

A bill for an act

relating to the financing of state and local government; making changes to individual income, corporate franchise, estate, property, aids, credits, payments, refunds, sales and use, tax increment financing, minerals, local, and other taxes and tax-related provisions; authorizing border city development zone powers and local taxes; extending levy limits; repealing sustainable forest resource management incentive; authorizing grants to local governments for cooperation and consolidation; providing a science and technology program; conforming to changes made to the Internal Revenue Code; permitting certain appeals; modifying provision allowing for a reciprocity agreement with state of Wisconsin; setting the levels of the cash flow account and the budget reserve account; suspending certain maintenance of effort requirements; requiring studies; requiring reports; appropriating money; amending Minnesota Statutes 2010, sections 88.49, subdivisions 5, 9a; 97A.061, subdivisions 1, 3; 126C.01, subdivision 3; 270A.03, subdivision 7; 270B.12, by adding a subdivision; 270C.13, subdivision 1; 272.02, subdivision 39, by adding a subdivision; 273.111, by adding a subdivision; 273.114, subdivision 2, as amended; 273.121, subdivision 1; 273.13, subdivisions 23, 25, 34, by adding a subdivision; 273.1384, subdivisions 3, 4; 273.1393; 273.1398, subdivision 3; 274.01, subdivision 1; 275.025, subdivisions 1, 3, 4; 275.70, subdivision 5; 275.71, subdivisions 2, 4, 5; 276.04, subdivision 2; 289A.02, subdivision 7, as amended; 289A.20, subdivision 4; 289A.50, subdivision 1; 290.01, subdivisions 6, 19, as amended, 19a, as amended, 19b, 19c, as amended, 31, as amended; 290.05, subdivision 1; 290.06, subdivision 2c; 290.0674, subdivision 1; 290.068, subdivision 1; 290.081; 290.091, subdivision 2; 290.191, subdivisions 2, 3; 290A.03, subdivisions 11, 13, 15, as amended; 290A.04, subdivisions 2, 2a, 4, by adding a subdivision; 291.005, subdivision 1; 291.03, subdivision 1, by adding subdivisions; 297A.61, subdivision 3; 297A.62, by adding a subdivision; 297A.63, by adding a subdivision; 297A.668, subdivision 7, by adding a subdivision; 297A.68, by adding a subdivision; 297A.70, subdivisions 1, 2, 3, 8; 297A.75, subdivisions 1, 2, 3; 297A.82, subdivision 4; 297A.99, subdivisions 1, 3; 298.001, by adding a subdivision; 298.01, subdivisions 3, 3a; 298.015, subdivisions 1, 2; 298.016, subdivision 4; 298.225, subdivision 1; 298.24, subdivision 1; 298.28, subdivision 3; 469.176, subdivisions 4c, 4m; 469.1763, subdivision 2; 473.757, subdivision 11; 477A.011, subdivision 20, by adding a subdivision; 477A.0124, by adding a subdivision; 477A.013, subdivisions 8, 9, by adding a subdivision; 477A.03; 477A.11, subdivision 1; 477A.12, subdivision 1; 477A.14, subdivision 1; 477A.17; Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended; Laws 1998, chapter 389, article 8,

section 43, subdivisions 3, as amended, 4, as amended, 5, as amended; Laws 2008, chapter 366, article 7, section 19, subdivision 3; Laws 2010, chapter 389, article 5, section 6, subdivision 1; article 7, section 22; proposing coding for new law in Minnesota Statutes, chapters 116W; 275; 373; repealing Minnesota Statutes 2010, sections 10A.322, subdivision 4; 13.4967, subdivisions 2, 2b; 273.1384, subdivisions 1, 6; 275.025; 275.295; 289A.60, subdivision 31; 290.06, subdivision 23; 290C.01; 290C.02; 290C.03; 290C.04; 290C.05; 290C.055; 290C.06; 290C.07; 290C.08; 290C.09; 290C.10; 290C.11; 290C.12; 290C.13; 298.017; 298.28, subdivisions 8, 9c; 298.285; 477A.145.

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

ARTICLE 1

INDIVIDUAL INCOME, CORPORATE FRANCHISE, AND ESTATE TAXES

Section 1. Minnesota Statutes 2010, section 270B.12, is amended by adding a subdivision to read:

Subd. 14. **Wisconsin secretary of revenue; income tax reciprocity benchmark study.** The commissioner may disclose return information to the secretary of revenue of the state of Wisconsin for the purpose of conducting a joint individual income tax reciprocity study.

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

Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19b, 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 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;

(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;

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

(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;

(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;

(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;

(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;

(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);

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

(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~~

(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 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 19a, clause (16);₂

(18) to the extent not deducted in computing federal taxable income, charitable contributions of food inventory as determined under the provisions of section 170(e)(3)(C) of the Internal Revenue Code, determined without regard to the termination date under section 170(e)(3)(C)(iv); and

(19) to the extent included in federal taxable income, 55 percent of compensation received from a pension or other retirement pay from the federal government for service in the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, and 12733.

EFFECTIVE DATE. Clause (18) is effective for taxable years beginning after December 31, 2010. Clause (19) is effective for taxable years beginning after December 31, 2012.

Sec. 3. Minnesota Statutes 2010, section 290.06, subdivision 2c, is amended to read:

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

(1) On the first \$25,680, 5.35 percent;

(2) On all over \$25,680, but not over \$102,030, 7.05 percent;

(3) On all over \$102,030, 7.85 percent.

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

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

(1) On the first \$17,570, 5.35 percent;

(2) On all over \$17,570, but not over \$57,710, 7.05 percent;

(3) On all over \$57,710, 7.85 percent.

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

(1) On the first \$21,630, 5.35 percent;

(2) On all over \$21,630, but not over \$86,910, 7.05 percent;

(3) On all over \$86,910, 7.85 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not 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 (8), (9), (13), (14), (15), ~~and (17), (18), and (19)~~, 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), (8), (9), (13), (14), (15), ~~and~~ (17), (18), and (19).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010, except that the new references to Minnesota Statutes, section 290.01, subdivision 19b, clause (19), in paragraph (e), clauses (1) and (2), are effective for taxable years beginning after December 31, 2012.

Sec. 4. Minnesota Statutes 2010, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** An individual is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for education-related expenses for a qualifying child in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers Association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) expenses for textbooks, including 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. "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 extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under

the required academic standards under section 120B.021, subdivision 1, and the elective standard under section 120B.022, subdivision 1, clause (2), purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for tuition and transportation of a qualifying child 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 purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2012.

Sec. 5. Minnesota Statutes 2010, section 290.068, subdivision 1, is amended to read:

Subdivision 1. **Credit allowed.** A corporation, partners in a partnership, or shareholders in a corporation treated as an "S" corporation under section 290.9725 are allowed a credit against the tax computed under this chapter for the taxable year equal to:

(a) ten percent of the first \$2,000,000 of the excess (if any) of

(1) the qualified research expenses for the taxable year, over

(2) the base amount; and

(b) ~~2.5~~ 4.7 percent on all of such excess expenses over \$2,000,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2013.

Sec. 6. Minnesota Statutes 2010, section 290.081, is amended to read:

290.081 INCOME OF NONRESIDENTS, RECIPROCITY.

Subdivision 1. Reciprocity with other states. (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 they relate to all states except Wisconsin. The provisions of paragraph (a) apply with respect to Wisconsin only for taxable years in which a reciprocity agreement with Wisconsin is in effect as provided by this section. 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) must be compensated by the other state 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 and before January 1, 2010. Interest accrues from July 1 of the taxable year.

~~(e) The commissioner of revenue is authorized to enter into agreements~~ reciprocity agreement with the state of Wisconsin specifying must specify the compensation required under paragraph (b), the one or more reciprocity payment due date, dates for the revenue loss relating to each taxable year, with one or more estimated payment due dates in the same fiscal year in which the revenue loss occurred, and a final payment in the following fiscal year, conditions constituting delinquency, interest rates, and a method for computing interest due. Interest is payable from July 1 of the taxable year on final payments made in the following fiscal year. 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)~~ (f) 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)~~ (g) 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.

(h) Any reciprocity agreement entered into under this section continues in effect until terminated by Minnesota or Wisconsin law. The commissioner may agree to modify the timing or method of calculating the state payments to be made under the agreement, consistent with the requirements of paragraphs (c) and (e), but may not terminate the agreement.

Subd. 2. **New reciprocity agreement with Wisconsin.** (a) The commissioner of revenue is directed to initiate negotiations with the secretary of revenue of Wisconsin, with the objective of entering into an income tax reciprocity agreement effective for tax years beginning after December 31, 2011. The agreement must satisfy the conditions of subdivision 1, with one or more estimated payment due dates and a final payment due date specified so that the state with a net revenue loss as a result of the agreement receives estimated payments from the other state, in the same fiscal year as that in which the net revenue loss occurred and a final payment with interest in the following fiscal year.

(b) The commissioner may not enter into an income tax reciprocity agreement with Wisconsin under this section until after Wisconsin has paid in full with interest the amount due to Minnesota under the income tax reciprocity agreement in effect for taxable years beginning before January 1, 2010.

EFFECTIVE DATE. Subdivision 2 is effective the day following final enactment. The changes to subdivision 1 are effective for taxable years beginning after December 31 of the year of the agreement, contingent upon agreement from the state of Wisconsin to a reciprocity arrangement in which estimated payments are made in the same fiscal year in which a change in revenue occurs, and a final payment is made in the following fiscal year.

Sec. 7. Minnesota Statutes 2010, 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:

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

11.1 (1) the taxpayer's federal alternative minimum taxable income as defined in section
11.2 55(b)(2) of the Internal Revenue Code;

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

11.5 (i) the charitable contribution deduction under section 170 of the Internal Revenue
11.6 Code, including any additional subtraction for charitable contributions of food inventory
11.7 under section 290.01, subdivision 19b;

11.8 (ii) the medical expense deduction;

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

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

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

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

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

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

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

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

11.26 (2) an overpayment of state income tax as provided by section 290.01, subdivision
11.27 19b, clause (2), to the extent included in federal alternative minimum taxable income;

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

11.32 (4) amounts subtracted from federal taxable income as provided by section 290.01,
11.33 subdivision 19b, clauses (6), (8) to (15), ~~and (17)~~, and (19).

11.34 In the case of an estate or trust, alternative minimum taxable income must be
11.35 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 for taxable years beginning after December 31, 2010.

Sec. 8. Minnesota Statutes 2010, section 290.191, subdivision 2, is amended to read:

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

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

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

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

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

Taxable years beginning during calendar year	Sales factor percent	Property factor percent	Payroll factor percent
2007	78	++	++

13.1	2008	81	9.5	9.5
13.2	2009	84	8	8
13.3	2010	87	6.5	6.5
13.4	2011	90	5	5
13.5	2012	93	3.5	3.5
13.6	2013	96	2	2
13.7	2014 and later calendar years	100	0	0

13.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
13.9 December 31, 2011.

