIC FINANCE**

122.18 Section 1. Minnesota Statutes 2008, section 103D.335, subdivision 17, is amended to
122.19 read:

122.20 Subd. 17. **Borrowing funds.** (a) The managers may borrow funds from an agency
122.21 of the federal government, a state agency, a county where the watershed district is located
122.22 in whole or in part, or a financial institution authorized under chapter 47 to do business
122.23 in this state. A county board may lend the amount requested by a watershed district. A
122.24 watershed district may not have more than a total of \$600,000 in loans from counties and
122.25 financial institutions under this subdivision outstanding at any time.

122.26 (b) Notwithstanding paragraph (a), a watershed district may have up to a total
122.27 of \$2,000,000 in loans from counties and financial institutions under this subdivision
122.28 outstanding at any time if the taxable market value of property within the watershed
122.29 district is more than \$500,000,000.

122.30 Sec. 2. Minnesota Statutes 2008, section 469.101, subdivision 1, is amended to read:

123.1 Subdivision 1. **Establishment.** An economic development authority may create and
123.2 define the boundaries of economic development districts at any place or places within the
123.3 city ~~if the district satisfies the requirements of section 469.174, subdivision 10~~, except that
123.4 the district boundaries must be contiguous, and may use the powers granted in sections
123.5 469.090 to 469.108 to carry out its purposes. First the authority must hold a public hearing
123.6 on the matter. At least ten days before the hearing, the authority shall publish notice of
123.7 the hearing in a daily newspaper of general circulation in the city. Also, the authority
123.8 shall find that an economic development district is proper and desirable to establish and
123.9 develop within the city.

123.10 **EFFECTIVE DATE.** This section is effective for economic development districts
123.11 created after the day following final enactment.

123.12 Sec. 3. Minnesota Statutes 2008, section 469.319, subdivision 5, is amended to read:

123.13 Subd. 5. **Waiver authority.** (a) The commissioner may waive all or part of a
123.14 repayment required under subdivision 1, if the commissioner, in consultation with
123.15 the commissioner of employment and economic development and appropriate officials
123.16 from the local government units in which the qualified business is located, determines
123.17 that requiring repayment of the tax is not in the best interest of the state or the local
123.18 government units and the business ceased operating as a result of circumstances beyond
123.19 its control including, but not limited to:

- 123.20 (1) a natural disaster;
123.21 (2) unforeseen industry trends; or
123.22 (3) loss of a major supplier or customer.

123.23 (b)(1) The commissioner shall waive repayment required under subdivision 1a if
123.24 the commissioner has waived repayment by the operating business under subdivision 1,
123.25 unless the person that received benefits without having to operate a business in the zone
123.26 was a contributing factor in the qualified business becoming subject to repayment under
123.27 subdivision 1;

123.28 (2) the commissioner shall waive the repayment required under subdivision 1a, even
123.29 if the repayment has not been waived for the operating business if:

123.30 (i) the person that received benefits without having to operate a business in the zone
123.31 and the business that operated in the zone are not related parties as defined in section
123.32 267(b) of the Internal Revenue Code of 1986, as amended through December 31, 2007; and

123.33 (ii) actions of the person were not a contributing factor in the qualified business
123.34 becoming subject to repayment under subdivision 1.

124.1 (c) Requests for waiver must be made no later than 60 days after the notice date of
124.2 an order issued under subdivision 4, paragraph (d), or, in the case of property taxes, within
124.3 60 days of the date of a tax statement issued under subdivision 4, paragraph (c).

124.4 **EFFECTIVE DATE.** This section is effective for waivers requested in response
124.5 to notices issued after the day following final enactment.

124.6 Sec. 4. Minnesota Statutes 2008, section 469.3193, is amended to read:

124.7 **469.3193 CERTIFICATION OF CONTINUING ELIGIBILITY FOR JOBZ**
124.8 **BENEFITS.**

124.9 (a) By ~~December 1~~ October 15 of each year, every qualified business must certify
124.10 to the commissioner of revenue, on a form prescribed by the commissioner of revenue,
124.11 whether it is in compliance with any agreement required as a condition for eligibility for
124.12 benefits listed under section 469.315. A business that fails to submit the certification, or
124.13 any business, including those still operating in the zone, that submits a certification that
124.14 the commissioner of revenue later determines materially misrepresents the business's
124.15 compliance with the agreement, is subject to the repayment provisions under section
124.16 469.319 from January 1 of the year in which the report is due or the date that the business
124.17 became subject to section 469.319, whichever is earlier. Any such business is permanently
124.18 barred from obtaining benefits under section 469.315. For purposes of this section, the bar
124.19 applies to an entity and also applies to any individuals or entities that have an ownership
124.20 interest of at least 20 percent of the entity.

124.21 (b) Before the sanctions under paragraph (a) apply to a business that fails to
124.22 submit the certification, the commissioner of revenue shall send notice to the business,
124.23 demanding that the certification be submitted within 30 days and advising the business
124.24 of the consequences for failing to do so. The commissioner of revenue shall notify
124.25 the commissioner of employment and economic development and the appropriate job
124.26 opportunity subzone administrator whenever notice is sent to a business under this
124.27 paragraph.

124.28 (c) The certification required under this section is public.

124.29 (d) The commissioner of revenue shall promptly notify the commissioner of
124.30 employment and economic development of all businesses that certify that they are not
124.31 in compliance with the terms of their business subsidy agreement and all businesses
124.32 that fail to file the certification.

124.33 **EFFECTIVE DATE.** This section is effective for certifications required to be
124.34 made in 2010 and thereafter.

Sec. 5. Minnesota Statutes 2008, section 473.39, is amended by adding a subdivision to read:

Subd. 1p. **Obligations.** After July 1, 2010, in addition to other authority in this section, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$34,600,000 for capital expenditures as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations.

EFFECTIVE DATE. This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 6. Minnesota Statutes 2008, section 474A.04, subdivision 6, is amended to read:

Subd. 6. Entitlement transfers. An entitlement issuer may enter into an agreement with another entitlement issuer whereby the recipient entitlement issuer issues obligations pursuant to bonding authority allocated to the original entitlement issuer under this section. An entitlement issuer may enter into an agreement with an issuer which is not an entitlement issuer whereby the recipient issuer issues qualified mortgage bonds, up to \$100,000 of which are issued pursuant to bonding authority allocated to the original entitlement issuer under this section. The agreement may be approved and executed by the mayor of the entitlement issuer with or without approval or review by the city council. Notwithstanding section 474A.091, subdivision 4, prior to December 1, the Minnesota Housing Finance Agency, Minnesota Office of Higher Education, and Minnesota Rural Finance Authority may transfer allocated bonding authority made available under this chapter to one another under an agreement by each agency and the commissioner.

Sec. 7. Minnesota Statutes 2008, section 474A.091, subdivision 3, is amended to read:

Subd. 3. Allocation procedure. (a) The commissioner shall allocate available bonding authority under this section on the Monday of every other week beginning with the first Monday in August through and on the last Monday in November. Applications for allocations must be received by the department by 4:30 p.m. on the Monday preceding the Monday on which allocations are to be made. If a Monday falls on a holiday, the allocation will be made or the applications must be received by the next business day after the holiday.

(b) Prior to October 1, only the following applications shall be awarded allocations from the unified pool. Allocations shall be awarded in the following order of priority:

(1) applications for residential rental project bonds;

126.1 (2) applications for small issue bonds for manufacturing projects; and
126.2 (3) applications for small issue bonds for agricultural development bond loan
126.3 projects.

126.4 (c) On the first Monday in October through the last Monday in November,
126.5 allocations shall be awarded from the unified pool in the following order of priority:

126.6 (1) applications for student loan bonds issued by or on behalf of the Minnesota
126.7 Office of Higher Education;

126.8 (2) applications for mortgage bonds;

126.9 (3) applications for public facility projects funded by public facility bonds;

126.10 (4) applications for small issue bonds for manufacturing projects;

126.11 (5) applications for small issue bonds for agricultural development bond loan
126.12 projects;

126.13 (6) applications for residential rental project bonds;

126.14 (7) applications for enterprise zone facility bonds;

126.15 (8) applications for governmental bonds; and

126.16 (9) applications for redevelopment bonds.

126.17 (d) If there are two or more applications for manufacturing projects from the
126.18 unified pool and there is insufficient bonding authority to provide allocations for all
126.19 manufacturing projects in any one allocation period, the available bonding authority shall
126.20 be awarded based on the number of points awarded a project under section 474A.045
126.21 with those projects receiving the greatest number of points receiving allocation first. If
126.22 two or more applications for manufacturing projects receive an equal amount of points,
126.23 available bonding authority shall be awarded by lot unless otherwise agreed to by the
126.24 respective issuers.

126.25 (e) If there are two or more applications for enterprise zone facility projects from
126.26 the unified pool and there is insufficient bonding authority to provide allocations for
126.27 all enterprise zone facility projects in any one allocation period, the available bonding
126.28 authority shall be awarded based on the number of points awarded a project under section
126.29 474A.045 with those projects receiving the greatest number of points receiving allocation
126.30 first. If two or more applications for enterprise zone facility projects receive an equal
126.31 amount of points, available bonding authority shall be awarded by lot unless otherwise
126.32 agreed to by the respective issuers.

126.33 (f) If there are two or more applications for residential rental projects from the
126.34 unified pool and there is insufficient bonding authority to provide allocations for all
126.35 residential rental projects in any one allocation period, the available bonding authority
126.36 shall be awarded in the following order of priority: (1) projects that preserve existing

127.1 federally subsidized housing; (2) projects that are not restricted to persons who are 55
127.2 years of age or older; and (3) other residential rental projects.

127.3 (g) From the first Monday in August through the last Monday in November,
127.4 \$20,000,000 of bonding authority or an amount equal to the total annual amount of
127.5 bonding authority allocated to the small issue pool under section 474A.03, subdivision 1,
127.6 less the amount allocated to issuers from the small issue pool for that year, whichever is
127.7 less, is reserved within the unified pool for small issue bonds to the extent such amounts
127.8 are available within the unified pool.

127.9 (h) The total amount of allocations for mortgage bonds from the housing pool and
127.10 the unified pool may not exceed:

127.11 (1) \$10,000,000 for any one city; or

127.12 (2) \$20,000,000 for any number of cities in any one county.

127.13 (i) The total amount of allocations for student loan bonds from the unified pool may
127.14 not exceed ~~\$10,000,000~~ \$25,000,000 per year.

127.15 (j) If there is insufficient bonding authority to fund all projects within any qualified
127.16 bond category other than enterprise zone facility projects, manufacturing projects, and
127.17 residential rental projects, allocations shall be awarded by lot unless otherwise agreed to
127.18 by the respective issuers.

127.19 (k) If an application is rejected, the commissioner must notify the applicant and
127.20 return the application deposit to the applicant within 30 days unless the applicant requests
127.21 in writing that the application be resubmitted.

127.22 (l) The granting of an allocation of bonding authority under this section must be
127.23 evidenced by issuance of a certificate of allocation.

127.24 Sec. 8. Laws 2010, chapter 216, section 3, is amended by adding a subdivision to read:

127.25 Subd. 3a. **Authority.** "Authority" means a housing and redevelopment authority
127.26 or economic development authority created pursuant to section 469.003, 469.004, or
127.27 469.091, or another entity authorized by law to exercise the powers of an authority created
127.28 pursuant to one of those sections.

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

127.30 Sec. 9. Laws 2010, chapter 216, section 3, is amended by adding a subdivision to read:

127.31 Subd. 3b. **Implementing entity.** "Implementing entity" means the local government
127.32 or an authority designated by the local government by resolution to implement and
127.33 administer programs described in section 216C.436.