13.10 Sec. 9. Minnesota Statutes 2010, section 290.191, subdivision 3, is amended to read:

13.11 Subd. 3. **Apportionment formula for financial institutions.** Except for an
13.12 investment company required to apportion its income under section 290.36, a financial
13.13 institution that is required to apportion its net income must apportion its net income to this
13.14 state on the basis of the percentage ~~obtained by taking the sum of:~~

13.15 ~~(1) the percent for the sales factor under subdivision 2, paragraph (b), of the~~
13.16 ~~percentage which the receipts from within this state in connection with the trade or~~
13.17 ~~business during the tax period are of the total receipts in connection with the trade or~~
13.18 ~~business during the tax period, from wherever derived;~~

13.19 ~~(2) the percent for the property factor under subdivision 2, paragraph (b), of the~~
13.20 ~~percentage which the sum of the total tangible property used by the taxpayer in this~~
13.21 ~~state and the intangible property owned by the taxpayer and attributed to this state in~~
13.22 ~~connection with the trade or business during the tax period is of the sum of the total~~
13.23 ~~tangible property, wherever located, used by the taxpayer and the intangible property~~
13.24 ~~owned by the taxpayer and attributed to all states in connection with the trade or business~~
13.25 ~~during the tax period; and~~

13.26 ~~(3) the percent for the payroll factor under subdivision 2, paragraph (b), of the~~
13.27 ~~percentage which the taxpayer's total payrolls paid or incurred in this state or paid in~~
13.28 ~~respect to labor performed in this state in connection with the trade or business during~~
13.29 ~~the tax period are of the taxpayer's total payrolls paid or incurred in connection with~~
13.30 ~~the trade or business during the tax period.~~

13.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
13.32 December 31, 2011.

13.33 Sec. 10. Minnesota Statutes 2010, section 291.005, subdivision 1, is amended to read:

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

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

14.5 (2) "Federal gross estate" means the gross estate of a decedent as required to be
14.6 valued and otherwise determined for federal estate tax purposes under the Internal
14.7 Revenue Code.

14.8 (3) "Internal Revenue Code" means the United States Internal Revenue Code of
14.9 1986, as amended through March 18, 2010, but without regard to the provisions of
14.10 sections 501 and 901 of Public Law 107-16.

14.11 (4) "Minnesota adjusted taxable estate" means federal adjusted taxable estate as
14.12 defined by section 2011(b)(3) of the Internal Revenue Code, ~~increased by~~ plus

14.13 (i) the amount of deduction for state death taxes allowed under section 2058 of
14.14 the Internal Revenue Code; less

14.15 (ii) (A) the value of qualified small business property under section 291.03,
14.16 subdivision 9, and the value of qualified farm property under section 291.03, subdivision
14.17 10, or (B) \$4,000,000, whichever is less.

14.18 (5) "Minnesota gross estate" means the federal gross estate of a decedent after (a)
14.19 excluding therefrom any property included therein which has its situs outside Minnesota,
14.20 and (b) including therein any property omitted from the federal gross estate which is
14.21 includable therein, has its situs in Minnesota, and was not disclosed to federal taxing
14.22 authorities.

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

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

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

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

15.1 intangible personal property, the state or country in which the decedent was domiciled
15.2 at death.

15.3 **EFFECTIVE DATE.** This section is effective for decedents dying after December
15.4 31, 2010.

15.5 Sec. 11. Minnesota Statutes 2010, section 291.03, subdivision 1, is amended to read:

15.6 Subdivision 1. **Tax amount.** (a) The tax imposed shall be an amount equal to the
15.7 proportion of the maximum credit for state death taxes computed under section 2011
15.8 of the Internal Revenue Code, but using Minnesota adjusted taxable estate instead of
15.9 federal adjusted taxable estate, as the Minnesota gross estate bears to the value of the
15.10 federal gross estate.

15.11 (b) The tax determined under this subdivision must not be greater than the sum of
15.12 the following amounts multiplied by a fraction, the numerator of which is the Minnesota
15.13 gross estate and the denominator of which is the federal gross estate:

15.14 (1) the rates and brackets under section 2001(c) of the Internal Revenue Code
15.15 multiplied by the sum of:

15.16 (i) the taxable estate, as defined under section 2051 of the Internal Revenue Code;
15.17 plus

15.18 (ii) adjusted taxable gifts, as defined in section 2001(b) of the Internal Revenue
15.19 Code; less

15.20 (iii) the lesser of (A) the sum of the value of qualified small business property
15.21 under subdivision 9, and the value of qualified farm property under subdivision 10,
15.22 or (B) \$4,000,000; less

15.23 (2) the amount of tax allowed under section 2001(b)(2) of the Internal Revenue
15.24 Code; and less

15.25 (3) the federal credit allowed under section 2010 of the Internal Revenue Code.

15.26 (c) For purposes of this subdivision, "Internal Revenue Code" means the Internal
15.27 Revenue Code of 1986, as amended through December 31, 2000.

15.28 **EFFECTIVE DATE.** This section is effective for decedents dying after December
15.29 31, 2010.

15.30 Sec. 12. Minnesota Statutes 2010, section 291.03, is amended by adding a subdivision
15.31 to read:

15.32 **Subd. 8. Definitions.** (a) For purposes of this section, the following terms have the
15.33 meanings given in this subdivision.

(b) "Family member" means a family member as defined in section 2032A(e)(2) of the Internal Revenue Code.

(c) "Qualified heir" means a family member who acquired qualified property from the decedent and satisfies the requirement under subdivision 9, clause (6), or subdivision 10, clause (4), for the property.

(d) "Qualified property" means qualified small business property under subdivision 9 and qualified farm property under subdivision 10.

EFFECTIVE DATE. This section is effective for decedents dying after December 31, 2010.

Sec. 13. Minnesota Statutes 2010, section 291.03, is amended by adding a subdivision to read:

Subd. 9. Qualified small business property. Property satisfying all of the following requirements is qualified small business property:

(1) The value of the property was included in the federal adjusted taxable estate.

(2) The property consists of the assets of a trade or business or shares of stock or other ownership interests in a corporation or other entity engaged in a trade or business. The decedent or the decedent's spouse must have materially participated in the trade or business within the meaning of section 469 of the Internal Revenue Code during the taxable year that ended before the date of the decedent's death. Shares of stock in a corporation or an ownership interest in another type of entity do not qualify under this subdivision if the shares or ownership interests are traded on a public stock exchange at any time during the three-year period ending on the decedent's date of death.

(3) The gross annual sales of the trade or business were \$10,000,000 or less for the last taxable year that ended before the date of the death of the decedent.

(4) The property does not consist of cash or cash equivalents. For property consisting of shares of stock or other ownership interests in an entity, the amount of cash or cash equivalents held by the corporation or other entity must be deducted from the value of the property qualifying under this subdivision in proportion to the decedent's share of ownership of the entity on the date of death.

(5) The decedent continuously owned the property for the three-year period ending on the date of death of the decedent.

(6) A family member continuously uses the property in the operation of the trade or business for three years following the date of death of the decedent.

17.1 (7) The estate and the qualified heir elect to treat the property as qualified small
17.2 business property and agree, in the form prescribed by the commissioner, to pay the
17.3 recapture tax under subdivision 11, if applicable.

17.4 **EFFECTIVE DATE.** This section is effective for decedents dying after December
17.5 31, 2010.

17.6 Sec. 14. Minnesota Statutes 2010, section 291.03, is amended by adding a subdivision
17.7 to read:

17.8 Subd. 10. **Qualified farm property.** Property satisfying all of the following
17.9 requirements is qualified farm property:

17.10 (1) The value of the property was included in the federal adjusted taxable estate.

17.11 (2) The property consists of a farm meeting the requirements of section 500.24,
17.12 and was classified for property tax purposes as the homestead of the decedent or the
17.13 decedent's spouse or both under section 273.124, and as class 2a property under section
17.14 273.13, subdivision 23.

17.15 (3) The decedent continuously owned the property for the three-year period ending
17.16 on the date of death of the decedent.

17.17 (4) A family member continuously uses the property in the operation of the trade or
17.18 business for three years following the date of death of the decedent.

17.19 (5) The estate and the qualified heir elect to treat the property as qualified farm
17.20 property and agree, in a form prescribed by the commissioner, to pay the recapture tax
17.21 under subdivision 11, if applicable.

17.22 **EFFECTIVE DATE.** This section is effective for decedents dying after December
17.23 31, 2010.

17.24 Sec. 15. Minnesota Statutes 2010, section 291.03, is amended by adding a subdivision
17.25 to read:

17.26 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and
17.27 before the death of the qualified heir, the qualified heir disposes of any interest in the
17.28 qualified property, other than by a disposition to a family member, or a family member
17.29 ceases to use the qualified property which was acquired or passed from the decedent, an
17.30 additional estate tax is imposed on the property.

17.31 (b) The amount of the additional tax equals the amount of the exclusion claimed by
17.32 the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

18.1 (c) The additional tax under this subdivision is due on the day which is six months
18.2 after the date of the disposition or cessation in paragraph (a).

18.3 **EFFECTIVE DATE.** This section is effective for decedents dying after December
18.4 31, 2010.

18.5 Sec. 16. **INCOME TAX RECIPROCITY BENCHMARK STUDY.**

18.6 (a) The Department of Revenue, in conjunction with the Wisconsin Department of
18.7 Revenue, must conduct a study to determine at least the following:

18.8 (1) the number of residents of each state who earn income from personal services in
18.9 the other state;

18.10 (2) the total amount of income earned by residents of each state who earn income
18.11 from personal services in the other state; and

18.12 (3) the change in tax revenue in each state if an income tax reciprocity arrangement
18.13 were resumed between the two states under which the taxpayers were required to pay
18.14 income taxes on the income only in their state of residence.

18.15 (b) The study must be conducted as soon as practicable, using information obtained
18.16 from each state's income tax returns for tax year 2011, and from any other source of
18.17 information the departments determine is necessary to complete the study.

18.18 (c) No later than March 1, 2013, the Department of Revenue must submit a report
18.19 containing the results of the study to the governor and to the chairs and ranking minority
18.20 members of the legislative committees having jurisdiction over taxes.

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

18.22 Sec. 17. **ESTATE TAX; STUDY.**

18.23 (a) The commissioner of revenue shall conduct a study of the Minnesota estate tax.
18.24 The study must include at least the following elements:

18.25 (1) evaluation of the estate tax using standard tax policy principles and methods of
18.26 analysis;

18.27 (2) consideration of the implications of recent federal estate tax changes, including
18.28 the repeal of the federal credit for state death taxes, the increase in the federal exclusion
18.29 amount, and the portability of the federal exclusion, for state estate and inheritance taxes;

18.30 (3) consideration of the advantages and disadvantages of revenue neutral alternatives
18.31 to the estate tax, such as an inheritance tax, a complementary gift tax, or imposition of
18.32 the income tax on bequests; and

(4) analysis of the available empirical evidence on the effects of the present and alternative tax structures of a Minnesota tax on estates or inheritances on domicile and migration decisions of residents and the implications for state revenues.

(b) In preparing the study, the commissioner shall consult with and seek advice from the probate and estate section of the Minnesota State Bar Association.

(c) By February 1, 2012, the commissioner shall submit a report to the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over taxation, of the findings of the study and identification of issues for policy makers to consider in deciding whether to revise, reform, replace, or repeal the estate tax.

Sec. 18. **APPROPRIATIONS.**

\$291,000 in fiscal year 2012 and \$314,000 in fiscal year 2013 are appropriated from the general fund to the commissioner of revenue for the income reciprocity benchmark study required under section 16. The appropriation under this section is onetime and is not added to the agency's base budget.

ARTICLE 2

FEDERAL UPDATE

Section 1. Minnesota Statutes 2010, section 289A.02, subdivision 7, as amended by Laws 2011, chapter 8, section 1, is amended to read:

Subd. 7. **Internal Revenue Code.** Unless specifically defined otherwise, ~~for taxable years beginning before January 1, 2010, and after December 31, 2010, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through March 18, 2010; and for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010.~~

EFFECTIVE DATE. This section is effective the day following final enactment for taxable years beginning after December 31, 2009.

Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19, as amended by Laws 2011, chapter 8, section 2, is amended to read:

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

Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

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

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

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

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

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

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

The Internal Revenue Code of 1986, as amended through ~~March 18~~ December 31, 2010, shall be in effect for taxable years beginning after December 31, 1996, ~~except that for taxable years beginning after December 31, 2009, and before January 1, 2011,~~ "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2010~~. The provisions of the act of January 22, 2010, Public Law 111-126, to accelerate the benefits for charitable cash contributions for the relief of victims of the Haitian earthquake, are effective at the same time it became effective for federal purposes and apply to the subtraction under subdivision 19b, clause (6). The provisions of title II, section 2112, of the act of September 27, 2010, Public Law 111-240, rollovers from elective deferral plans to designated Roth accounts, are effective at the same time they became effective for federal purposes and taxable rollovers are included in net income at the same time they are included in gross income for federal purposes.

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

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

21.4 Sec. 3. Minnesota Statutes 2010, section 290.01, subdivision 19a, as amended by Laws
21.5 2011, chapter 8, section 3, is amended to read:

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

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

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

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

21.16 (B) the portion of the exempt-interest dividends derived from interest income
21.17 on obligations of the state of Minnesota or its political or governmental subdivisions,
21.18 municipalities, governmental agencies or instrumentalities, but only if the portion of the
21.19 exempt-interest dividends from such Minnesota sources paid to all shareholders represents
21.20 95 percent or more of the exempt-interest dividends, including any dividends exempt
21.21 under subitem (A), that are paid by the regulated investment company as defined in section
21.22 851(a) of the Internal Revenue Code, or the fund of the regulated investment company as
21.23 defined in section 851(g) of the Internal Revenue Code, making the payment; and

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

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

22.1 this paragraph, the disallowance of itemized deductions under section 68 of the Internal
22.2 Revenue Code of 1986, income, sales and use, motor vehicle sales, or excise taxes are
22.3 the last itemized deductions disallowed;

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

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

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

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

22.17 (7) 80 percent of the depreciation deduction allowed under section 168(k) of the
22.18 Internal Revenue Code. For purposes of this clause, if the taxpayer has an activity that
22.19 in the taxable year generates a deduction for depreciation under section 168(k) and the
22.20 activity generates a loss for the taxable year that the taxpayer is not allowed to claim for
22.21 the taxable year, "the depreciation allowed under section 168(k)" for the taxable year is
22.22 limited to excess of the depreciation claimed by the activity under section 168(k) over the
22.23 amount of the loss from the activity that is not allowed in the taxable year. In succeeding
22.24 taxable years when the losses not allowed in the taxable year are allowed, the depreciation
22.25 under section 168(k) is allowed;

22.26 (8) 80 percent of the amount by which the deduction allowed by section 179 of the
22.27 Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
22.28 Revenue Code of 1986, as amended through December 31, 2003;

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

22.31 (10) for taxable years beginning before January 1, 2013, the exclusion allowed
22.32 under section 139A of the Internal Revenue Code for federal subsidies for prescription
22.33 drug plans;

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

(12) for taxable years beginning before January 1, 2010, ~~and after December 31, 2010~~, 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) for taxable years beginning before January 1, 2010, ~~and after December 31, 2010~~, 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;

(18) to the extent included in the computation of federal taxable income in taxable years beginning after December 31, 2010, the amount of disallowed itemized deductions;

(i) The amount of disallowed itemized deductions is equal to the lesser of:

(A) three percent of the excess of the taxpayer's federal adjusted gross income over the applicable amount; or

(B) 80 percent of the amount of the itemized deductions otherwise allowable to the taxpayer under the Internal Revenue Code for the taxable year.

(ii) The term "applicable amount" means \$100,000, or \$50,000 in the case of a married individual filing a separate return. Each dollar amount shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof.

(iii) The term "itemized deductions" does not include:

(A) the deduction for medical expenses under section 213 of the Internal Revenue Code;

(B) any deduction for investment interest as defined in section 163(d) of the Internal Revenue Code; and

(C) the deduction under section 165(a) of the Internal Revenue Code for casualty or theft losses described in paragraph (2) or (3) of section 165(c) of the Internal Revenue Code or for losses described in section 165(d) of the Internal Revenue Code;

(19) to the extent included in federal taxable income in taxable years beginning after December 31, 2010, the amount of disallowed personal exemptions for taxpayers with federal adjusted gross income over the threshold amount;

(i) The disallowed personal exemption amount is equal to the dollar amount of the personal exemptions claimed by the taxpayer in the computation of federal taxable income multiplied by the applicable percentage.

(ii) "Applicable percentage" means two percentage points for each \$2,500 (or fraction thereof) by which the taxpayer's federal adjusted gross income for the taxable year exceeds the threshold amount. In the case of a married individual filing a separate return, the preceding sentence shall be applied by substituting "\$1,250" for "\$2,500." In no event shall the applicable percentage exceed 100 percent.

(iii) The term "threshold amount" means:

(A) \$150,000 in the case of a joint return or a surviving spouse;

(B) \$125,000 in the case of a head of a household;

(C) \$100,000 in the case of an individual who is not married and who is not a surviving spouse or head of a household; and

(D) \$75,000 in the case of a married individual filing a separate return.

(iv) The thresholds shall be increased by an amount equal to:

(A) such dollar amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) of the Internal Revenue Code for the calendar year in which the taxable year begins, by substituting "calendar year 1990" for "calendar year 1992" in subparagraph (B) thereof; and

(20) for taxable years beginning after December 31, 2010, the amount deducted for employer-provided educational assistance programs under section 127 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010, except that the change to clause (10) is effective the day following final enactment.

Sec. 4. Minnesota Statutes 2010, section 290.01, subdivision 19c, as amended by Laws 2011, chapter 8, section 4, is amended to read:

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

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

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

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

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

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

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

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

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

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

(10) 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, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(11) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend shall be reduced by the amount of the addition to income required by clauses (20), (21), (22), and (23);

(12) 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;

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

(14) any increase 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;

(15) 80 percent of the depreciation deduction allowed under section 168(k)(1)(A) and (k)(4)(A) 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)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable year that the taxpayer is not allowed to claim for the taxable year, "the depreciation allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A) over the amount of the loss from the activity that is not allowed in the taxable year. In succeeding taxable years when the losses not allowed in the taxable year are allowed, the depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

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

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

(18) for taxable years beginning before January 1, 2013, the exclusion allowed under section 139A of the Internal Revenue Code for federal subsidies for prescription drug plans;

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

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

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

- 27.1 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting
27.2 transactions;
27.3 (iii) royalty, patent, technical, and copyright fees;
27.4 (iv) licensing fees; and
27.5 (v) other similar expenses and costs.

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

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

27.14 (21) except as already included in the taxpayer's taxable income pursuant to clause
27.15 (20), any interest income and income generated from intangible property received or
27.16 accrued by a foreign operating corporation that is a member of the taxpayer's unitary
27.17 group. For purposes of this clause, income generated from intangible property includes:

- 27.18 (i) income related to the direct or indirect acquisition, use, maintenance or
27.19 management, ownership, sale, exchange, or any other disposition of intangible property;
27.20 (ii) income from factoring transactions or discounting transactions;
27.21 (iii) royalty, patent, technical, and copyright fees;
27.22 (iv) licensing fees; and
27.23 (v) other similar income.

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

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

27.31 (22) the dividends attributable to the income of a foreign operating corporation that
27.32 is a member of the taxpayer's unitary group in an amount that is equal to the dividends
27.33 paid deduction of a real estate investment trust under section 561(a) of the Internal
27.34 Revenue Code for amounts paid or accrued by the real estate investment trust to the
27.35 foreign operating corporation;

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

(24) for taxable years beginning before January 1, 2010, ~~and after December 31, 2010~~, the additional amount allowed as a deduction for donation of computer technology and equipment under section 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

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

EFFECTIVE DATE. The change to clause (24) is effective for taxable years beginning after December 31, 2010. The change to clause (18) is effective the day following final enactment.

Sec. 5. Minnesota Statutes 2010, section 290.01, subdivision 31, as amended by Laws 2011, chapter 8, section 5, is amended to read:

Subd. 31. **Internal Revenue Code.** Unless specifically defined otherwise, ~~for taxable years beginning before January 1, 2010, and after December 31, 2010~~, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~March 18~~ December 31, 2010, ~~and for taxable years beginning after December 31, 2009, and before January 1, 2011~~, "Internal Revenue Code" means the Internal Revenue Code of ~~1986, as amended through December 31, 2010~~. Internal Revenue Code also includes any uncodified provision in federal law that relates to provisions of the Internal Revenue Code that are incorporated into Minnesota law. When used in this chapter, the reference to "subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code" is to the Internal Revenue Code as amended through March 18, 2010.

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

Sec. 6. Minnesota Statutes 2010, section 290.06, subdivision 2c, is amended to read:

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

(1) On the first \$25,680, 5.35 percent;

29.1 (2) On all over \$25,680, but not over \$102,030, 7.05 percent;

29.2 (3) On all over \$102,030, 7.85 percent.