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

128.2 Sec. 10. Laws 2010, chapter 216, section 3, subdivision 6, is amended to read:

128.3 Subd. 6. **Qualifying real property.** "Qualifying real property" means a
128.4 single-family or multifamily residential dwelling, or a commercial or industrial building,
128.5 that the ~~city~~ implementing entity has determined, after review of an energy audit or
128.6 renewable energy system feasibility study, can be benefited by installation of energy
128.7 improvements.

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

128.9 Sec. 11. Laws 2010, chapter 216, section 4, subdivision 1, is amended to read:

128.10 Subdivision 1. **Program authority.** ~~A local government~~ An implementing entity
128.11 may establish a program to finance energy improvements to enable owners of qualifying
128.12 real property to pay for cost-effective energy improvements to the qualifying real property
128.13 with the net proceeds and interest earnings of revenue bonds authorized in this section.
128.14 ~~A local government~~ An implementing entity may limit the number of qualifying real
128.15 properties for which a property owner may receive program financing.

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

128.17 Sec. 12. Laws 2010, chapter 216, section 4, subdivision 2, is amended to read:

128.18 Subd. 2. **Program requirements.** A financing program must:

128.19 (1) impose requirements and conditions on financing arrangements to ensure timely
128.20 repayment;

128.21 (2) require an energy audit or renewable energy system feasibility study to be
128.22 conducted on the qualifying real property and reviewed by the ~~local government~~
128.23 implementing entity prior to approval of the financing;

128.24 (3) require the inspection of all installations and a performance verification of at
128.25 least ten percent of the energy improvements financed by the program;

128.26 (4) require that all cost-effective energy improvements be made to a qualifying
128.27 real property prior to, or in conjunction with, an applicant's repayment of financing for
128.28 energy improvements for that property;

128.29 (5) have energy improvements financed by the program performed by licensed
128.30 contractors as required by chapter 326B or other law or ordinance;

129.1 (6) require disclosures to borrowers by the ~~local government~~ implementing entity
129.2 of the risks involved in borrowing, including the risk of foreclosure if a tax delinquency
129.3 results from a default;

129.4 (7) provide financing only to those who demonstrate an ability to repay;

129.5 (8) not provide financing for a qualifying real property in which the owner is not
129.6 current on mortgage or real property tax payments;

129.7 (9) require a petition to the implementing entity by all owners of the qualifying
129.8 real property requesting collections of repayments as a special assessment under section
129.9 429.101;

129.10 (10) provide that payments and assessments are not accelerated due to a default and
129.11 that a tax delinquency exists only for assessments not paid when due; and

129.12 (11) require that liability for special assessments related to the financing runs with
129.13 the qualifying real property.

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

129.15 Sec. 13. Laws 2010, chapter 216, section 4, subdivision 4, is amended to read:

129.16 Subd. 4. **Financing terms.** Financing provided under this section must have:

129.17 (1) a term not to exceed the weighted average of the useful life of the energy
129.18 improvements installed, as determined by the ~~local government~~ implementing entity, but
129.19 in no event may a term exceed 20 years;

129.20 (2) a principal amount not to exceed the lesser of ten percent of the assessed value
129.21 of the real property on which the improvements are to be installed or the actual cost of
129.22 installing the energy improvements, including the costs of necessary equipment, materials,
129.23 and labor, the costs of each related energy audit or renewable energy system feasibility
129.24 study, and the cost of verification of installation; and

129.25 (3) an interest rate sufficient to pay the financing costs of the program, including the
129.26 issuance of bonds and any financing delinquencies.

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

129.28 Sec. 14. Laws 2010, chapter 216, section 4, subdivision 6, is amended to read:

129.29 Subd. 6. **Certificate of participation.** Upon completion of a project, ~~a local~~
129.30 ~~government~~ an implementing entity shall provide a borrower with a certificate stating
129.31 participation in the program and what energy improvements have been made with
129.32 financing program proceeds.

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

Sec. 15. Laws 2010, chapter 216, section 4, subdivision 7, is amended to read:

Subd. 7. **Repayment.** ~~A local government financing~~ An implementing entity that finances an energy improvement under this section must:

(1) secure payment with a lien against the benefited qualifying real property; and

(2) collect repayments as a special assessment as provided for in section 429.101 or by charter.

If the implementing entity is an authority, the local government that authorized the authority to act as implementing entity shall impose and collect special assessments necessary to pay debt service on bonds issued by the implementing entity under subdivision 8, and shall transfer all collections of the assessments upon receipt to the authority.

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

Sec. 16. Laws 2010, chapter 216, section 4, subdivision 8, is amended to read:

Subd. 8. **Bond issuance; repayment.** (a) ~~A local government~~ An implementing entity may issue revenue bonds as provided in chapter 475 for the purposes of this section.

(b) The bonds must be payable as to both principal and interest solely from the revenues from the assessments established in subdivision 7.

(c) No holder of bonds issued under this subdivision may compel any exercise of the taxing power of the implementing entity that issued the bonds to pay principal or interest on the bonds, and if the implementing entity is an authority, no holder of the bonds may compel any exercise of the taxing power of the local government that issued the bonds to pay principal or interest on the bonds. Bonds issued under this subdivision are not a debt or obligation of the issuer or any local government that issued them, nor is the payment of the bonds enforceable out of any money other than the revenue pledged to the payment of the bonds.

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

Sec. 17. **CITY OF LANDFALL VILLAGE; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for Tax Increment Financing District No. 1-1 in the city of Landfall Village if the activities were undertaken within eight years from the date of certification of the district.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Landfall Village with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 18. **CITY OF WAYZATA; TAX INCREMENT FINANCING DISTRICT; SPECIAL RULES.**

Subdivision 1. Five-year rule. The requirements of Minnesota Statutes, section 469.1763, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, is considered to be met for Redevelopment Tax Increment Financing District No. 5 in the city of Wayzata if the activities were undertaken within ten years from the date of certification of the district.

Subd. 2. Parcels deemed occupied. Any parcel in Redevelopment Tax Increment District No. 5, in the city of Wayzata is deemed to meet the requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (1), if the following conditions are met:

(1) a building on the parcel was demolished by a developer or the city after the city council found the building to be structurally substandard upon approval of original tax increment financing plan for the district; and

(2) the city decertifies Redevelopment Tax Increment Financing District No. 5, but files a request with the county auditor for certification of the parcel as part of a subsequent redevelopment or renewal and renovation district within ten years after the date of demolition.

EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Wayzata with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

ARTICLE 8

CASH FLOW

Section 1. Minnesota Statutes 2009 Supplement, section 137.025, subdivision 1, is amended to read:

Subdivision 1. **Monthly payments.** The commissioner of management and budget shall pay 1/12 of the annual appropriation to the University of Minnesota ~~on~~ by the ~~21st~~ 25th day of each month. If the ~~21st~~ 25th day of the month falls on a Saturday or Sunday, the monthly payment must be made ~~on~~ by the first business day immediately following the ~~21st~~ 25th day of the month.

132.1 Sec. 2. Minnesota Statutes 2008, section 276.112, is amended to read:

132.2 **276.112 STATE PROPERTY TAXES; COUNTY TREASURER.**

132.3 ~~On or before January 25 each year, for the period ending December 31 of the~~
132.4 ~~prior year, and on or before June 28 each year, for the period ending on the most recent~~
132.5 ~~settlement day determined in section 276.09, and on or before December 2 each year, for~~
132.6 ~~the period ending November 20~~ the estimated payment and settlement dates provided in
132.7 this chapter for the settlement of taxes levied by school districts, the county treasurer must
132.8 make full settlement with the county auditor ~~according to sections 276.09, 276.10, and~~
132.9 ~~276.11~~ for all receipts of state property taxes levied under section 275.025, and must
132.10 transmit those receipts to the commissioner of revenue by electronic means on the dates
132.11 and according to the provisions applicable to distributions to school districts.

132.12 **EFFECTIVE DATE.** This section is effective for distributions beginning October
132.13 1, 2010, and thereafter.

132.14 Sec. 3. Minnesota Statutes 2009 Supplement, section 289A.20, subdivision 4, is
132.15 amended to read:

132.16 Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and
132.17 payable to the commissioner monthly on or before the 20th day of the month following
132.18 the month in which the taxable event occurred, or following another reporting period
132.19 as the commissioner prescribes or as allowed under section 289A.18, subdivision 4,
132.20 paragraph (f) or (g), except that:

132.21 (1) use taxes due on an annual use tax return as provided under section 289A.11,
132.22 subdivision 1, are payable by April 15 following the close of the calendar year; and

132.23 (2) except as provided in paragraph (f), for a vendor having a liability of \$120,000
132.24 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes
132.25 imposed by chapter 297A, except as provided in paragraph (b), are due and payable to the
132.26 commissioner monthly in the following manner:

132.27 (i) On or before the 14th day of the month following the month in which the taxable
132.28 event occurred, the vendor must remit to the commissioner 90 percent of the estimated
132.29 liability for the month in which the taxable event occurred.

132.30 (ii) On or before the 20th day of the month following the month in which the taxable
132.31 event occurred, the vendor must pay any additional amount of tax not remitted on or
132.32 before the 14th day of the month following the month in which the taxable event occurred.

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

133.4 (1) Two business days before June 30 of the year, the vendor must remit 90 percent
133.5 of the estimated June liability to the commissioner.

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

133.8 (c) A vendor having a liability of:

133.9 ~~(1) \$20,000 or more in the fiscal year ending June 30, 2005; or~~

133.10 ~~(2) (1) \$10,000 or more in the, but less than \$120,000 during a fiscal year ending~~
133.11 ~~June 30, 2006 2009, and fiscal years thereafter, must remit all liabilities on returns due~~
133.12 ~~for periods beginning in the subsequent calendar year by electronic means on or before~~
133.13 ~~the 20th day of the month following the month in which the taxable event occurred, or~~
133.14 ~~on or before the 20th day of the month following the month in which the sale is reported~~
133.15 ~~under section 289A.18, subdivision 4, except for 90 percent of the estimated June liability,~~
133.16 ~~which is due two business days before June 30. The remaining amount of the June~~
133.17 ~~liability is due on August 20.~~

133.18 (2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years
133.19 thereafter, must remit all liabilities in the manner provided in paragraph (a), clause (2), on
133.20 returns due for periods beginning in the subsequent calendar year by electronic means,
133.21 except for 90 percent of the estimated June liability, which is due two business days before
133.22 June 30. The remaining amount of the June liability is due on August 20.

133.23 (d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's
133.24 religious beliefs from paying electronically shall be allowed to remit the payment by mail.
133.25 The filer must notify the commissioner of revenue of the intent to pay by mail before
133.26 doing so on a form prescribed by the commissioner. No extra fee may be charged to a
133.27 person making payment by mail under this paragraph. The payment must be postmarked
133.28 at least two business days before the due date for making the payment in order to be
133.29 considered paid on a timely basis.

133.30 (e) Whenever the liability is \$120,000 or more separately for (1) the tax imposed
133.31 under chapter 297A, (2) a fee which is to be reported on the same return as and paid with
133.32 the chapter 297A taxes, or (3) any other tax which is to be reported on the same return as
133.33 and paid with the chapter 297A taxes, then the payment of all the liabilities on the return
133.34 must be accelerated as provided in this subdivision.

133.35 (f) At the start of the first calendar quarter at least 90 days after the cash flow
133.36 account established in section 16A.152, subdivision 1, and the budget reserve account

134.1 established in section 16A.152, subdivision 1a, reach the amounts listed in section
134.2 16A.152, subdivision 2, paragraph (a), the remittance of estimated sales tax collections
134.3 by the 14th day of a month required under paragraph (a), clause (2), shall be suspended.
134.4 The commissioner of management and budget shall notify the commissioner of revenue
134.5 when the accounts have reached the required amounts. Beginning with the suspension
134.6 of paragraph (a), clause (2), for a vendor with a liability of \$120,000 or more during a
134.7 fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter
134.8 297A are due and payable to the commissioner on the 20th day of the month following the
134.9 month in which the taxable event occurred. Payments of tax liabilities for taxable events
134.10 occurring in June under paragraph (b) are not changed.