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

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

29.8 (1) On the first \$17,570, 5.35 percent;

29.9 (2) On all over \$17,570, but not over \$57,710, 7.05 percent;

29.10 (3) On all over \$57,710, 7.85 percent.

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

29.14 (1) On the first \$21,630, 5.35 percent;

29.15 (2) On all over \$21,630, but not over \$86,910, 7.05 percent;

29.16 (3) On all over \$86,910, 7.85 percent.

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

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

29.28 (1) the numerator is the individual's Minnesota source federal adjusted gross income
29.29 as defined in section 62 of the Internal Revenue Code and increased by the additions
29.30 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12),
29.31 (13), (16), ~~and (17), and (20)~~, and reduced by the Minnesota assignable portion of the
29.32 subtraction for United States government interest under section 290.01, subdivision 19b,
29.33 clause (1), and the subtractions under section 290.01, subdivision 19b, clauses (8), (9),
29.34 (13), (14), (15), and (17), after applying the allocation and assignability provisions of
29.35 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 (20)~~, and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (8), (9), (13), (14), (15), and (17).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 7. Minnesota Statutes 2010, section 290A.03, subdivision 15, as amended by Laws 2011, chapter 8, section 6, is amended to read:

Subd. 15. **Internal Revenue Code.** ~~For taxable years beginning before January 1, 2010, and after December 31, 2010, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through March 18~~ December 31, 2010; and for taxable years beginning after December 31, 2009, and before January 1, 2011, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 2010.

EFFECTIVE DATE. This section is effective for property tax refunds based on property taxes payable on or after December 31, 2011, and rent paid on or after December 31, 2010.

Sec. 8. Minnesota Statutes 2010, section 291.005, subdivision 1, is amended to read:

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

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

(2) "Federal gross estate" means the gross estate of a decedent as required to be valued and otherwise determined for federal estate tax purposes under the Internal Revenue Code.

(3) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through ~~March 18~~ December 31, 2010, but without regard to the provisions of sections 501 and 901 of Public Law 107-16, as amended by Public Law 111-312, and section 301(c) of Public Law 111-312.

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

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

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

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

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

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

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

ARTICLE 3

SALES AND USE TAXES

Section 1. Minnesota Statutes 2010, section 289A.20, subdivision 4, is amended to read:

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

~~(1)~~ use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year, ~~and~~

~~(2) except as provided in paragraph (f), for a vendor having a liability of \$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter 297A, except as provided in paragraph (b), are due and payable to the commissioner monthly in the following manner:~~

~~(i) On or before the 14th day of the month following the month in which the taxable event occurred, the vendor must remit to the commissioner 90 percent of the estimated liability for the month in which the taxable event occurred.~~

~~(ii) On or before the 20th day of the month in which the taxable event occurs, the vendor must remit to the commissioner a prepayment for the month in which the taxable event occurs equal to 67 percent of the liability for the previous month.~~

~~(iii) On or before the 20th day of the month following the month in which the taxable event occurred, the vendor must pay any additional amount of tax not previously remitted under either item (i) or (ii) or, if the payment made under item (i) or (ii) was greater than the vendor's liability for the month in which the taxable event occurred, the vendor may take a credit against the next month's liability in a manner prescribed by the commissioner.~~

~~(iv) Once the vendor first pays under either item (i) or (ii), the vendor is required to continue to make payments in the same manner, as long as the vendor continues having a liability of \$120,000 or more during the most recent fiscal year ending June 30.~~

~~(v) Notwithstanding items (i), (ii), and (iv), if a vendor fails to make the required payment in the first month that the vendor is required to make a payment under either item (i) or (ii), then the vendor is deemed to have elected to pay under item (ii) and must make subsequent monthly payments in the manner provided in item (ii).~~

~~(vi) For vendors making an accelerated payment under item (ii), for the first month that the vendor is required to make the accelerated payment, on the 20th of that month, the vendor will pay 100 percent of the liability for the previous month and a prepayment for the first month equal to 67 percent of the liability for the previous month.~~

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

~~(1) Two business days before June 30 of the year, the vendor must remit 90 percent of the estimated June liability to the commissioner.~~

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

~~(c) A vendor having a liability of:~~

~~(1) \$10,000 or more, but less than \$120,000 during a fiscal year ending June 30, 2009, and fiscal years thereafter, must remit by electronic means all liabilities on returns~~

due for periods beginning in the subsequent calendar year on or before the 20th day of the month following the month in which the taxable event occurred, or on or before the 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4; or

(2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years thereafter, must remit by electronic means all liabilities in the manner provided in paragraph (a), ~~clause (2)~~, on returns due for periods beginning in the subsequent calendar year, except for 90 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 20.

(d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's religious beliefs from paying electronically shall be allowed to remit the payment by mail. The filer must notify the commissioner of revenue of the intent to pay by mail before doing so on a form prescribed by the commissioner. No extra fee may be charged to a person making payment by mail under this paragraph. The payment must be postmarked at least two business days before the due date for making the payment in order to be considered paid on a timely basis.

~~(e) Whenever the liability is \$120,000 or more separately for: (1) the tax imposed under chapter 297A; (2) a fee that is to be reported on the same return as and paid with the chapter 297A taxes; or (3) any other tax that is to be reported on the same return as and paid with the chapter 297A taxes, then the payment of all the liabilities on the return must be accelerated as provided in this subdivision.~~

~~(f) At the start of the first calendar quarter at least 90 days after the cash flow account established in section 16A.152, subdivision 1, and the budget reserve account established in section 16A.152, subdivision 1a, reach the amounts listed in section 16A.152, subdivision 2, paragraph (a), the remittance of the accelerated payments required under paragraph (a), clause (2), must be suspended. The commissioner of management and budget shall notify the commissioner of revenue when the accounts have reached the required amounts. Beginning with the suspension of paragraph (a), clause (2), for a vendor with a liability of \$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes imposed by chapter 297A are due and payable to the commissioner on the 20th day of the month following the month in which the taxable event occurred. Payments of tax liabilities for taxable events occurring in June under paragraph (b) are not changed.~~

EFFECTIVE DATE. This section is effective for taxes due and payable after July 1, 2011.

34.1 Sec. 2. Minnesota Statutes 2010, section 297A.61, subdivision 3, is amended to read:

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

34.4 (b) Sale and purchase include:

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

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

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

34.13 (d) Sale and purchase include the preparing for a consideration of food.

34.14 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited
34.15 to, the following:

34.16 (1) prepared food sold by the retailer;

34.17 (2) soft drinks;

34.18 (3) candy;

34.19 (4) dietary supplements; and

34.20 (5) all food sold through vending machines.

34.21 (e) A sale and a purchase includes the furnishing for a consideration of electricity,
34.22 gas, water, or steam for use or consumption within this state.

34.23 (f) A sale and a purchase includes the transfer for a consideration of prewritten
34.24 computer software whether delivered electronically, by load and leave, or otherwise.

34.25 (g) A sale and a purchase includes the furnishing for a consideration of the following
34.26 services:

34.27 (1) the privilege of admission to places of amusement, recreational areas, or athletic
34.28 events, and the making available of amusement devices, tanning facilities, reducing
34.29 salons, steam baths, Turkish baths, health clubs, and spas or athletic facilities;

34.30 (2) lodging and related services by a hotel, rooming house, resort, campground,
34.31 motel, or trailer camp, including furnishing the guest of the facility with access to
34.32 telecommunication services, and the granting of any similar license to use real property
34.33 in a specific facility, other than the renting or leasing of it for a continuous period of
34.34 30 days or more under an enforceable written agreement that may not be terminated
34.35 without prior notice;

(3) nonresidential parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

(i) the club, association, or other organization makes available for the use of its members sports and athletic facilities, without regard to whether a separate charge is assessed for use of the facilities; and

(ii) use of the sports and athletic facility is not made available to the general public on the same basis as it is made available to members.

Granting of membership means both onetime initiation fees and periodic membership dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and squash courts; basketball and volleyball facilities; running tracks; exercise equipment; swimming pools; and other similar athletic or sports facilities;

(5) delivery of aggregate materials by a third party, excluding delivery of aggregate material used in road construction, and delivery of concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the concrete block; and

(6) services as provided in this clause:

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

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

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

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

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal, except when performed as part of a land

clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

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

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

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

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

For purposes of clause (5), "road construction" means construction of (1) public roads, (2) cartways, and (3) private roads in townships located outside of the seven-county metropolitan area up to the point of the emergency response location sign.

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

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, ancillary services associated with telecommunication services, cable television services, and direct satellite services, ~~and ring tones.~~

Telecommunication services include, but are not limited to, the following services, as defined in section 297A.669: air-to-ground radiotelephone service, mobile telecommunication service, postpaid calling service, prepaid calling service, prepaid wireless calling service, and private communication services. The services in this paragraph are taxed to the extent allowed under federal law.

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

37.4 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer
37.5 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)
37.6 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section
37.7 59B.02, subdivision 11.

37.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
37.9 June 30, 2011.

37.10 Sec. 3. Minnesota Statutes 2010, section 297A.62, is amended by adding a subdivision
37.11 to read:

37.12 Subd. 5. **Transitional period for services.** When there is a change in the rate of tax
37.13 imposed by this section, the following transitional period shall apply to the retail sale of
37.14 services covering a billing period starting before and ending after the statutory effective
37.15 date of the rate change:

37.16 (1) for a rate increase, the new rate shall apply to the first billing period starting
37.17 on or after the effective date; and

37.18 (2) for a rate decrease, the new rate shall apply to bills rendered on or after the
37.19 effective date.

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

37.21 Sec. 4. Minnesota Statutes 2010, section 297A.63, is amended by adding a subdivision
37.22 to read:

37.23 Subd. 3. **Transitional period for services.** When there is a change in the rate of
37.24 tax imposed by this section, the following transitional period shall apply to the taxable
37.25 services purchased for use, storage, distribution, or consumption in this state when the
37.26 service purchased covers a billing period starting before and ending after the statutory
37.27 effective date of the rate change:

37.28 (1) for a rate increase, the new rate shall apply to the first billing period starting
37.29 on or after the effective date; and

37.30 (2) for a rate decrease, the new rate shall apply to bills rendered on or after the
37.31 effective date.

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

Sec. 5. Minnesota Statutes 2010, section 297A.668, subdivision 7, is amended to read:

Subd. 7. **Advertising and promotional direct mail.** (a) Notwithstanding other subdivisions of this section, the provisions in paragraphs (b) to (e) apply to the sale of advertising and promotional direct mail. "Advertising and promotional direct mail" means printed material that is direct mail as defined in section 297A.61, subdivision 35, the primary purpose of which is to attract public attention to a product, person, business, or organization, or to attempt to sell, popularize, or secure financial support for a person, business, organization, or product. "Product" includes tangible personal property, a digital product transferred electronically, or a service.

~~(b) A purchaser of advertising and promotional direct mail that is not a holder of a direct pay permit shall provide to the seller, in conjunction with the purchase, either a direct mail form or~~ may provide the seller with either:

(1) a fully completed exemption certificate as described in section 297A.72 indicating that the purchaser is authorized to pay any sales or use tax due on purchases made by the purchaser directly to the commissioner under section 297A.89;

(2) a fully completed exemption certificate claiming an exemption for direct mail; or

(3) information to show showing the jurisdictions to which the advertising and promotional direct mail is to be delivered to recipients.

~~(1) Upon receipt of the direct mail form, (c) In the absence of bad faith, if the purchaser provides one of the exemption certificates indicated in paragraph (b), clauses (1) and (2), the seller is relieved of all obligations to collect, pay, or remit the applicable tax and the purchaser is obligated to pay or remit the applicable tax on a direct pay basis. A direct mail form remains in effect for all future sales of direct mail by the seller to the purchaser until it is revoked in writing. tax on any transaction involving advertising and promotional direct mail to which the certificate applies. The purchaser shall source the sale to the jurisdictions to which the advertising and promotional direct mail is to be delivered to the recipients of the mail, and shall report and pay any applicable tax due.~~

~~(2) Upon receipt of (d) If the purchaser provides the seller information from the purchaser showing the jurisdictions to which the advertising and promotional direct mail is to be delivered to recipients, the seller shall source the sale to the jurisdictions to which the advertising and promotional direct mail is to be delivered and shall collect and remit the applicable tax according to the delivery information provided by the purchaser. In the absence of bad faith, the seller is relieved of any further obligation to collect any additional tax on any transaction for which the sale of advertising and promotional direct mail where the seller has collected tax pursuant~~ sourced the sale according to the delivery information provided by the purchaser.

~~(b) (e) If the purchaser of direct mail does not have a direct pay permit and does not provide the seller with either a direct mail form or delivery information, as required by paragraph (a), the seller shall collect the tax according to any of the items listed in paragraph (b), the sale shall be sourced under subdivision 2, paragraph (f). Nothing in this paragraph limits a purchaser's obligation for sales or use tax to any state to which the direct mail is delivered.~~

~~(c) If a purchaser of direct mail provides the seller with documentation of direct pay authority, the purchaser is not required to provide a direct mail form or delivery information to the seller.~~

(f) This subdivision does not apply to printed materials that result from developing billing information or providing any data processing service that is more than incidental to producing the printed materials, regardless of whether advertising and promotional direct mail is included in the same mailing.

(g) If a transaction is a bundled transaction that includes advertising and promotional direct mail, this subdivision applies only if the primary purpose of the transaction is the sale of products or services that meet the definition of advertising and promotional direct mail.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 6. Minnesota Statutes 2010, section 297A.668, is amended by adding a subdivision to read:

Subd. 7a. **Other direct mail.** (a) Notwithstanding other subdivisions of this section, the provisions in paragraphs (b) and (c) apply to the sale of other direct mail. "Other direct mail" means printed material that is direct mail as defined in section 297A.61, subdivision 35, but is not advertising and promotional direct mail as described in subdivision 7, regardless of whether advertising and promotional direct mail is included in the same mailing. Other direct mail includes, but is not limited to:

(1) direct mail pertaining to a transaction between the purchaser and addressee, where the mail contains personal information specific to the addressee including, but not limited to, invoices, bills, statements of account, and payroll advices;

(2) any legally required mailings including, but not limited to, privacy notices, tax reports, and stockholder reports; and

(3) other nonpromotional direct mail delivered to existing or former shareholders, customers, employees, or agents including, but not limited to, newsletters and informational pieces.

Other direct mail does not include printed materials that result from developing billing information or providing any data processing service that is more than incidental to producing the other direct mail.

(b) A purchaser of other direct mail may provide the seller with either a fully completed exemption certificate as described in section 297A.72 indicating that the purchaser is authorized to pay any sales or use tax due on purchases made by the purchaser directly to the commissioner under section 297A.89, or a fully completed exemption certificate claiming an exemption for direct mail. If the purchaser provides one of the exemption certificates listed, then the seller, in the absence of bad faith, is relieved of all obligations to collect, pay, or remit the tax on any transaction involving other direct mail to which the certificate applies. The purchaser shall source the sale to the jurisdictions to which the other direct mail is to be delivered to the recipients of the mail, and shall report and pay any applicable tax due.

(c) If the purchaser does not provide the seller with a fully completed exemption certificate claiming either exemption listed in paragraph (b), the sale shall be sourced according to subdivision 2, paragraph (d).

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 7. Minnesota Statutes 2010, section 297A.68, is amended by adding a subdivision to read:

Subd. 42. **Resold admission tickets.** (a) When a ticket reseller who purchased a ticket from a seller who is in the business of selling tickets resells the ticket, the ticket reseller must charge tax on the total amount for which the ticket is resold and the following rules apply:

(1) if the ticket reseller did not use a fully completed exemption certificate to claim the exemption from tax for resale, but instead paid tax on the original purchase, then the ticket reseller may do one of the following:

(i) seek a refund of that tax under section 289A.50; or
(ii) pass through to the purchaser the amount of the tax the ticket reseller paid on the original purchase, by giving the purchaser credit for the Minnesota state and local tax paid by the ticket reseller on the ticket reseller's original purchase of the ticket. Credit for the tax cannot exceed either the sales tax paid on the original price of the ticket or the sales tax charged by the ticket reseller to the final purchaser;

(2) if the ticket reseller did not pay tax on the original purchase, tax is due on the full amount of the ticket when resold, without a credit given to the final purchaser; or

41.1 (3) the ticket reseller must retain records documenting the price and tax paid by the
41.2 ticket reseller when purchasing the ticket and the price and tax collected when the ticket
41.3 reseller resells the ticket.

41.4 (b) When a ticket reseller who purchased a ticket from a seller who is not in the
41.5 business of selling tickets resells the ticket, the ticket reseller must charge tax on the total
41.6 amount for which the ticket is resold and the following rules apply:

41.7 (1) the ticket reseller may credit its purchaser an amount equal to the tax the ticket
41.8 reseller would have paid its seller, had the seller been registered to collect tax on its
41.9 sale of the ticket to the ticket reseller. Credit for the tax cannot exceed either the sales
41.10 tax paid on the original price of the ticket or the sales tax charged by the ticket reseller
41.11 to the final purchaser. It is presumed that the original purchase price of the ticket is the
41.12 face amount of the ticket;

41.13 (2) if no tax was paid on the original purchase, tax is due on the full amount of the
41.14 ticket when resold, without a credit given to the ticket reseller's purchaser; and

41.15 (3) the ticket reseller must retain records documenting the price and tax paid by the
41.16 ticket reseller when purchasing the ticket and the price and tax collected when the ticket
41.17 reseller resells the ticket.

41.18 (c) For purposes of this subdivision, "ticket reseller" means a person who:

41.19 (1) purchases admission tickets to a sporting event, theater, musical performance, or
41.20 place of public entertainment or amusement of any kind;

41.21 (2) resells admission tickets to events under clause (1); and

41.22 (3) is registered to collect tax under this chapter.

41.23 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
41.24 June 30, 2011.

41.25 Sec. 8. Minnesota Statutes 2010, section 297A.70, subdivision 1, is amended to read:

41.26 Subdivision 1. **Scope.** (a) To the extent provided in this section, the gross receipts
41.27 from sales of items to or by, and storage, distribution, use, or consumption of items by the
41.28 organizations or units of local government listed in this section are specifically exempted
41.29 from the taxes imposed by this chapter.

41.30 (b) Notwithstanding any law to the contrary enacted before 1992, only sales to
41.31 governments and political subdivisions listed in this section are exempt from the taxes
41.32 imposed by this chapter.

41.33 (c) "Sales" includes purchases under an installment contract or lease purchase
41.34 agreement under section 465.71.

42.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
42.2 June 30, 2011.

42.3 Sec. 9. Minnesota Statutes 2010, section 297A.70, subdivision 2, is amended to read:

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

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

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

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

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

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

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

42.23 (7) towns.

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

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

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

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

42.34 (4) lodging as defined under section 297A.61, subdivision 3, paragraph (g),
42.35 clause (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in

section 297A.67, subdivision 2, except for lodging, prepared food, candy, soft drinks, and alcoholic beverages purchased directly by the United States or its agencies or instrumentalities; or

(5) goods or services purchased by a town that are generally provided by a private business and the purchases would be taxable if made by a private business engaged in the same activity.

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

(d) As used in this subdivision, "goods or services generally provided by a private business" include, but are not limited to, goods or services provided by liquor stores, gas and electric utilities, golf courses, marinas, health and fitness centers, campgrounds, cafes, and laundromats. "Goods or services generally provided by a private business" do not include housing services, sewer and water services, wastewater treatment, ambulance and other public safety services, correctional services, chore or homemaking services provided to elderly or disabled individuals, or road and street maintenance or lighting.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 10. Minnesota Statutes 2010, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **Sales of certain goods and services to government.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(2) machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(3) chore and homemaking services to a political subdivision of the state to be provided to elderly or disabled individuals;

(4) telephone services to the Office of Enterprise Technology that are used to provide telecommunications services through the enterprise technology revolving fund;

(5) firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(6) bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(7) motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), exempt from taxation under section 473.448, or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(8) equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment;

~~(9) sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of motor vehicles exempt from tax under section 297B.03, clause (10);~~

~~(10)~~ the removal of trees, bushes, or shrubs for the construction and maintenance of roads, trails, or firebreaks when purchased by an agency of the state or a political subdivision of the state; ~~and~~

~~(11)~~ (10) purchases by the Metropolitan Council or the Department of Transportation of vehicles and repair parts to equip operations provided for in section 174.90, including, but not limited to, the Northstar Corridor Rail project; and

(11) purchases of water used directly in providing public safety services by an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision.

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

(c) For purchases of items listed in paragraph (a), clause (11), 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, 2011, except that the new clause (11) is effective retroactively for sales and purchases made after June 30, 2007; however, for purposes of the new clause (11), no refunds may be made for amounts already paid on water purchased between June 30, 2007, and January 30, 2010.