134.11 **EFFECTIVE DATE.** This section is effective for taxes due and payable after
134.12 September 1, 2010.

134.13 Sec. 4. Minnesota Statutes 2008, section 289A.60, is amended by adding a subdivision
134.14 to read:

134.15 Subd. 31. **Accelerated payment of monthly sales tax liability; penalty for**
134.16 **underpayment.** For payments made after September 1, 2010, if a vendor is required by
134.17 section 289A.20, subdivision 4, to remit a 90 percent payment by the 14th of the month
134.18 following the month in which the taxable event occurred, as an estimation of monthly
134.19 sales tax liabilities, including the liability of any fee or other tax which is to be reported
134.20 on the same return as and paid with the chapter 297A taxes, for the month in which the
134.21 taxable event occurred, the vendor shall pay a penalty equal to ten percent of the amount of
134.22 liability that was required to be paid by the 14th of the month less the amount remitted by
134.23 the 14th of the month. The penalty must not be imposed, however, if the amount remitted
134.24 by the 14th of the month equals the lesser of (1) 90 percent of the liability for the month
134.25 preceding the month in which the taxable event occurred, (2) 90 percent of the liability
134.26 of the same month in the previous calendar year as the month in which the taxable event
134.27 occurred, or (3) 90 percent of the average monthly liability for the previous calendar year.

134.28 **EFFECTIVE DATE.** This section is effective for taxes due and payable after
134.29 September 1, 2010.

134.30 **ARTICLE 9**

134.31 **PROPERTY TAXES - TECHNICAL**

134.32 Section 1. Minnesota Statutes 2009 Supplement, section 134.34, subdivision 4, is
134.33 amended to read:

Subd. 4. **Limitation.** (a) For calendar year 2010 and later, a regional library basic system support grant shall not be made to a regional public library system for a participating city or county which decreases the dollar amount provided for support for operating purposes of public library service below the amount provided by it for the second, or third preceding year, whichever is less. For purposes of this subdivision and subdivision 1, any funds provided under section 473.757, subdivision 2, for extending library hours of operation shall not be considered amounts provided by a city or county for support for operating purposes of public library service. This subdivision shall not apply to participating cities or counties where the adjusted net tax capacity of that city or county has decreased, if the dollar amount of the reduction in support is not greater than the dollar amount by which support would be decreased if the reduction in support were made in direct proportion to the decrease in adjusted net tax capacity.

(b) For calendar year 2009 and later, in any calendar year in which a city's or county's aid under sections 477A.011 to 477A.014 or ~~credits~~ credit reimbursement under section 273.1384 is reduced after the city or county has certified its levy payable in that year, it may reduce its local support by the lesser of:

(1) ten percent; or

(2) a percent equal to the ratio of the aid and credit reimbursement reductions to the city's or county's revenue base, based on aids certified for the current calendar year. For calendar year 2009 only, the reduction under this paragraph shall be based on 2008 aid and credit reimbursement reductions under the December 2008 unallotment, as well as any aid and credit reimbursement reductions in calendar year 2009. For pay 2009 only, the commissioner of revenue will calculate the reductions under this paragraph and certify them to the commissioner of education within 15 days of May 17, 2009.

(c) For taxes payable in 2010 and later, in any payable year in which the total amounts certified for city or county aids under sections 477A.011 to 477A.014 are less than the total amounts paid under those sections in the previous calendar year, a city or county may reduce its local support by the lesser of:

(1) ten percent; or

(2) a percent equal to the ratio of:

(i) the difference between (A) the sum of the aid it was paid under sections 477A.011 to 477A.014 and the ~~credits~~ credit reimbursement it received under section ~~273.1398~~ 273.1384 in the previous calendar year and (B) the sum of the aid it is certified to be paid in the current calendar year under sections 477A.011 to 477A.014 and the ~~credits~~ credit reimbursement estimated to be paid under section ~~273.1398~~ 273.1384; to

136.1 (ii) its revenue base for the previous year, based on aids actually paid in the previous
136.2 calendar year. The commissioner of revenue shall calculate the percent aid cut for each
136.3 county and city under this paragraph and certify the percentage cuts to the commissioner
136.4 of education by August 1 of the year prior to the year in which the reduced aids and ~~credits~~
136.5 credit reimbursements are to be paid. The percentage of reduction related to reductions to
136.6 ~~credits~~ credit reimbursements under section 273.1384 shall be based on the best estimation
136.7 available as of July 30.

136.8 (d) Notwithstanding paragraph (a), (b), or (c), no city or county shall reduce its
136.9 support for public libraries below the minimum level specified in subdivision 1.

136.10 (e) For purposes of this subdivision, "revenue base" means the sum of:

136.11 (1) its levy for taxes payable in the current calendar year, including the levy on
136.12 the fiscal disparities distribution under section 276A.06, subdivision 3, paragraph (a),
136.13 or 473F.08, subdivision 3, paragraph (a);

136.14 (2) its aid under sections 477A.011 to 477A.014 in the current calendar year; and

136.15 (3) its taconite aid in the current calendar year under sections 298.28 and 298.282.

136.16 **EFFECTIVE DATE.** This section is effective retroactively for support in calendar
136.17 year 2009 and thereafter and for library grants paid in fiscal year 2010 and thereafter.

136.18 Sec. 2. Minnesota Statutes 2008, section 270C.87, is amended to read:

136.19 **270C.87 REVISION OF MINNESOTA ASSESSORS' MANUAL.**

136.20 In accordance with the provisions of section ~~270C.06~~ 270C.85, the commissioner
136.21 shall periodically revise the Minnesota assessors' manual.

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

136.23 Sec. 3. Minnesota Statutes 2008, section 270C.94, subdivision 3, is amended to read:

136.24 Subd. 3. **Failure to appraise.** When an assessor has failed to properly appraise at
136.25 least one-fifth of the parcels of property in a district or county as provided in section
136.26 273.01, the commissioner ~~shall~~ may appoint a special assessor and deputy assessor
136.27 as necessary and cause a reappraisal to be made of the property due for reassessment
136.28 in accordance with law.

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

136.30 Sec. 4. Minnesota Statutes 2008, section 272.025, subdivision 1, is amended to read:

Subdivision 1. **Statement of exemption.** (a) Except in the case of ~~churches and houses of worship, property solely used for educational purposes by academies, colleges, universities or seminaries of learning,~~ property owned by the state of Minnesota or any political subdivision thereof, and property exempt from taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to ~~26~~ 25, and at the times provided in subdivision 3, a taxpayer claiming an exemption from taxation on property described in section 272.02, subdivisions 1 to 33, ~~shall~~ must file a statement of exemption with the assessor of the assessment district in which the property is located.

(b) A taxpayer claiming an exemption from taxation on property described in section 272.02, subdivision 10, ~~shall~~ must file a statement of exemption with the commissioner of revenue, on or before February 15 of each year for which the taxpayer claims an exemption.

(c) In case of sickness, absence or other disability or for good cause, the assessor or the commissioner may extend the time for filing the statement of exemption for a period not to exceed 60 days.

(d) The commissioner of revenue shall prescribe the form and contents of the statement of exemption.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 5. Minnesota Statutes 2008, section 272.025, subdivision 3, is amended to read:

Subd. 3. **Filing dates.** (a) The statement required by subdivision 1, paragraph (a), must be filed with the assessor by February 1 of the assessment year, however, any taxpayer who has filed the statement required by subdivision 1 more than 12 months prior to February 1, 1983, or February 1 of each third year after 1983, shall file a statement by February 1, 1983, and by February 1 of each third year thereafter.

(b) For churches and houses of worship, and property solely used for educational purposes by academies, colleges, universities, or seminaries of learning, no statement is required after the statement filed for the assessment year in which the exemption began.

(c) This section does not apply to existing churches and houses of worship, and property solely used for educational purposes by academies, colleges, universities, or seminaries of learning that were exempt for taxes payable in 2011.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 6. Minnesota Statutes 2008, section 272.029, subdivision 4, is amended to read:

Subd. 4. **Reports.** (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before February 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of ~~40~~ 60 percent.

(b) On or before February 28, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

EFFECTIVE DATE. This section is effective beginning with reports due on February 1, 2011, and thereafter.

Sec. 7. Minnesota Statutes 2008, section 272.029, subdivision 7, is amended to read:

Subd. 7. **Exemption.** The tax imposed under this section does not apply to electricity produced by wind energy conversion systems located in a job opportunity building zone, ~~designated under section 469.314,~~ for the duration of the zone. The exemption applies beginning for the first calendar year after designation of the zone and applies to each calendar year that begins during the designation of the zone. The exemption only applies if the owner of the system is a qualified business under section 469.310, subdivision 11, who has entered into a business subsidy agreement that covers the land on which the system is situated.

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

Sec. 8. Minnesota Statutes 2008, section 273.113, subdivision 3, is amended to read:

Subd. 3. **Reimbursement for lost revenue.** The county auditor shall certify to the commissioner of revenue, as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29, the amount of tax lost to the county from the property tax credit under subdivision 2. Any prior year adjustments must also be certified in the abstracts of tax lists. The commissioner of revenue shall review the

139.1 certifications to determine their accuracy. The commissioner may make the changes
139.2 in the certification that are considered necessary or return a certification to the county
139.3 auditor for corrections. The commissioner shall reimburse each taxing district, other than
139.4 school districts, for the taxes lost. The payments must be made at the time provided in
139.5 section 473H.10 for payment to taxing jurisdictions in the same proportion that the ad
139.6 valorem tax is distributed. Reimbursements to school districts must be made as provided
139.7 in section 273.1392. The amount necessary to make the reimbursements under this section
139.8 is annually appropriated from the general fund to the commissioner of revenue.

139.9 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in
139.10 2009 and thereafter.

139.11 Sec. 9. Minnesota Statutes 2009 Supplement, section 273.114, subdivision 2, is
139.12 amended to read:

139.13 Subd. 2. **Requirements.** Class 2a or 2b property that had been assessed under
139.14 Minnesota Statutes 2006, section 273.111, or that is part of an agricultural homestead
139.15 under Minnesota Statutes, section 273.13, subdivision 23, paragraph (a), is entitled to
139.16 valuation and tax deferment under this section if:

139.17 (1) the land consists of at least ten acres;

139.18 (2) a conservation management plan for the land must be prepared by an approved
139.19 plan writer and implemented during the period in which the land is subject to valuation
139.20 and deferment under this section;

139.21 (3) the land must be enrolled for a minimum of ten years; ~~and~~

139.22 (4) there are no delinquent property taxes on the land; ~~and~~

139.23 ~~Real estate may~~ (5) the property is not be also enrolled for valuation and deferment
139.24 ~~under this section and~~ section 273.111; ~~or~~ 273.112, ~~or 273.117,~~ or chapter 290C;
139.25 ~~concurrently~~ or 473H.

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

139.27 Sec. 10. Minnesota Statutes 2008, section 273.1392, is amended to read:

139.28 **273.1392 PAYMENT; SCHOOL DISTRICTS.**

139.29 The amounts of bovine tuberculosis credit reimbursements under section 273.113;
139.30 conservation tax credits under section 273.119; disaster or emergency reimbursement
139.31 under sections 273.1231 to 273.1235; homestead and agricultural credits under section
139.32 273.1384; aids and credits under section 273.1398; wetlands reimbursement under
139.33 section 275.295; enterprise zone property credit payments under section 469.171; and

140.1 metropolitan agricultural preserve reduction under section 473H.10 for school districts,
140.2 shall be certified to the Department of Education by the Department of Revenue. The
140.3 amounts so certified shall be paid according to section 127A.45, subdivisions 9 and 13.

140.4 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in
140.5 2009 and thereafter.

140.6 Sec. 11. Minnesota Statutes 2009 Supplement, section 275.065, subdivision 3, is
140.7 amended to read:

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

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

140.15 (c) The notice must inform taxpayers that it contains the amount of property taxes
140.16 each taxing authority proposes to collect for taxes payable the following year. In the
140.17 case of a town, or in the case of the state general tax, the final tax amount will be its
140.18 proposed tax. The notice must clearly state for each city that has a population over 500,
140.19 county, school district, regional library authority established under section 134.201, and
140.20 metropolitan taxing districts as defined in paragraph (i), the time and place of ~~the~~ a meeting
140.21 for each ~~taxing authorities' regularly scheduled meetings~~ authority in which the budget
140.22 and levy will be discussed and public input allowed, prior to the final budget and levy
140.23 ~~determined, which must occur after November 24~~ determination. The taxing authorities
140.24 must provide the county auditor with the information to be included in the notice on or
140.25 before the time it certifies its proposed levy under subdivision 1. The public must be
140.26 allowed to speak at ~~the meetings and the meetings shall~~ that meeting, which must occur
140.27 after November 24 and must not be held before 6:00 p.m. It must provide a telephone
140.28 number for the taxing authority that taxpayers may call if they have questions related to
140.29 the notice and an address where comments will be received by mail.

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

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

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

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

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

141.8 (ii) the proposed tax amount.

141.9 If the county levy under clause (2) includes an amount for a lake improvement
141.10 district as defined under sections 103B.501 to 103B.581, the amount attributable for that
141.11 purpose must be separately stated from the remaining county levy amount.

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

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

141.29 For purposes of this section, the amount of the tax on homesteads qualifying under
141.30 the senior citizens' property tax deferral program under chapter 290B is the total amount
141.31 of property tax before subtraction of the deferred property tax amount.

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

141.34 (1) special assessments;

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

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

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

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

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

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

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

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

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

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

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

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

142.29 (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325,
142.30 473.446, 473.521, 473.547, or 473.834;

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

142.33 (3) Metropolitan Mosquito Control Commission under section 473.711.

142.34 For purposes of this section, any levies made by the regional rail authorities in the
142.35 county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
142.36 398A shall be included with the appropriate county's levy.

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

- (1) the impact of inflation as measured by the implicit price deflator for state and local government purchases;
- (2) population growth and decline;
- (3) state or federal government action; and
- (4) other financial factors that affect the level of property taxation and local services that the governing body of the county, city, or school district may deem appropriate to include.

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

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

Sec. 12. Minnesota Statutes 2009 Supplement, section 275.70, subdivision 5, as amended by Laws 2010, chapter 215, article 13, section 3, 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

144.1 (iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an
144.2 insufficiency in other revenue sources, provided that nothing in this subdivision limits the
144.3 special levy authorized under section 475.755;

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

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

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

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

144.15 (7) to pay the expenses reasonably and necessarily incurred in preparing for or
144.16 repairing the effects of natural disaster including the occurrence or threat of widespread
144.17 or severe damage, injury, or loss of life or property resulting from natural causes, in
144.18 accordance with standards formulated by the Emergency Services Division of the state
144.19 Department of Public Safety, as allowed by the commissioner of revenue under section
144.20 275.74, subdivision 2;

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

144.26 (9) to pay an abatement under section 469.1815;

144.27 (10) to pay any costs attributable to increases in the employer contribution rates
144.28 under chapter 353, or locally administered pension plans, that are effective after June
144.29 30, 2001;

144.30 (11) to pay the operating or maintenance costs of a county jail as authorized in
144.31 section 641.01 or 641.262, or of a correctional facility as defined in section 241.021,
144.32 subdivision 1, paragraph (f), to the extent that the county can demonstrate to the
144.33 commissioner of revenue that the amount has been included in the county budget as
144.34 a direct result of a rule, minimum requirement, minimum standard, or directive of the
144.35 Department of Corrections, or to pay the operating or maintenance costs of a regional jail
144.36 as authorized in section 641.262. For purposes of this clause, a district court order is

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

145.10 (12) to pay for operation of a lake improvement district, as authorized under section
145.11 103B.555. If the county utilizes this special levy, any amount levied by the county in the
145.12 previous levy year for the purposes specified under this clause and included in the county's
145.13 previous year's levy limitation computed under section 275.71 shall be deducted from
145.14 the levy limit base under section 275.71, subdivision 2, when determining the county's
145.15 current year levy limitation. The county shall provide the necessary information to the
145.16 commissioner of revenue for making this determination;

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

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

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

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

145.31 (17) to pay for the maintenance and support of a city or county society for the
145.32 prevention of cruelty to animals under section 343.11, but not to exceed in any year
145.33 \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most
145.34 recent federal census, whichever is greater. If the city or county uses this special levy, any
145.35 amount levied by the city or county in the previous levy year for the purposes specified
145.36 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) 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) 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) 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) 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;

(22) an amount equal to any reductions in the certified aids or ~~credits~~ credit reimbursements payable under sections 477A.011 to 477A.014, and section 273.1384, due to unallotment under section 16A.152 or reductions under another provision of law. The amount of the levy allowed under this clause for each year is equal ~~is equal~~ limited to the amount unallotted or reduced ~~in~~ from the aids and credit reimbursements certified for payment in the year following the calendar year in which the tax levy is levied ~~is levied~~ certified unless the unallotment or reduction amount is not known by September 1 of the levy certification year, and the local government has not adjusted its levy under section 275.065, subdivision 6, or 275.07, subdivision 6, in which case ~~the~~ that unallotment or reduction amount may be levied in the following year;

(23) to pay for the difference between one-half of the costs of confining sex offenders undergoing the civil commitment process and any state payments for this purpose pursuant to section 253B.185, subdivision 5;

(24) for a county to pay the costs of the first year of maintaining and operating a new facility or new expansion, either of which contains courts, corrections, dispatch, criminal

investigation labs, or other public safety facilities and for which all or a portion of the funding for the site acquisition, building design, site preparation, construction, and related equipment was issued or authorized prior to the imposition of levy limits in 2008. The levy limit base shall then be increased by an amount equal to the new facility's first full year's operating costs as described in this clause; and

(25) for the estimated amount of reduction to market value credit reimbursements under section 273.1384 for credits payable in the year in which the levy is payable.

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

Sec. 13. Minnesota Statutes 2008, section 275.71, subdivision 5, is amended to read:

Subd. 5. **Property tax levy limit.** (a) For taxes levied in 2008 through 2010, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 4 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (i) the total amount of aids and reimbursements that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, (ii) taconite aids under sections 298.28 and 298.282 including any aid which was required to be placed in a special fund for expenditure in the next succeeding year, (iii) estimated payments to the local governmental unit under section 272.029, adjusted for any error in estimation in the preceding year, and (iv) aids under section 477A.16.

(b) If an aid, payment, or other amount used in paragraph (a) to reduce a local government unit's levy limit is reduced by an unallotment under section 16A.152, the amount of the aid, payment, or other amount prior to the unallotment is used in the computations in paragraph (a). In order for a local government unit to levy outside of its limit to offset the reduction in revenues attributable to an unallotment, it must do so under, and to the extent authorized by, a special levy authorization.

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

Sec. 14. Minnesota Statutes 2008, section 279.01, subdivision 3, is amended to read:

Subd. 3. **Agricultural property.** (a) In the case of class 1b agricultural homestead, all class 2a agricultural homestead property, and class 2b(3) agricultural nonhomestead 2b property that is contiguous to class 2a property under the same ownership, no penalties shall attach to the second one-half property tax payment as provided in this section if

paid by November 15. Thereafter for class 1b agricultural homestead and class 2a and qualifying class 2b homestead property, on November 16 following, a penalty of six percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional two percent shall be charged on all such unpaid taxes. Thereafter for class ~~2b(3) agricultural~~ 2a and qualifying class 2b nonhomestead property, on November 16 following, a penalty of eight percent shall accrue and be charged on all such unpaid taxes and on December 1 following, an additional four percent shall be charged on all such unpaid taxes.

If the owner of class 1b agricultural homestead, property or class 2a, or class 2b(3) agricultural or qualifying class 2b property receives a consolidated property tax statement that shows only an aggregate of the taxes and special assessments due on that property and on other property not classified as class 1b agricultural homestead, property or class 2a, or class 2b(3) agricultural or qualifying class 2b property, the aggregate tax and special assessments shown due on the property by the consolidated statement will be due on November 15.

(b) Notwithstanding paragraph (a), for taxes payable in 2010 and 2011, for any class 2b property that was subject to a second-half due date of November 15 for taxes payable in 2009, the county shall not impose, or if imposed, shall abate penalty amounts in excess of those that would apply as if the second-half due date were November 15.

EFFECTIVE DATE. The changes in paragraph (a) are effective for taxes payable in 2012 and thereafter. Paragraph (b) is effective for taxes payable in 2010 and 2011 only.

Sec. 15. Minnesota Statutes 2008, section 279.37, subdivision 1, is amended to read:

Subdivision 1. **Composition into one item.** Delinquent taxes upon any parcel of real estate may be composed into one item or amount by confession of judgment at any time prior to the forfeiture of the parcel of land to the state for taxes, for the aggregate amount of all the taxes, costs, penalties, and interest accrued against the parcel, as provided in this section. Taxes upon property which, for the previous year's assessment, was classified as mineral property, employment property, or commercial or industrial property are only eligible to be composed into any confession of judgment under this section as provided in subdivision 1a. Delinquent taxes for property that has been reclassified from 4bb to 4b under section 273.1319 may not be composed into a confession of judgment under this subdivision. Delinquent taxes on unimproved land are eligible to be composed into a confession of judgment only if the land is classified under section 273.13 as homestead, agricultural, ~~or timberland~~ rural vacant land, or managed forest land, in the previous year or is eligible for installment payment under subdivision 1a. The entire parcel is eligible

149.1 for the ten-year installment plan as provided in subdivision 2 if 25 percent or more of the
149.2 market value of the parcel is eligible for confession of judgment under this subdivision.

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

149.4 Sec. 16. Minnesota Statutes 2009 Supplement, section 475.755, is amended to read:

149.5 **475.755 EMERGENCY DEBT CERTIFICATES.**

149.6 (a) If at any time during a fiscal year the receipts of a local government are
149.7 reasonably expected to be reduced below the amount provided in the local government's
149.8 budget when the final property tax levy to be collected during the fiscal year was certified
149.9 and the receipts are insufficient to meet the expenses incurred or to be incurred during the
149.10 fiscal year, the governing body of the local government may authorize and sell certificates
149.11 of indebtedness to mature within two years or less from the end of the fiscal year in which
149.12 the certificates are issued. The maximum principal amount of the certificates that it may
149.13 issue in a fiscal year is limited to the expected reduction in receipts plus the cost of
149.14 issuance. The certificates may be issued in the manner and on the terms the governing
149.15 body determines by resolution.

149.16 (b) The governing body of the local government shall levy taxes for the payment of
149.17 principal and interest on the certificates in accordance with section 475.61.

149.18 (c) The certificates are not to be included in the net debt of the issuing local
149.19 government.