Sec. 11. Minnesota Statutes 2010, section 297A.70, subdivision 8, is amended to read:

Subd. 8. **Regionwide Public safety radio communication system systems; products and services.** Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio communication system established under sections 403.21 to 403.40 systems, including public safety radio dispatch centers, are exempt. For purposes of this subdivision, backbone system is defined in section 403.21, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption for use in the first and second phases of the system, as defined in section 403.21, subdivisions 3, 10, and 11, that portion of the third phase of the system that is located in the southeast district of the State Patrol and the counties of Benton, Sherburne, Stearns, and Wright, and that portion of the system that is located in Itasca County.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2009. After July 1, 2013, purchasers may apply for a refund of tax paid for qualifying purchases under this subdivision made after December 31, 2009, and before July 1, 2013, in the manner provided in section 297A.75.

Sec. 12. Minnesota Statutes 2010, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

- (1) capital equipment exempt under section 297A.68, subdivision 5;
- (2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (3) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision 3;
- (5) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
- (6) elevators and building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;
- (8) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(9) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

(10) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;

(11) tangible personal property and taxable services and construction materials, supplies, and equipment exempt under section 297A.68, subdivision 41;

(12) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, clause (11);

(13) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

(14) materials, supplies, and equipment for construction or improvement of a meat processing facility exempt under section 297A.71, subdivision 41; ~~and~~

(15) materials, supplies, and equipment for construction, improvement, or expansion of an aerospace defense manufacturing facility exempt under section 297A.71, subdivision 42; and

(16) products and services for a regionwide public safety radio communication system exempt under section 297A.70, subdivision 8, purchased after December 31, 2009, and before July 1, 2013.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2009. After July 1, 2013, purchasers may apply for a refund of tax paid for qualifying purchases under this subdivision made after December 31, 2009, and before July 1, 2013, in the manner provided in section 297A.75.

Sec. 13. Minnesota Statutes 2010, section 297A.75, subdivision 2, is amended to read:

Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;

(2) for subdivision 1, clauses (4) and (7), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause (6), the applicant must be the owner of the homestead property;

(5) for subdivision 1, clause (8), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (9), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses (10), (11), (14), and (15), the owner of the qualifying business; and

(8) for subdivision 1, clauses (12) ~~and~~ (13), and (16), the applicant must be the governmental entity that owns or contracts for the project or facility.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2009. After July 1, 2013, purchasers may apply for a refund of tax paid for qualifying purchases under this subdivision made after December 31, 2009, and before July 1, 2013, in the manner provided in section 297A.75.

Sec. 14. Minnesota Statutes 2010, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), ~~or (15), or (16)~~, the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

(c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71, subdivision 40, must not be filed until after June 30, 2009.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2009. After July 1, 2013, purchasers may apply for a refund of tax paid for qualifying purchases under this subdivision made after December 31, 2009, and before July 1, 2013, in the manner provided in section 297A.75.

Sec. 15. Minnesota Statutes 2010, section 297A.82, subdivision 4, is amended to read:

Subd. 4. **Exemptions.** (a) The following transactions are exempt from the tax imposed in this chapter to the extent provided.

(b) The purchase or use of aircraft previously registered in Minnesota by a corporation or partnership is exempt if the transfer constitutes a transfer within the meaning of section 351 or 721 of the Internal Revenue Code.

(c) The sale to or purchase, storage, use, or consumption by a licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654 is exempt, if the aircraft is resold while the permit is in effect.

(d) Airflight equipment when sold to, or purchased, stored, used, or consumed by airline companies, as defined in section 270.071, subdivision 4, is exempt. For purposes of this subdivision, "airflight equipment" includes airplanes and parts necessary for the repair and maintenance of such airflight equipment, and flight simulators, but does not include airplanes with a gross weight of less than 30,000 pounds that are used on intermittent or irregularly timed flights.

(e) Sales of, and the storage, distribution, use, or consumption of aircraft, as defined in section 360.511 and approved by the Federal Aviation Administration, and which the seller delivers to a purchaser outside Minnesota or which, without intermediate use, is shipped or transported outside Minnesota by the purchaser are exempt, but only if the purchaser is not a resident of Minnesota and provided that the aircraft is not thereafter returned to a point within Minnesota, except in the course of interstate commerce or isolated and occasional use, and will be registered in another state or country upon its removal from Minnesota. This exemption applies even if the purchaser takes possession of the aircraft in Minnesota and uses the aircraft in the state exclusively for training purposes for a period not to exceed ten days prior to removing the aircraft from this state.

(f) The sale or purchase of aircraft and aircraft equipment, including parts necessary for repair and maintenance of such airflight equipment, as defined under Federal Aviation Regulations, Part 135, that has a maximum certified takeoff weight of 6,000 pounds or more are exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2011.

Sec. 16. REPEALER.

Minnesota Statutes 2010, section 289A.60, subdivision 31, is repealed.

EFFECTIVE DATE. This section is effective for taxes due and payable after July 1, 2011.

ARTICLE 4

ECONOMIC DEVELOPMENT

Section 1. **[116W.25] CITATION.**

Sections 116W.26 to 116W.34 may be cited as the "Minnesota science and technology program."

Sec. 2. **[116W.26] DEFINITIONS.**

Subdivision 1. **Applicability.** For the purposes of sections 116W.26 to 116W.34, the terms in this section have the meanings given them.

Subd. 2. **Authority.** "Authority" means the Minnesota Science and Technology Authority established under this chapter.

Subd. 3. **College or university.** "College or university" means an institution of postsecondary education, public or private, that grants undergraduate or postgraduate academic degrees, conducts significant research or development activities in the areas of science and technology.

Subd. 4. **Commercialization.** "Commercialization" means any of the full spectrum of activities required for a new technology, product, or process to be developed from its basic research of conceptual stage through applied research or development to the marketplace including, without limitation, the steps leading up to and including licensure, sales, and services.

Subd. 5. **Commercialized research project.** "Commercialized research project" means research conducted within a college or university or nonprofit research institution or by a qualified science and technology company that has shown advanced commercial potential through license agreements, patents, or other forms of invention disclosure, and by which a qualified science and technology company has been or is being currently formed.

Subd. 6. **Fund.** "Fund" means the Minnesota science and technology fund.

Subd. 7. **Nonprofit research institution.** "Nonprofit research institution" means an entity with its principle place of business in Minnesota, that qualifies under section 501(c) of the Internal Revenue Code, and that conducts significant research or development activities in this state in the areas of science and technology.

Subd. 8. **Program.** "Program" means the Minnesota science and technology program.

Subd. 9. **Qualified science and technology company.** "Qualified science and technology company" means a corporation, limited liability company, S corporation,

partnership, limited liability partnership, or sole proprietorship with fewer than 100 employees that is engaged in research, development, or production of science or technology in this state including, without limitation, research, development, or production directed toward developing or providing science and technology products, processes, or services for specific commercial or public purposes.

Sec. 3. [116W.27] MINNESOTA SCIENCE AND TECHNOLOGY FUND.

A Minnesota science and technology fund is created in the state treasury. The fund is a direct-appropriated special revenue fund. Money of the authority must be paid to the commissioner of management and budget as agent of the authority and the commissioner shall not commingle the money with other money. The money in the fund must be paid out only on warrants drawn by the commissioner of management and budget on requisition of the executive director of the authority or designee.

Sec. 4. [116W.28] MINNESOTA SCIENCE AND TECHNOLOGY FUND; AUTHORIZED USES.

The Minnesota science and technology fund may be used for the following to:
(1) establish the commercialized research program authorized under section 116W.29;
(2) establish the federal research and development support program under section 116W.30;
(3) establish the industry technology and competitiveness program under section 116W.31; and
(4) carry out the powers of the authority authorized under sections 116W.04 and 116W.32 that are in support of the programs in clauses (1) to (3).

Sec. 5. [116W.29] COMMERCIALIZED RESEARCH PROGRAM.

(a) The authority may establish a commercialized research program. The purpose of the program is to accelerate the commercialization of science and technology products, processes, or services from colleges or universities, nonprofit research institutions or qualified science and technology companies that lead to an increase in science and technology businesses and jobs. The program shall:
(1) provide science and technology gap funding of up to \$250,000 per science and technology research project to assist in the commercialization and transfer of science and technology research projects from a college or university or nonprofit research institution to a qualified science and technology company; and

(2) provide funding of up to \$250,000 for early stage development for qualified science and technology companies to conduct commercialized research projects.

(b) All activities under the commercialized research program must require:

(1) written criteria set by the authority for the application, award, and use of the funds;

(2) matching funds by the participating qualified science and technology company, college or university, or nonprofit research institution;

(3) no more than 15 percent of the funds awarded by the authority may be used for overhead costs; and

(4) a report by the participating qualified science and technology company, college or university, or nonprofit research institution that provides documentation of the use of funds and outcomes of the award. The report must be submitted to the authority within one calendar year of the date of the award.

Sec. 6. [116W.30] FEDERAL RESEARCH AND DEVELOPMENT SUPPORT PROGRAM.

The authority may establish a federal research and development support program. The purpose of the program is to increase and coordinate efforts to procure federal funding for research projects of primary benefit to qualified science and technology companies, colleges or universities, and nonprofit research institutions. The program shall:

(1) develop and execute a strategy to identify specific federal agencies and programs that support the growth of science and technology industries in this state; and

(2) provide grants to qualified science and technology companies:

(i) to assist in the development of federal Small Business Innovation (SBIR) or Small Business Technology Transfer (STTR) proposals; and

(ii) to match funds received through SBIR or STTR awards. No more than \$1,500,000 may be awarded in a year for matching grants under this clause.

Sec. 7. [116W.31] INDUSTRY INNOVATION AND COMPETITIVENESS PROGRAM.

(a) The authority may establish an industry technology and competitiveness program. The purpose of the program is to advance the technological capacity and competitiveness of existing and emerging science and technology industries. The program shall:

(1) provide matching funds to programs and organizations that assist entrepreneurs in starting and growing qualified science and technology companies including, but not

limited to, matching funds for mentoring programs, consulting and technical services, and related activities;

(2) fund initiatives that retain engineering, science, technology, and mathematical occupations in the state including, but not limited to, internships, mentoring, and support of industry and professional organizations; and

(3) fund initiatives that support the growth of targeted industry clusters and the competitiveness of existing qualified science and technology companies in developing and marketing new products and services.

(b) All activities under the industry innovation and competitiveness program shall require:

(i) written criteria set by the authority for the application, award, and use of the funds;

(ii) matching funds by the participating qualified science and technology company, college or university, or nonprofit research institution; and

(iii) a report by the participating qualified science and technology company, college or university, or nonprofit research institution providing documentation on the use of the funds and outcomes of the award. The report must be submitted to the authority within one calendar year from the date of the award.

Sec. 8. [116W.32] MINNESOTA SCIENCE AND TECHNOLOGY AUTHORITY; POWERS UNDER FUND.