149.20 (d) To the extent that a local government issues certificates under this section to fund
149.21 an unallotment or other reduction in its state aid, the local government ~~may~~ must not use ~~a~~
149.22 the special levy authority for the aid reduction reductions under section 275.70, subdivision
149.23 5, clause (22), or a similar or successor provision. ~~This provision does not affect the status~~
149.24 ~~of the, but must instead use the special levy authority for the repayment of indebtedness~~
149.25 under section 275.70, subdivision 5, clause (2), in order to levy under section 475.61 to
149.26 pay fund repayment of the certificates ~~as with~~ a levy that is not subject to levy limits.

149.27 (e) For purposes of this section, the following terms have the meanings given:

149.28 (1) "Local government" means a statutory or home rule charter city, a town, or
149.29 a county.

149.30 (2) "Receipts" includes the following amounts scheduled to be received by the
149.31 local government for the fiscal year from:

149.32 (i) taxes;

149.33 (ii) aid payments previously certified by the state to be paid to the local government;

149.34 (iii) state reimbursement payments for property tax credits; and

150.1 (iv) any other source.

150.2 **EFFECTIVE DATE.** This section is effective retroactively for taxes payable in
150.3 2010 and thereafter.

150.4 Sec. 17. Minnesota Statutes 2009 Supplement, section 477A.013, subdivision 8,
150.5 is amended to read:

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

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

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

150.15 The applicable need increase percentage must be calculated by the Department of
150.16 Revenue so that the total of the aid under subdivision 9 equals the total amount available
150.17 for aid under section 477A.03. ~~For aids payable in 2009 only, all data used in calculating~~
150.18 ~~aid to cities under sections 477A.011 to 477A.013 will be based on the data available for~~
150.19 ~~calculating aid to cities for aids payable in 2008. For aids payable in 2010 and thereafter,~~
150.20 Data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be the
150.21 most recently available data as of January 1 in the year in which the aid is calculated except
150.22 ~~as provided in section 477A.011, subdivisions 3 and 35~~ that the data used to compute "net
150.23 levy" in subdivision 9 is the data most recently available at the time of the aid computation.

150.24 **EFFECTIVE DATE.** This section is effective for aid payable in 2010 and thereafter.

150.25 Sec. 18. Laws 2001, First Special Session chapter 5, article 3, section 50, the effective
150.26 date, as amended by Laws 2009, chapter 86, article 1, section 87, is amended to read:

150.27 **EFFECTIVE DATE.** Clause (22) of this section is effective for taxes levied in 2002,
150.28 payable in 2003, ~~through taxes levied in 2011, payable in 2012 and thereafter.~~ Clause (23)
150.29 of this section is effective for taxes levied in 2001, payable in 2002, and thereafter.

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

ARTICLE 10

CONDITIONAL USE DEEDS

Section 1. Minnesota Statutes 2008, section 282.01, subdivision 1, is amended to read:

Subdivision 1. **Classification as conservation or nonconservation.** ~~It is the general policy of this state to encourage the best use of tax-forfeited lands, recognizing~~
(a) When acting on behalf of the state under laws allowing the county board to classify and manage tax-forfeited lands held by the state in trust for the local units as provided in section 281.25, the county board has the discretion to decide that some lands in public ownership should be retained and managed for public benefits while other lands should be returned to private ownership. Parcels of land becoming the property of the state in trust under law declaring the forfeiture of lands to the state for taxes must be classified by the county board of the county in which the parcels lie as conservation or nonconservation. In making the classification the board shall consider the present use of adjacent lands, the productivity of the soil, the character of forest or other growth, accessibility of lands to established roads, schools, and other public services, their peculiar suitability or desirability for particular uses, and the suitability of the forest resources on the land for multiple use, and sustained yield management. The classification, furthermore, must: (1) encourage and foster a mode of land utilization that will facilitate the economical and adequate provision of transportation, roads, water supply, drainage, sanitation, education, and recreation; (2) facilitate reduction of governmental expenditures; (3) conserve and develop the natural resources; and (4) foster and develop agriculture and other industries in the districts and places best suited to them.

~~In making the classification the county board may use information made available by any office or department of the federal, state, or local governments, or by any other person or agency possessing pertinent information at the time the classification is made. The lands may be reclassified from time to time as the county board considers necessary or desirable, except for conservation lands held by the state free from any trust in favor of any taxing district.~~

~~If the lands are located within the boundaries of an organized town, with taxable valuation in excess of \$20,000, or incorporated municipality, the classification or reclassification and sale must first be approved by the town board of the town or the governing body of the municipality in which the lands are located. The town board of the town or the governing body of the municipality is considered to have approved the classification or reclassification and sale if the county board is not notified of the disapproval of the classification or reclassification and sale within 60 days of the date the~~

~~request for approval was transmitted to the town board of the town or governing body of the municipality. If the town board or governing body desires to acquire any parcel lying in the town or municipality by procedures authorized in this section, it must file a written application with the county board to withhold the parcel from public sale. The application must be filed within 60 days of the request for classification or reclassification and sale. The county board shall then withhold the parcel from public sale for six months. A municipality or governmental subdivision shall pay maintenance costs incurred by the county during the six-month period while the property is withheld from public sale, provided the property is not offered for public sale after the six-month period. A clerical error made by county officials does not serve to eliminate the request of the town board or governing body if the board or governing body has forwarded the application to the county auditor. If the town board or governing body of the municipality fails to submit an application and a resolution of the board or governing body to acquire the property within the withholding period, the county may offer the property for sale upon the expiration of the withholding period.~~

(b) Whenever the county board deems it appropriate, the board may hold a meeting for the purpose of reclassifying tax-forfeited land that has not been sold or released from the trust. The criteria and procedures for reclassification are the same as those required for an initial classification.

(c) Prior to meeting for the purpose of classifying or reclassifying tax-forfeited lands, the county board must give notice of its intent to meet for that purpose as provided in this paragraph. The notice must be given no more than 90 days and no less than 60 days before the date of the meeting; provided that if the meeting is rescheduled, notice of the new date, time, and location must be given at least 14 days before the date of the rescheduled meeting. The notice must be posted on a Web site. The notice must also be mailed or otherwise delivered to each person who has filed a request for notice of special meetings with the public body, regardless of whether the matter is considered at a regular or special meeting. The notice must be mailed or delivered at least 60 days before the date of the meeting. If the meeting is rescheduled, notice of the new date, time, and location must be mailed or delivered at least 14 days before the date of the rescheduled meeting. The public body shall publish the notice once, at least 30 days before the meeting, in a newspaper of general circulation within the area of the public body's authority. The board must also mail a notice by electronic means to each person who requests notice of meetings dealing with this subject and who agrees as provided in chapter 325L to accept notice that is mailed by electronic means. Receipt of actual notice under the conditions specified in section 13D.04, subdivision 7, satisfies the notice requirements of this paragraph.

153.1 The board may classify or reclassify tax-forfeited lands at any regular or special
153.2 meeting, as those terms are defined in chapter 13D and may conduct only this business, or
153.3 this business as well as other business or activities at the meeting.

153.4 (d) At the meeting, the county board must allow any person or agency possessing
153.5 pertinent information to make or submit comments and recommendations about the
153.6 pending classification or reclassification. In addition, representatives of governmental
153.7 entities in attendance must be allowed to describe plans, ideas, or projects that may
153.8 involve use or acquisition of the property by that or another governmental entity. The
153.9 county board must solicit and consider any relevant components of current municipal or
153.10 metropolitan comprehensive land use plans that incorporate the area in which the land
153.11 is located. After allowing testimony, the board may classify, reclassify, or delay taking
153.12 action on any parcel or parcels. In order for a state agency or a governmental subdivision
153.13 of the state to preserve its right to request a purchase or other acquisition of a forfeited
153.14 parcel, it may, at any time following forfeiture, file a written request to withhold the parcel
153.15 from sale or lease to others under the provisions of subdivision 1a.

153.16 (e) When classifying, reclassifying, appraising, and selling lands under this chapter,
153.17 the county board may designate the tracts as assessed and acquired, or may by resolution
153.18 provide for the subdivision of the tracts into smaller units or for the grouping of several
153.19 tracts into one tract when the subdivision or grouping is deemed advantageous for
153.20 conservation or sale purposes. This paragraph does not authorize the county board to
153.21 subdivide a parcel or tract of tax-forfeited land that, as assessed and acquired, is withheld
153.22 from sale under section 282.018, subdivision 1.

153.23 (f) A county board may by resolution elect to use the classification and
153.24 reclassification procedures provided in paragraphs (g), (h), and (i), instead of the
153.25 procedures provided in paragraphs (b), (c), and (d). Once an election is made under this
153.26 paragraph, it is effective for a minimum of five years.

153.27 (g) The classification or reclassification of tax-forfeited land that has not been sold or
153.28 released from the trust may be made by the county board using information made available
153.29 to it by any office or department of the federal, state, or local governments, or by any other
153.30 person or agency possessing pertinent information at the time the classification is made.

153.31 (h) If the lands are located within the boundaries of an organized town or
153.32 incorporated municipality, a classification or reclassification and sale must first be
153.33 approved by the town board of the town or the governing body of the municipality in
153.34 which the lands are located. The town board of the town or the governing body of the
153.35 municipality is considered to have approved the classification or reclassification and sale
153.36 if the county board is not notified of the disapproval of the classification or reclassification

154.1 and sale within 60 days of the date the request for approval was transmitted to the town
154.2 board of the town or governing body of the municipality. If the town board or governing
154.3 body disapproves of the classification or reclassification and sale, the county board must
154.4 follow the procedures in paragraphs (c) and (d), with regard to the parcel, and must
154.5 additionally cause to be published in a newspaper a notice of the date, time, location, and
154.6 purpose of the required meeting.

154.7 (i) If a town board or a governing body of a municipality or a park and recreation
154.8 board in a city of the first class desires to acquire any parcel lying in the town or
154.9 municipality by procedures authorized in this section, it may file a written request under
154.10 subdivision 1a, paragraph (a).

154.11 **EFFECTIVE DATE.** This section is effective July 1, 2010.

154.12 Sec. 2. Minnesota Statutes 2008, section 282.01, subdivision 1a, is amended to read:

154.13 Subd. 1a. **Conveyance; generally to public entities.** (a) Upon written request
154.14 from a state agency or a governmental subdivision of the state, a parcel of unsold
154.15 tax-forfeited land must be withheld from sale or lease to others for a maximum of six
154.16 months. The request must be submitted to the county auditor. Upon receipt, the county
154.17 auditor must withhold the parcel from sale or lease to any other party for six months, and
154.18 must confirm the starting date of the six-month withholding period to the requesting
154.19 agency or subdivision. If the request is from a governmental subdivision of the state, the
154.20 governmental subdivision must pay the maintenance costs incurred by the county during
154.21 the period the parcel is withheld. The county board may approve a sale or conveyance to
154.22 the requesting party during the withholding period. A conveyance of the property to the
154.23 requesting party terminates the withholding period.

154.24 A governmental subdivision of the state must not make, and a county auditor must
154.25 not act upon, a second request to withhold a parcel from sale or lease within 18 months
154.26 of a previous request for that parcel. A county may reject a request made under this
154.27 paragraph if the request is made more than 30 days after the county has given notice to the
154.28 requesting state agency or governmental subdivision of the state that the county intends to
154.29 sell or otherwise dispose of the property.

154.30 (b) Nonconservation tax-forfeited lands may be sold by the county board, for
154.31 their market value as determined by the county board, to an organized or incorporated
154.32 governmental subdivision of the state for any public purpose for which the subdivision is
154.33 authorized to acquire property or. When the term "market value" is used in this section, it
154.34 means an estimate of the full and actual market value of the parcel as determined by the
154.35 county board, but in making this determination, the board and the persons employed by or

155.1 under contract with the board in order to perform, conduct, or assist in the determination,
155.2 are exempt from the licensure requirements of chapter 82B.

155.3 (c) Nonconservation tax-forfeited lands may be released from the trust in favor of the
155.4 taxing districts on application of to the county board by a state agency for an authorized
155.5 use at not less than their market value as determined by the county board.

155.6 (d) Nonconservation tax-forfeited lands may be sold by the county board to an
155.7 organized or incorporated governmental subdivision of the state or state agency for less
155.8 than their market value if:

155.9 (1) the county board determines that a sale at a reduced price is in the public interest
155.10 because a reduced price is necessary to provide an incentive to correct the blighted
155.11 conditions that make the lands undesirable in the open market, or the reduced price will
155.12 lead to the development of affordable housing; and

155.13 (2) the governmental subdivision or state agency has documented its specific plans
155.14 for correcting the blighted conditions or developing affordable housing, and the specific
155.15 law or laws that empower it to acquire real property in furtherance of the plans.

155.16 If the sale under this paragraph is to a governmental subdivision of the state, the
155.17 commissioner of revenue must convey the property on behalf of the state by quit claim
155.18 deed. If the sale under this paragraph is to a state agency, the commissioner must issue a
155.19 conveyance document that releases the property from the trust in favor of the taxing
155.20 districts.

155.21 (e) Nonconservation tax-forfeited land held in trust in favor of the taxing districts
155.22 may be conveyed by the commissioner of revenue ~~may convey by deed~~ in the name
155.23 of the state ~~a tract of tax-forfeited land held in trust in favor of the taxing districts~~ to a
155.24 governmental subdivision for an authorized public use, if an application is submitted to
155.25 the commissioner which includes a statement of facts as to the use to be made of the tract
155.26 ~~and the need therefor~~ and the favorable recommendation of the county board. For the
155.27 purposes of this paragraph, "authorized public use" means a use that allows an indefinite
155.28 segment of the public to physically use and enjoy the property in numbers appropriate
155.29 to its size and use, or is for a public service facility. Authorized public uses as defined
155.30 in this paragraph are limited to:

155.31 (1) a road, or right-of-way for a road;

155.32 (2) a park that is both available to, and accessible by, the public that contains
155.33 amenities such as campgrounds, playgrounds, athletic fields, trails, or shelters;

155.34 (3) trails for walking, bicycling, snowmobiling, or other recreational purposes, along
155.35 with a reasonable amount of surrounding land maintained in its natural state;

(4) transit facilities for buses, light rail transit, commuter rail or passenger rail, including transit ways, park-and-ride lots, transit stations, maintenance and garage facilities, and other facilities related to a public transit system;

(5) public beaches or boat launches;

(6) public parking;

(7) civic recreation or conference facilities; and

(8) public service facilities such as fire halls, police stations, lift stations, water towers, sanitation facilities, water treatment facilities, and administrative offices.

No monetary compensation or consideration is required for the conveyance, except as provided in subdivision 1g, but the conveyance is subject to the conditions provided in law, including, but not limited to, the reversion provisions of subdivisions 1c and 1d.

(f) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to a local governmental subdivision of the state by quit claim deed on behalf of the state upon the favorable recommendation of the county board if the governmental subdivision has certified to the board that prior to forfeiture the subdivision was entitled to the parcel under a written development agreement or instrument, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(g) The commissioner of revenue shall convey a parcel of nonconservation tax-forfeited land to the association of a common interest community by quit claim deed upon the favorable recommendation of the county board if the association certifies to the board that prior to forfeiture the association was entitled to the parcel under a written agreement, but the conveyance failed to occur prior to forfeiture. No compensation or consideration is required for, and no conditions attach to, the conveyance.

(h) Conservation tax-forfeited land may be sold to a governmental subdivision of the state for less than its market value for either: (1) creation or preservation of wetlands; (2) drainage or storage of storm water under a storm water management plan; or (3) preservation, or restoration and preservation, of the land in its natural state. The deed must contain a restrictive covenant limiting the use of the land to one of these purposes for 30 years or until the property is reconveyed back to the state in trust. At any time, the governmental subdivision may reconvey the property to the state in trust for the taxing districts. The deed of reconveyance is subject to approval by the commissioner of revenue. No part of a purchase price determined under this paragraph shall be refunded upon a reconveyance, but the amount paid for a conveyance under this paragraph may be taken into account by the county board when setting the terms of a future sale of the same property to the same governmental subdivision under paragraph (b) or (d). If the lands

157.1 are unplatted and located outside of an incorporated municipality and the commissioner
157.2 of natural resources determines there is a mineral use potential, the sale is subject to the
157.3 approval of the commissioner of natural resources.

157.4 (i) A park and recreation board in a city of the first class is a governmental
157.5 subdivision for the purposes of this section.

157.6 **EFFECTIVE DATE.** This section is effective July 1, 2010.

157.7 Sec. 3. Minnesota Statutes 2008, section 282.01, subdivision 1b, is amended to read:

157.8 Subd. 1b. **Conveyance; targeted ~~neighborhood~~ community lands.** ~~(a)~~

157.9 Notwithstanding subdivision 1a, in the case of tax-forfeited lands located in a targeted
157.10 ~~neighborhood, as defined in section 469.201, subdivision 10~~ community in a city of the
157.11 first class, the commissioner of revenue shall convey by quit claim deed in the name of the
157.12 state any tract of tax-forfeited land held in trust in favor of the taxing districts, to a political
157.13 subdivision of the state that submits an application to the commissioner of revenue and
157.14 the favorable recommendation of the county board. For purposes of this subdivision, the
157.15 term "targeted community" has the meaning given in section 469.201, subdivision 10,
157.16 except that the land must be located within a first class city.

157.17 ~~(b) The application under paragraph (a) must include a statement of facts as to the~~
157.18 ~~use to be made of the tract, the need therefor, and a resolution, adopted by the governing~~
157.19 ~~body of the political subdivision, finding that the conveyance of a tract of tax-forfeited~~
157.20 ~~land to the political subdivision is necessary to provide for the redevelopment of land as~~
157.21 ~~productive taxable property. Deeds of conveyance issued under paragraph (a) are not~~
157.22 ~~conditioned on continued use of the property for the use stated in the application.~~

157.23 **EFFECTIVE DATE.** This section is effective July 1, 2010.

157.24 Sec. 4. Minnesota Statutes 2008, section 282.01, subdivision 1c, is amended to read:

157.25 Subd. 1c. **Deed of conveyance; form; approvals.** The deed of conveyance for
157.26 property conveyed for ~~a~~ an authorized public use under the authorities in subdivision
157.27 1a, paragraph (e), must be on a form approved by the attorney general and must be
157.28 conditioned on continued use for the purpose stated in the application as provided in this
157.29 section. These deeds are conditional use deeds that convey a defeasible estate. Reversion
157.30 of the estate occurs by operation of law and without the requirement for any affirmative
157.31 act by or on behalf of the state when there is a failure to put the property to the approved
157.32 authorized public use for which it was conveyed, or an abandonment of that use, except as
157.33 provided in subdivision 1d.

158.1 **EFFECTIVE DATE.** This section is effective July 1, 2010.

158.2 Sec. 5. Minnesota Statutes 2008, section 282.01, subdivision 1d, is amended to read:

158.3 Subd. 1d. **Reverter for failure to use; conveyance to state.** (a) If after three years
158.4 from the date of the conveyance a governmental subdivision to which tax-forfeited land
158.5 has been conveyed for ~~a specified~~ an authorized public use as provided in ~~this section~~
158.6 subdivision 1a, paragraph (e), fails to put the land to that use, or abandons that use, the
158.7 governing body of the subdivision ~~may,~~ must: (1) with the approval of the county board,
158.8 purchase the property for an authorized public purpose at the present ~~appraised~~ market
158.9 value as determined by the county board. ~~In that case, the commissioner of revenue shall,~~
158.10 ~~upon proper written application approved by the county board, issue an appropriate deed~~
158.11 ~~to the subdivisions free of a use restriction and reverter. The governing body may also, or~~
158.12 (2) authorize the proper officers to convey the land, or the part of the land not required for
158.13 an authorized public use, to the state of Minnesota: in trust for the taxing districts. If the
158.14 governing body purchases the property under clause (1), the commissioner of revenue
158.15 shall, upon proper application submitted by the county auditor, convey the property on
158.16 behalf of the state by quit claim deed to the subdivision free of a use restriction and the
158.17 possibility of reversion or defeasement. If the governing body decides to reconvey the
158.18 property to the state under this clause, the officers shall execute a deed of conveyance
158.19 immediately. The conveyance is subject to the approval of the commissioner and its form
158.20 must be approved by the attorney general. ~~A sale, lease, transfer, or other conveyance~~
158.21 ~~of tax-forfeited lands by a housing and redevelopment authority, a port authority, an~~
158.22 ~~economic development authority, or a city as authorized by chapter 469 is not an~~
158.23 ~~abandonment of use and the lands shall not be reconveyed to the state nor shall they~~
158.24 ~~revert to the state. A certificate made by a housing and redevelopment authority, a port~~
158.25 ~~authority, an economic development authority, or a city referring to a conveyance by it~~
158.26 ~~and stating that the conveyance has been made as authorized by chapter 469 may be filed~~
158.27 ~~with the county recorder or registrar of titles, and the rights of reverter in favor of the state~~
158.28 ~~provided by subdivision 1e will then terminate. No vote of the people is required for the~~
158.29 ~~conveyance.~~ For the purposes of this paragraph, there is no failure to put the land to the
158.30 authorized public use and no abandonment of that use if a formal plan of the governmental
158.31 subdivision, including, but not limited to, a comprehensive plan or land use plan that
158.32 shows an intended future use of the land for the authorized public use.

158.33 (b) Property held by a governmental subdivision of the state under a conditional use
158.34 deed executed under subdivision 1a, paragraph (e), by the commissioner of revenue on or
158.35 after January 1, 2007, may be acquired by that governmental subdivision after 15 years

from the date of the conveyance if the commissioner determines upon written application from the subdivision that the subdivision has in fact put the property to the authorized public use for which it was conveyed, and the subdivision has made a finding that it has no current plans to change the use of the lands. Prior to conveying the property, the commissioner shall inquire whether the county board where the land is located objects to a conveyance of the property to the subdivision without conditions and without further act by or obligation of the subdivision. If the county does not object within 60 days, and the commissioner makes a favorable determination, the commissioner shall issue a quit claim deed on behalf of the state unconditionally conveying the property to the governmental subdivision. For purposes of this paragraph, demonstration of an intended future use for the authorized public use in a formal plan of the governmental subdivision does not constitute use for that authorized public use.

(c) Property held by a governmental subdivision of the state under a conditional use deed executed under subdivision 1a, paragraph (e), by the commissioner of revenue before January 1, 2007, is released from the use restriction and possibility of reversion on January 1, 2022, if the county board records a resolution describing the land and citing this paragraph. The county board may authorize the county treasurer to deduct the amount of the recording fees from future settlements of property taxes to the subdivision.

(d) All property conveyed under a conditional use deed executed under subdivision 1a, paragraph (e), by the commissioner of revenue is released from the use restriction and reverter, and any use restriction or reverter for which no declaration of reversion has been recorded with the county recorder or registrar of titles, as appropriate, is nullified on the later of: (1) January 1, 2015; (2) 30 years from the date the deed was acknowledged; or (3) final resolution of an appeal to district court under subdivision 1e, if a lis pendens related to the appeal is recorded in the office of the county recorder or registrar of titles, as appropriate, prior to January 1, 2015.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 6. Minnesota Statutes 2008, section 282.01, is amended by adding a subdivision to read:

Subd. 1g. **Conditional use deed fees.** (a) A governmental subdivision of the state applying for a conditional use deed under subdivision 1a, paragraph (e), must submit a fee of \$250 to the commissioner of revenue along with the application. If the application is denied, the commissioner shall refund \$150 of the application fee.