Subdivision 1. General powers. The authority shall have all of the powers necessary to carry out the purposes and provisions of sections 116W.26 to 116W.34, including, but not limited to, those provided under section 116W.04 and the following:

(1) The authority may make awards in the forms of grants or loans, and charge and receive a reasonable interest for the loans, or take an equity position in form of stock, a convertible note, or other securities in consideration of an award. Interests, revenues, or other proceeds received as a result of a transaction authorized by use of this fund shall be deposited to the corpus of the fund and used in the same manner as the corpus of the fund.

(2) In awarding money from the fund, priority shall be given to proposals from qualified science and technology companies that have demonstrable economic benefit to the state in terms of the formation of a new private sector business entity, the creation of jobs, or the attraction of federal and private funding.

(3) In awarding money from the fund, priority shall be given to proposals from colleges or universities and nonprofit research institutions that:

(i) promote collaboration between any combination of colleges or universities, nonprofit research institutions, and private industry;

(ii) enhance existing research superiority by attracting new research entities, research talent, or resources to the state; and

(iii) create new research superiority that attracts significant researchers and resources from outside the state.

(4) Subject to the limits in this clause, money within the fund may be used for reasonable administrative expenses by the authority including staffing and direct operational expenses, and professional fees for accounting, legal, and other technical services required to carry out the intent of the program and administration of the fund. Administrative expenses may not exceed five percent of the first \$5,000,000 in the fund and two percent of any amount in excess of \$5,000,000.

(5) Before making an award, the authority shall enter into a written agreement with the entity receiving the award that specifies the uses of the award.

(6) If the award recipient has not used the award received for the purposes intended, as of the date provided in the agreement, the recipient shall repay that amount and any interest applicable under the agreement to the authority. All repayments must be deposited to the corpus of the fund.

Subd. 2. **Rules.** The authority may adopt rules to implement the programs authorized under sections 116W.29 to 116W.31.

Sec. 9. [116W.33] REPAYMENT.

An entity must repay all or a portion of the amount of any award, grant, loan, or financial assistance of any type paid by the authority under sections 116W.29 to 116W.32 if the entity relocates outside the state or ceases operation in Minnesota within four years from the date the authority provided the financial award. If the entity relocates outside of this state or ceases operation in Minnesota within three years of the financial award, the entity must repay 100 percent of the award. If the entity relocates or ceases operation in Minnesota after a period of three years but before four years from the date of the financial award, the entity must repay 75 percent of the financial award.

Sec. 10. [116W.34] EXPIRATION.

Sections 116W.26 to 116W.33 expire on the expiration date of the authority under section 116W.03, subdivision 7. Any unused money in the fund shall be deposited in the general fund.

Sec. 11. Minnesota Statutes 2010, section 469.176, subdivision 4c, is amended to read:

54.1 Subd. 4c. **Economic development districts.** (a) Revenue derived from tax
54.2 increment from an economic development district may not be used to provide
54.3 improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form
54.4 to developments consisting of buildings and ancillary facilities, if more than 15 percent
54.5 of the buildings and facilities (determined on the basis of square footage) are used for a
54.6 purpose other than:

54.7 (1) the manufacturing or production of tangible personal property, including
54.8 processing resulting in the change in condition of the property;

54.9 (2) warehousing, storage, and distribution of tangible personal property, excluding
54.10 retail sales;

54.11 (3) research and development related to the activities listed in clause (1) or (2);

54.12 (4) telemarketing if that activity is the exclusive use of the property;

54.13 (5) tourism facilities;

54.14 (6) qualified border retail facilities; or

54.15 (7) space necessary for and related to the activities listed in clauses (1) to (6).

54.16 (b) Notwithstanding the provisions of this subdivision, revenues derived from tax
54.17 increment from an economic development district may be used to provide improvements,
54.18 loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000
54.19 square feet of any separately owned commercial facility located within the municipal
54.20 jurisdiction of a small city, if the revenues derived from increments are spent only to
54.21 assist the facility directly or for administrative expenses, the assistance is necessary to
54.22 develop the facility, and all of the increments, except those for administrative expenses,
54.23 are spent only for activities within the district.

54.24 (c) A city is a small city for purposes of this subdivision if the city was a small city
54.25 in the year in which the request for certification was made and applies for the rest of
54.26 the duration of the district, regardless of whether the city qualifies or ceases to qualify
54.27 as a small city.

54.28 (d) Notwithstanding the requirements of paragraph (a) and the finding requirements
54.29 of section 469.174, subdivision 12, tax increments from an economic development district
54.30 may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or
54.31 assistance in any form to developments consisting of buildings and ancillary facilities, if
54.32 all the following conditions are met:

54.33 (1) the municipality finds that the project will create or retain jobs in this state,
54.34 including construction jobs, and that construction of the project would not have
54.35 commenced before July 1, ~~2011~~ 2012, without the authority providing assistance under
54.36 the provisions of this paragraph;

55.1 (2) construction of the project begins no later than July 1, ~~2011~~ 2012; ~~and~~
55.2 (3) the request for certification of the district is made no later than June 30, ~~2011~~
55.3 2012; and

55.4 (4) for development of housing under this paragraph, the construction must begin
55.5 before January 1, 2012.

55.6 The provisions of this paragraph may not be used to assist housing that is developed
55.7 to qualify under section 469.1761, subdivision 2 or 3, or similar requirements of other law,
55.8 if construction of the project begins later than July 1, 2011.

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

55.10 Sec. 12. Minnesota Statutes 2010, section 469.176, subdivision 4m, is amended to read:

55.11 Subd. 4m. **Temporary authority to stimulate construction.** (a) Notwithstanding
55.12 the restrictions in any other subdivision of this section or any other law to the contrary,
55.13 except the requirement to pay bonds to which the increments are pledged and the
55.14 provisions of subdivisions 4g and 4h, the authority may spend tax increments for one or
55.15 more of the following purposes:

55.16 (1) to provide improvements, loans, interest rate subsidies, or assistance in any
55.17 form to private development consisting of the construction or substantial rehabilitation
55.18 of buildings and ancillary facilities, if doing so will create or retain jobs in this state,
55.19 including construction jobs, and that the construction commences before July 1, ~~2011~~
55.20 2012, and would not have commenced before that date without the assistance; or

55.21 (2) to make an equity or similar investment in a corporation, partnership, or limited
55.22 liability company that the authority determines is necessary to make construction of a
55.23 development that meets the requirements of clause (1) financially feasible.

55.24 (b) The authority may undertake actions under the authority of this subdivision only
55.25 after approval by the municipality of a written spending plan that specifically authorizes
55.26 the authority to take the actions. The municipality shall approve the spending plan only
55.27 after a public hearing after published notice in a newspaper of general circulation in
55.28 the municipality at least once, not less than ten days nor more than 30 days prior to the
55.29 date of the hearing.

55.30 (c) The authority to spend tax increments under this subdivision expires December
55.31 31, ~~2011~~ 2012.

55.32 (d) For a development consisting of housing, the authority to spend tax increments
55.33 under this subdivision expires December 31, 2011, and construction must commence
55.34 before July 1, 2011, except the authority to spend tax increments on market rate housing

56.1 developments under this subdivision expires July 31, 2012, and construction must
56.2 commence before January 1, 2012.

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

56.4 Sec. 13. Minnesota Statutes 2010, section 469.1763, subdivision 2, is amended to read:

56.5 Subd. 2. **Expenditures outside district.** (a) For each tax increment financing
56.6 district, an amount equal to at least 75 percent of the total revenue derived from tax
56.7 increments paid by properties in the district must be expended on activities in the district
56.8 or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities
56.9 in the district or to pay, or secure payment of, debt service on credit enhanced bonds.
56.10 For districts, other than redevelopment districts for which the request for certification
56.11 was made after June 30, 1995, the in-district percentage for purposes of the preceding
56.12 sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax
56.13 increments paid by properties in the district may be expended, through a development fund
56.14 or otherwise, on activities outside of the district but within the defined geographic area of
56.15 the project except to pay, or secure payment of, debt service on credit enhanced bonds.
56.16 For districts, other than redevelopment districts for which the request for certification was
56.17 made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is
56.18 20 percent. The revenue derived from tax increments for the district that are expended on
56.19 costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before
56.20 calculating the percentages that must be expended within and without the district.

56.21 (b) In the case of a housing district, a housing project, as defined in section 469.174,
56.22 subdivision 11, is an activity in the district.

56.23 (c) All administrative expenses are for activities outside of the district, except that
56.24 if the only expenses for activities outside of the district under this subdivision are for
56.25 the purposes described in paragraph (d), administrative expenses will be considered as
56.26 expenditures for activities in the district.

56.27 (d) The authority may elect, in the tax increment financing plan for the district,
56.28 to increase by up to ten percentage points the permitted amount of expenditures for
56.29 activities located outside the geographic area of the district under paragraph (a). As
56.30 permitted by section 469.176, subdivision 4k, the expenditures, including the permitted
56.31 expenditures under paragraph (a), need not be made within the geographic area of the
56.32 project. Expenditures that meet the requirements of this paragraph are legally permitted
56.33 expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j.
56.34 To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code; and

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing; or

(4) be used to develop housing:

(i) if the market value of the housing does not exceed the lesser of:

(A) 150 percent of the average market of single-family homes in that municipality; or

(B) \$200,000 for municipalities located in the metropolitan area, as defined in section 473.121, or \$125,000 for all other municipalities; and

(ii) if the expenditures are used to pay the cost of site acquisition, relocation, demolition of existing structures, site preparation, and pollution abatement on one or more parcels, if the parcel contains a residence containing one to four family dwelling units that has been vacant for six or more months and is in foreclosure as defined in section 325N.10, subdivision 7, but without regard to whether the residence is the owner's principal residence, and only after the redemption period stated in the notice provided under section 580.06 has expired.

(e) For a district created within a biotechnology and health sciences industry zone as defined in section 469.330, subdivision 6, or for an existing district located within such a zone, tax increment derived from such a district may be expended outside of the district but within the zone only for expenditures required for the construction of public infrastructure necessary to support the activities of the zone, land acquisition, and other redevelopment costs as defined in section 469.176, subdivision 4j. These expenditures are considered as expenditures for activities within the district.

(f) The authority under paragraph (d), clause (4), expires on December 31, 2016. Increments may continue to be expended under this authority after that date, if they are used to pay bonds or binding contracts that would qualify under subdivision 3, paragraph (a), if December 31, 2016, is considered to be the last date of the five-year period after certification under that provision.

EFFECTIVE DATE. This section is effective for any district that is subject to the provisions of section 469.1763, regardless of when the request for certification of the district was made.