(b) The proceeds from the fees must be deposited in a Department of Revenue conditional use deed revolving fund. The sums deposited into the revolving fund are

160.1 appropriated to the commissioner of revenue for the purpose of making the refunds
160.2 described in this subdivision, and administering conditional use deed laws.

160.3 **EFFECTIVE DATE.** This section is effective for applications received by the
160.4 commissioner after June 30, 2010.

160.5 Sec. 7. Minnesota Statutes 2008, section 282.01, is amended by adding a subdivision
160.6 to read:

160.7 Subd. 1h. **Conveyance; form.** The instruments of conveyance executed and issued
160.8 by the commissioner of revenue under subdivision 1a, paragraphs (c), (d), (e), (f), (g),
160.9 and (h), and subdivision 1d, paragraph (b), must be on a form approved by the attorney
160.10 general and are prima facie evidence of the facts stated therein and that the execution and
160.11 issuance of the conveyance complies with the applicable laws.

160.12 **EFFECTIVE DATE.** This section is effective for deeds executed by the
160.13 commissioner of revenue after June 30, 2010.

160.14 Sec. 8. Minnesota Statutes 2008, section 282.01, subdivision 2, is amended to read:

160.15 Subd. 2. **Conservation lands; county board supervision.** (a) Lands classified as
160.16 conservation lands, unless reclassified as nonconservation lands, sold to a governmental
160.17 subdivision of the state, designated as lands primarily suitable for forest production and
160.18 sold as hereinafter provided, or released from the trust in favor of the taxing districts, as
160.19 herein provided, will must be held under the supervision of the county board of the county
160.20 within which ~~such~~ the parcels lie; and must not be conveyed or sold unless the lands are:

160.21 ~~The county board may, by resolution duly adopted, declare lands classified as~~
160.22 ~~conservation lands as primarily suitable for timber production and as lands which should~~
160.23 ~~be placed in private ownership for such purposes. If such action be approved by the~~
160.24 ~~commissioner of natural resources, the lands so designated, or any part thereof, may be~~
160.25 ~~sold by the county board in the same manner as provided for the sale of lands classified as~~
160.26 ~~nonconservation lands. Such county action and the approval of the commissioner shall be~~
160.27 ~~limited to lands lying within areas zoned for restricted uses under the provisions of Laws~~
160.28 ~~1939, chapter 340, or any amendments thereof.~~

160.29 (1) reclassified as nonconservation lands;

160.30 (2) conveyed to a governmental subdivision of the state under subdivision 1a;

160.31 (3) released from the trust in favor of the taxing districts as provided in paragraph

160.32 (b); or

160.33 (4) conveyed or sold under the authority of another general or special law.

161.1 (b) The county board may, by resolution duly adopted, resolve that certain lands
161.2 classified as conservation lands shall be devoted to conservation uses and may submit
161.3 ~~such a~~ resolution to the commissioner of natural resources. If, upon investigation,
161.4 the commissioner of natural resources determines that the lands covered by ~~such the~~
161.5 resolution, or any part thereof, can be managed and developed for conservation purposes,
161.6 the commissioner shall make a certificate describing the lands and reciting the acceptance
161.7 thereof on behalf of the state ~~for such purposes~~. The commissioner shall transmit the
161.8 certificate to the county auditor, who shall note the same upon the auditor's records and
161.9 record the same with the county recorder. The title to all lands so accepted shall be held
161.10 by the state free from any trust in favor of any and all taxing districts and ~~such the~~ lands
161.11 shall be devoted thereafter to the purposes of forestry, water conservation, flood control,
161.12 parks, game refuges, controlled game management areas, public shooting grounds, or
161.13 other public recreational or conservation uses, and managed, controlled, and regulated
161.14 ~~for such purposes~~ under the jurisdiction of the commissioner of natural resources and
161.15 the divisions of the department.

161.16 (c) All proceeds derived from the sale of timber, lease of crops of hay, or other
161.17 revenue from lands under the jurisdiction of the commissioner of natural resources shall
161.18 be credited to the general fund of the state.

161.19 ~~In case~~ (d) If the commissioner of natural resources ~~shall determine~~ determines that
161.20 any tract of land ~~so held~~ acquired by the state under paragraph (b) and situated within or
161.21 adjacent to the boundaries of any governmental subdivision of the state is suitable for use
161.22 by ~~such the~~ subdivision for any authorized public purpose, the commissioner may convey
161.23 ~~such the~~ tract by deed in the name of the state to ~~such the~~ subdivision upon the filing
161.24 with the commissioner of a resolution adopted by a majority vote of all the members
161.25 of the governing body thereof, stating the purpose for which the land is desired. The
161.26 deed of conveyance shall be upon a form approved by the attorney general and must be
161.27 conditioned upon continued use for the purpose stated in the resolution. ~~All proceeds~~
161.28 ~~derived from the sale of timber, lease of hay stumpage, or other revenue from such~~
161.29 ~~lands under the jurisdiction of the natural resources commissioner shall be paid into the~~
161.30 ~~general fund of the state.~~

161.31 (e) The county auditor, with the approval of the county board, may lease conservation
161.32 lands remaining under the ~~jurisdiction~~ supervision of the county board and sell timber
161.33 and hay stumpage thereon in the manner hereinafter provided, and all proceeds derived
161.34 therefrom shall be distributed in the same manner as provided in section 282.04.

161.35 **EFFECTIVE DATE.** This section is effective July 1, 2010.

Sec. 9. Minnesota Statutes 2008, section 282.01, subdivision 3, is amended to read:

Subd. 3. **Nonconservation lands; appraisal and sale.** (a) All parcels of land classified as nonconservation, except those which may be reserved, shall be sold as provided, if it is determined, by the county board of the county in which the parcels lie, that it is advisable to do so, having in mind their accessibility, their proximity to existing public improvements, and the effect of their sale and occupancy on the public burdens. Any parcels of land proposed to be sold shall be first appraised by the county board of the county in which the parcels lie. The parcels may be reappraised whenever the county board deems it necessary to carry out the intent of sections 282.01 to 282.13.

(b) In an appraisal the value of the land and any standing timber on it shall be separately determined. No parcel of land containing any standing timber may be sold until the appraised value of the timber on it and the sale of the land have been approved by the commissioner of natural resources. The commissioner shall base review of a proposed sale on the policy and considerations specified in subdivision 1. The decision of the commissioner shall be in writing and shall state the reasons for it. The commissioner's decision is exempt from the rulemaking provisions of chapter 14 and section 14.386 does not apply. The county may appeal the decision of the commissioner in accordance with chapter 14.

(c) In any county in which a state forest or any part of it is located, the county auditor shall submit to the commissioner at least 60 days before the first publication of the list of lands to be offered for sale a list of all lands included on the list which are situated outside of any incorporated municipality. If, at any time before the opening of the sale, the commissioner notifies the county auditor in writing that there is standing timber on any parcel of ~~such~~ land, the parcel shall not be sold unless the requirements of this section respecting the separate appraisal of the timber and the approval of the appraisal by the commissioner have been complied with. The commissioner may waive the requirement of the 60-day notice as to any parcel of land which has been examined and the timber value approved as required by this section.

(d) If any public improvement is made by a municipality after any parcel of land has been forfeited to the state for the nonpayment of taxes, and the improvement is assessed in whole or in part against the property benefited by it, the clerk of the municipality shall certify to the county auditor, immediately upon the determination of the assessments for the improvement, the total amount that would have been assessed against the parcel of land if it had been subject to assessment; or if the public improvement is made, petitioned for, ordered in or assessed, whether the improvement is completed in whole or in part, at any time between the appraisal and the sale of the parcel of land, the cost of the improvement

shall be included as a separate item and added to the appraised value of the parcel of land at the time it is sold. No sale of a parcel of land shall discharge or free the parcel of land from lien for the special benefit conferred upon it by reason of the public improvement until the cost of it, including penalties, if any, is paid. The county board shall determine the amount, if any, by which the value of the parcel was enhanced by the improvement and include the amount as a separate item in fixing the appraised value for the purpose of sale. ~~In classifying, appraising, and selling the lands, the county board may designate the tracts as assessed and acquired, or may by resolution provide for the subdivision of the tracts into smaller units or for the grouping of several tracts into one tract when the subdivision or grouping is deemed advantageous for the purpose of sale. Each such smaller tract or larger tract must be classified and appraised as such before being offered for sale. If any such lands have once been classified, the board of county commissioners, in its discretion, may, by resolution, authorize the sale of the smaller tract or larger tract without reclassification.~~

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 10. Minnesota Statutes 2008, section 282.01, subdivision 4, is amended to read:

Subd. 4. **Sale: method, requirements, effects.** The sale authorized under subdivision 3 must be conducted by the county auditor at the county seat of the county in which the parcels lie, except that in St. Louis and Koochiching Counties, the sale may be conducted in any county facility within the county. The sale must not be for less than the appraised value except as provided in subdivision 7a. The parcels must be sold for cash only ~~and at not less than the appraised value~~, unless the county board of the county has adopted a resolution providing for their sale on terms, in which event the resolution controls with respect to the sale. When the sale is made on terms other than for cash only (1) a payment of at least ten percent of the purchase price must be made at the time of purchase, and the balance must be paid in no more than ten equal annual installments, or (2) the payments must be made in accordance with county board policy, but in no event may the board require more than 12 installments annually, and the contract term must not be for more than ten years. Standing timber or timber products must not be removed from these lands until an amount equal to the appraised value of all standing timber or timber products on the lands at the time of purchase has been paid by the purchaser. If a parcel of land bearing standing timber or timber products is sold at public auction for more than the appraised value, the amount bid in excess of the appraised value must be allocated between the land and the timber in proportion to their respective appraised values. In that case, standing timber or timber products must not be removed from the land until the amount of the excess bid allocated to timber or timber products has been paid in addition

to the appraised value of the land. The purchaser is entitled to immediate possession, subject to the provisions of any existing valid lease made in behalf of the state.

For sales occurring on or after July 1, 1982, the unpaid balance of the purchase price is subject to interest at the rate determined pursuant to section 549.09. The unpaid balance of the purchase price for sales occurring after December 31, 1990, is subject to interest at the rate determined in section 279.03, subdivision 1a. The interest rate is subject to change each year on the unpaid balance in the manner provided for rate changes in section 549.09 or 279.03, subdivision 1a, whichever, is applicable. Interest on the unpaid contract balance on sales occurring before July 1, 1982, is payable at the rate applicable to the sale at the time that the sale occurred.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 11. Minnesota Statutes 2008, section 282.01, subdivision 7, is amended to read:

Subd. 7. **County sales; notice, purchase price, disposition.** The sale must commence at the time determined by the county board of the county in which the parcels are located. The county auditor shall offer the parcels of land in order in which they appear in the notice of sale, and shall sell them to the highest bidder, but not for a sum less than the appraised value, until all of the parcels of land have been offered. Then the county auditor shall sell any remaining parcels to anyone offering to pay the appraised value, except that if the person could have repurchased a parcel of property under section 282.012 or 282.241, that person may not purchase that same parcel of property at the sale under this subdivision for a purchase price less than the sum of all taxes, assessments, penalties, interest, and costs due at the time of forfeiture computed under section 282.251, and any special assessments for improvements certified as of the date of sale. The sale must continue until all the parcels are sold or until the county board orders a reappraisal or withdraws any or all of the parcels from sale. The list of lands may be added to and the added lands may be sold at any time by publishing the descriptions and appraised values. The added lands must be: (1) parcels of land that have become forfeited and classified as nonconservation since the commencement of any prior sale; (2) parcels classified as nonconservation that have been reappraised; (3) parcels that have been reclassified as nonconservation; or (4) other parcels that are subject to sale but were omitted from the existing list for any reason. The descriptions and appraised values must be published in the same manner as provided for the publication of the original list. Parcels added to the list must first be offered for sale to the highest bidder before they are sold at appraised value. All parcels of land not offered for immediate sale, as well as parcels that are offered and not immediately sold, continue to be held in trust by the state for the taxing districts

165.1 interested in each of the parcels, under the supervision of the county board. Those parcels
165.2 may be used for public purposes until sold, as directed by the county board.

165.3 **EFFECTIVE DATE.** This section is effective July 1, 2010.

165.4 Sec. 12. Minnesota Statutes 2008, section 282.01, subdivision 7a, is amended to read:

165.5 Subd. 7a. **City sales; alternate procedures.** Land located in a home rule charter
165.6 or statutory city, or in a town which cannot be improved because of noncompliance with
165.7 local ordinances regarding minimum area, shape, frontage or access may be sold by the
165.8 county auditor pursuant to this subdivision if the auditor determines that a nonpublic sale
165.9 will encourage the approval of sale of the land by the city or town and promote its return
165.10 to the tax rolls. If the physical characteristics of the land indicate that its highest and best
165.11 use will be achieved by combining it with an adjoining parcel and the city or town has not
165.12 adopted a local ordinance governing minimum area, shape, frontage, or access, the land
165.13 may also be sold pursuant to this subdivision. If the property consists of an undivided
165.14 interest in land or land and improvements, the property may also be sold to the other
165.15 owners under this subdivision. The sale of land pursuant to this subdivision shall be
165.16 subject to any conditions imposed by the county board pursuant to section 282.03. The
165.17 governing body of the city or town may recommend to the county board conditions to be
165.18 imposed on the sale. The county auditor may restrict the sale to owners of lands adjoining
165.19 the land to be sold. The county auditor shall conduct the sale by sealed bid or may select
165.20 another means of sale. The land shall be sold to the highest bidder ~~but in no event shall the~~
165.21 ~~land and may~~ be sold for less than its appraised value. All owners of land adjoining the
165.22 land to be sold shall be given a written notice at least 30 days prior to the sale.

165.23 This subdivision shall be liberally construed to encourage the sale and utilization
165.24 of tax-forfeited land, to eliminate nuisances and dangerous conditions and to increase
165.25 compliance with land use ordinances.

165.26 **EFFECTIVE DATE.** This section is effective July 1, 2010.

165.27 Sec. 13. Minnesota Statutes 2008, section 282.01, is amended by adding a subdivision
165.28 to read:

165.29 Subd. 12. **Notice; public hearing for use change.** If a governmental subdivision
165.30 that acquired a parcel for public use under this section later determines to change the use,
165.31 it must hold a public hearing on the proposed use change. The governmental subdivision
165.32 must mail written notice of the proposed use change and the public hearing to each owner
165.33 of property that is within 400 feet of the parcel at least ten days and no more than 60 days

166.1 before it holds the hearing. The notice must identify: (1) the parcel, (2) its current use,
166.2 (3) the proposed use, (4) the date, time, and place of the public hearing, and (5) where
166.3 to submit written comments on the proposal and that the public is invited to testify at
166.4 the public hearing.

166.5 **EFFECTIVE DATE.** This section is effective July 1, 2010, and applies to a change
166.6 in use of a parcel acquired under Minnesota Statutes, section 282.01, whether acquired by
166.7 the governmental subdivision before or after the effective date of this section.

166.8 Sec. 14. **REPEALER.**

166.9 Minnesota Statutes 2008, sections 282.01, subdivisions 9, 10, and 11; and 383A.76,
166.10 are repealed.

166.11 **EFFECTIVE DATE.** This section is effective July 1, 2010.

166.12 **ARTICLE 11**

166.13 **MISCELLANEOUS**

166.14 Section 1. **[3.192] TAX EXPENDITURE BILLS.**

166.15 Subdivision 1. **Requirements for new or renewed tax expenditures.** Any bill that
166.16 creates, renews, or continues a tax expenditure must include a statement of intent that
166.17 clearly provides the purpose of the tax expenditure and a standard or goal against which
166.18 its effectiveness may be measured. For purposes of this section, "tax expenditure" has the
166.19 meaning given in section 270C.11, subdivision 6.

166.20 Subd. 2. **Expiration of tax expenditures.** Any tax expenditure enacted after July
166.21 1, 2010, expires ten years from the day that the provision first takes effect. The bill may
166.22 provide an early expiration date if desired.

166.23 **EFFECTIVE DATE.** This section is effective for tax expenditures enacted after
166.24 July 1, 2010.

166.25 Sec. 2. Minnesota Statutes 2008, section 270C.11, subdivision 4, is amended to read:

166.26 Subd. 4. **Contents.** The report shall detail for each tax expenditure item the
166.27 amount of tax revenue forgone, a citation of the statutory or other legal authority for the
166.28 expenditure, and the year in which it was enacted or the tax year in which it became
166.29 effective. Each chapter of the tax expenditure report must include an estimate of the
166.30 number of jobs created or lost in Minnesota as a result of the tax expenditures in that
166.31 chapter. The report may contain additional information which the commissioner considers

relevant to the legislature's consideration and review of individual tax expenditure items. This may include, but is not limited to, statements of the intended purpose of the tax expenditure, analysis of whether the expenditure is achieving that objective, and the effect of the expenditure device on the distribution of the tax burden and administration of the tax system.

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

Sec. 3. Minnesota Statutes 2008, section 270C.34, subdivision 1, is amended to read:

Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any penalty or interest that is imposed by a law administered by the commissioner, or imposed by section 270.0725, subdivision 1 or 2, as a result of the late payment of tax or late filing of a return, if the failure to timely pay the tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located in a presidentially declared disaster or in a presidentially declared state of emergency area or in an area declared to be in a state of emergency by the governor under section 12.31.

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

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

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

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

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

Sec. 4. Minnesota Statutes 2008, section 270C.52, subdivision 2, is amended to read:

Subd. 2. **Payment agreements.** (a) When any portion of any tax payable to the commissioner together with interest and penalty thereon, if any, has not been paid, the commissioner may extend the time for payment for a further period. When the authority of this section is invoked, the extension shall be evidenced by written agreement signed by the taxpayer and the commissioner, stating the amount of the tax with penalty and interest, if any, and providing for the payment of the amount in installments.

(b) The agreement may contain a confession of judgment for the amount and for any unpaid portion thereof. If the agreement contains a confession of judgment, the confession of judgment must provide that the commissioner may enter judgment against the taxpayer in the district court of the county of residence as shown upon the taxpayer's tax return for the unpaid portion of the amount specified in the extension agreement.

(c) The agreement shall provide that it can be terminated, after notice by the commissioner, if information provided by the taxpayer prior to the agreement was inaccurate or incomplete, collection of the tax covered by the agreement is in jeopardy, there is a subsequent change in the taxpayer's financial condition, the taxpayer has failed to make a payment due under the agreement, or the taxpayer has failed to pay any other tax or file a tax return coming due after the agreement.

(d) The notice must be given at least 14 calendar days prior to termination, and shall advise the taxpayer of the right to request a reconsideration from the commissioner of whether termination is reasonable and appropriate under the circumstances. A request for reconsideration does not stay collection action beyond the 14-day notice period. If the commissioner has reason to believe that collection of the tax covered by the agreement is in jeopardy, the commissioner may proceed under section 270C.36 and terminate the agreement without regard to the 14-day period.

(e) The commissioner may accept other collateral the commissioner considers appropriate to secure satisfaction of the tax liability. The principal sum specified in the agreement shall bear interest at the rate specified in section 270C.40 on all unpaid portions thereof until the same has been fully paid or the unpaid portion thereof has been entered as a judgment. The judgment shall bear interest at the rate specified in section 270C.40.

(f) If it appears to the commissioner that the tax reported by the taxpayer is in excess of the amount actually owing by the taxpayer, the extension agreement or the judgment entered pursuant thereto shall be corrected. If after making the extension agreement or entering judgment with respect thereto, the commissioner determines that the tax as reported by the taxpayer is less than the amount actually due, the commissioner shall assess a further tax in accordance with the provisions of law applicable to the tax.

(g) The authority granted to the commissioner by this section is in addition to any other authority granted to the commissioner by law to extend the time of payment or the time for filing a return and shall not be construed in limitation thereof.

(h) The commissioner shall charge a fee for entering into payment agreements that reflects the commissioner's costs for entering into payment agreements. The fee is initially set at \$25 and is adjusted annually as necessary. The fee is charged for entering into a payment agreement, for entering into a new payment agreement after the taxpayer

169.1 has defaulted on a prior agreement, and for entering into a new payment agreement as
169.2 a result of renegotiation of the terms of an existing agreement. The fee is paid to the
169.3 commissioner before the payment agreement becomes effective and does not reduce
169.4 the amount of the liability.

169.5 By June 1 of each year, the commissioner shall determine the cost to the
169.6 commissioner for entering into payment agreements during the fiscal year and adjust the
169.7 payment agreement fee as necessary to most nearly equal those costs. Determination
169.8 of the fee for payment agreements under this section is not subject to the fee setting
169.9 requirements of section 16A.1283.

169.10 **EFFECTIVE DATE.** This section is effective for payment agreements entered
169.11 into or renegotiated after June 30, 2010.

169.12 Sec. 5. **TAX EXPENDITURE REVIEW REPORT.**

169.13 Subdivision 1. **Report to the legislature.** By January 10, 2011, the commissioner of
169.14 revenue shall provide a report to the chairs of the house and senate tax committees with
169.15 jurisdiction over taxes suggesting a process for the periodic review and sunset or extension
169.16 of tax expenditures on an ongoing basis.

169.17 Subd. 2. **Contents of the report.** (a) The report shall include the following
169.18 information for every tax, as defined in Minnesota Statutes, section 270C.11, subdivision 6:

169.19 (1) a definition of the tax base for the tax;

169.20 (2) a definition of a tax expenditure for each tax; and

169.21 (3) a list of existing provisions in law that meet the definition of tax expenditure for
169.22 each tax.

169.23 (b) The report shall include a suggested list of information, currently not included in
169.24 the tax expenditure budget under Minnesota Statutes, section 270C.11, needed to allow
169.25 evaluation of the effectiveness of new and existing tax expenditures in meeting not only
169.26 the stated goal of the tax expenditure but also the general tax principles of:

169.27 (1) transparency and understandability;

169.28 (2) simplicity and efficiency;

169.29 (3) equity;

169.30 (4) stability and predictability;

169.31 (5) compliance and accountability; and

169.32 (6) national and global competitiveness.

169.33 (c) The report shall also include recommendations on specific procedures for
169.34 periodic review of tax expenditures, including the need for additional reports, study or

170.1 oversight groups, and fiscal or other resources, and a suggested timetable for systematic
170.2 review of the tax expenditures in the various tax areas.

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

170.4 Sec. 6. **APPROPRIATION.**

170.5 \$520,000 is appropriated in fiscal year 2011 from the general fund to the
170.6 commissioner of revenue to administer the requirements in clauses (1) to (3). The
170.7 appropriation must be distributed as follows:

170.8 (1) \$100,000 in fiscal year 2011 is for a study of fiscal disparities under article 1,
170.9 section 37, and this appropriation is available until June 30, 2012;

170.10 (2) \$330,000 in fiscal year 2011 is for a study on income tax reciprocity under article
170.11 3, section 28, and this appropriation is available until June 30, 2012; and

170.12 (3) \$90,000 in fiscal year 2011 is for a tax expenditure review report under section 5.

170.13 The appropriations under this section are onetime and are not added to the agency's
170.14 base budget.

APPENDIX
Article locations in H3729-3

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ARTICLE 4	SALES AND USE TAXES	Page.Ln 100.1
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