Sec. 14. Laws 2010, chapter 389, article 7, section 22, is amended to read:

**Sec. 22. CITY OF RAMSEY; TAX INCREMENT FINANCING DISTRICT;
SPECIAL RULES.**

(a) If the city of Ramsey or an authority of the city elects upon the adoption of a tax increment financing plan for a district, the rules under this section apply to a redevelopment tax increment financing district established by the city or an authority of the city. The redevelopment tax increment district includes parcels within the area bounded on the east by Ramsey Boulevard, on the north by Bunker Lake Boulevard as extended west to Llama Street, on the west by Llama Street, and on the south by a line running parallel to and 600 feet south of the southerly right-of-way for U.S. Highway 10, but including Parcels 28-32-25-43-0007 and 28-32-25-34-0002 in their entirety, and excluding the Anoka County Regional Park property in its entirety. A parcel within this area that is included in a tax increment financing district that was certified before the date of enactment of this act may be included in the district created under this act if the initial district is decertified.

(b) The requirements for qualifying a redevelopment tax increment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels located within the district.

(c) ~~In addition to the costs permitted by Minnesota Statutes, section 469.176, subdivision 4j, does not apply to the district.~~ Eligible expenditures within the district include but are not limited to (1) the city's share of the costs necessary to provide for the construction of the Northstar Transit Station and related infrastructure, including structured parking, a pedestrian overpass, and roadway improvements, (2) the cost of land acquired by the city or the housing and redevelopment authority in and for the city of Ramsey within the district prior to the establishment of the district, and (3) the cost of public improvements installed within the tax increment financing district prior to the establishment of the district.

(d) 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 the district if the activities were undertaken within ten years from the date of certification of the district.

(e) Except for administrative expenses, the in-district percentage for purposes of the restriction on pooling under Minnesota Statutes, section 469.1763, subdivision 2, for this district is 100 percent.

(f) The requirement of Minnesota Statutes, section 469.177, subdivision 4, does not apply to Parcels 28-32-25-42-0021 and 28-32-25-41-0014, where development occurred

59.1 after enactment of Laws 2010, chapter 389, article 7, section 22, and prior to adoption of
59.2 the tax increment financing plan for the district.

59.3 **EFFECTIVE DATE.** This section is effective upon approval by the governing
59.4 body of the city of Ramsey, and upon compliance by the city with Minnesota Statutes,
59.5 section 645.021, subdivision 3.

59.6 Sec. 15. **CITY OF COHASSET; USE OF TAX INCREMENTS.**

59.7 The authority operating tax increment financing districts No. 2-1 and No. 3-1 in
59.8 the city of Cohasset may transfer tax increments from each of those districts to the city
59.9 in an amount equal to the advances made by the city from its general fund to finance
59.10 expenditures under Minnesota Statutes, section 469.176, subdivision 4, for the benefit
59.11 of that district.

59.12 **EFFECTIVE DATE.** This section is effective the day following final enactment,
59.13 upon approval by the governing body of the city of Cohasset and compliance with
59.14 Minnesota Statutes, section 645.021, subdivision 3.

59.15 Sec. 16. **CITY OF LINO LAKES; TAX INCREMENT FINANCING.**

59.16 Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota
59.17 Statutes, section 469.176, subdivision 1b, the city of Lino Lakes may collect tax
59.18 increments from tax increment financing district no. 1-10 through December 31, 2023,
59.19 subject to the conditions in subdivision 2.

59.20 Subd. 2. **Conditions for extension.** All tax increments remaining in the account
59.21 for the district after February 1, 2011, and all tax increments collected thereafter, must
59.22 be used only to pay debt service on bonds issued to finance the interchange of Anoka
59.23 County Highway 23 and marked Interstate Highway 35W, bonds issued to finance public
59.24 improvements serving the development known as Legacy at Woods Edge, and any bonds
59.25 issued to refund those bonds. Minnesota Statutes, sections 469.176, subdivision 4c, and
59.26 469.1763 do not apply to expenditures made under this section.

59.27 **EFFECTIVE DATE.** This section is effective upon compliance by the governing
59.28 body of the city of Lino Lakes with the requirements of Minnesota Statutes, sections
59.29 469.1782, subdivision 2, and 645.021, subdivision 3.

59.30 Sec. 17. **CITY OF TAYLORS FALLS; BORDER CITY DEVELOPMENT ZONE.**

59.31 Subdivision 1. **Authorization.** The governing body of the city of Taylors Falls may
59.32 designate all or any part of the city as a border city development zone.

Subd. 2. **Application of general law.** (a) Minnesota Statutes, sections 469.1731 to 469.1735, apply to the border city development zones designated under this section. The governing body of the city may exercise the powers granted under Minnesota Statutes, sections 469.1731 to 469.1735, including powers that apply outside of the zones.

(b) The allocation under subdivision 3 for purposes of Minnesota Statutes, section 469.1735, subdivision 2, is appropriated to the commissioner of revenue.

Subd. 3. **Allocation of state tax reductions.** (a) The cumulative total amount of the state portion of the tax reductions for all years of the program under Minnesota Statutes, sections 469.1731 to 469.1735, for the city of Taylors Falls, is limited to \$100,000.

(b) This allocation may be used for tax reductions provided in Minnesota Statutes, section 469.1732 or 469.1734, or for reimbursements under Minnesota Statutes, section 469.1735, subdivision 3, but only if the governing body of the city of Taylors Falls determines that the tax reduction or offset is necessary to enable a business to expand within the city or to attract a business to the city.

(c) The commissioner of revenue may waive the limit under this subdivision using the same rules and standards provided in Minnesota Statutes, section 469.169, subdivision 12, paragraph (b).

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

Sec. 18. APPROPRIATION.

Except as otherwise provided by law, \$500,000 is appropriated to the Minnesota science and technology fund for fiscal year 2012 and any unspent money carries over to fiscal year 2013. Notwithstanding section 116W.32, subdivision 1, clause (4), up to \$107,000 of the appropriation may be used for administrative expenses of the authority.

This is a onetime appropriation and is not added to the authority's base budget.

ARTICLE 5

LOCAL TAXES

Section 1. Minnesota Statutes 2010, section 297A.99, subdivision 1, is amended to read:

Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may impose a general sales tax (1) under section 297A.992, (2) under section 297A.993, (3) if permitted by special law ~~enacted prior to May 20, 2008~~, or (4) if the political subdivision enacted and imposed the tax before January 1, 1982, and its predecessor provision.

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

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

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

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

61.8 ~~(d) Until after May 31, 2010, a political subdivision may not advertise, promote,~~
61.9 ~~expend funds, or hold a referendum to support imposing a local option sales tax unless~~
61.10 ~~it is for extension of an existing tax or the tax was authorized by a special law enacted~~
61.11 ~~prior to May 20, 2008.~~

61.12 (d) A political subdivision may not advertise or expend funds for the promotion of a
61.13 referendum to support imposing a local option sales tax. A political subdivision may only
61.14 expend funds to conduct the referendum.

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

61.16 Sec. 2. Minnesota Statutes 2010, section 297A.99, subdivision 3, is amended to read:

61.17 Subd. 3. **Requirements for adoption, use, termination.** (a) Imposition of a local
61.18 sales tax is subject to approval by voters of the political subdivision at a general election.
61.19 The election must be conducted before the governing body of the political subdivision
61.20 requests legislative approval of the tax.

61.21 (b) The proceeds of the tax must be dedicated exclusively to payment of the cost of a
61.22 specific capital improvement which is designated at least 90 days before the referendum
61.23 on imposition of the tax is conducted.

61.24 (c) The tax must terminate after the improvement designated under paragraph (b)
61.25 has been completed.

61.26 (d) After a sales tax imposed by a political subdivision has expired or been
61.27 terminated, the political subdivision is prohibited from imposing a local sales tax for a
61.28 period of one year. Notwithstanding subdivision 13, this paragraph applies to all local
61.29 sales taxes in effect at the time of or imposed after May 26, 1999.

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

61.31 Sec. 3. Minnesota Statutes 2010, section 473.757, subdivision 11, is amended to read:

61.32 Subd. 11. **Uses of tax.** (a) Revenues received from the tax imposed under
61.33 subdivision 10 may be used:

62.1 (1) to pay costs of collection;
62.2 (2) to pay or reimburse or secure the payment of any principal of, premium, or
62.3 interest on bonds issued in accordance with this act;
62.4 (3) to pay costs and make expenditures and grants described in this section, including
62.5 financing costs related to them;
62.6 (4) to maintain reserves for the foregoing purposes deemed reasonable and
62.7 appropriate by the county;
62.8 (5) to pay for operating costs of the ballpark authority other than the cost of
62.9 operating or maintaining the ballpark; and
62.10 (6) to make expenditures and grants for youth activities and amateur sports and
62.11 extension of library hours as described in subdivision 2;
62.12 and for no other purpose.

62.13 (b) Revenues from the tax designated for use under paragraph (a), clause (5), must
62.14 be deposited in the operating fund of the ballpark authority.

62.15 (c) After completion of the ballpark and public infrastructure, the tax revenues not
62.16 required for current payments of the expenditures described in paragraph (a), clauses (1) to
62.17 (6), shall be used to (i) redeem or defease the bonds and (ii) prepay or establish a fund for
62.18 payment of future obligations under grants or other commitments for future expenditures
62.19 which are permitted by this section. Upon the redemption or defeasance of the bonds and
62.20 the establishment of reserves adequate to meet such future obligations, the taxes shall
62.21 terminate and shall not be reimposed. For purposes of this subdivision, "reserves adequate
62.22 to meet such future obligations" means a reserve that does not exceed the net present value
62.23 of the county's obligation to make grants under paragraph (a), clauses (5) and (6), and to
62.24 fund the reserve for capital improvements required under section 473.759, subdivision 3,
62.25 for the 30-year period beginning on the date of the original issuance of the bonds, less
62.26 those obligations that the county has already paid.

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

62.28 Sec. 4. Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended by
62.29 Laws 2006, chapter 259, article 3, section 3, is amended to read:

62.30 Subdivision 1. **Sales tax authorized.** (a) Notwithstanding Minnesota Statutes,
62.31 section 477A.016, or any other contrary provision of law, ordinance, or city charter, the
62.32 city of Hermantown may, by ordinance, impose an additional sales tax of up to one
62.33 percent on sales transactions taxable pursuant to Minnesota Statutes, chapter 297A, that

63.1 occur within the city. The proceeds of the tax imposed under this section must be used to
63.2 meet the costs of:

- 63.3 (1) extending a sewer interceptor line;
- 63.4 (2) construction of a booster pump station, reservoirs, and related improvements
63.5 to the water system; and
- 63.6 (3) construction of a building containing a police and fire station and an
63.7 administrative services facility.

63.8 (b) If the city imposed a sales tax of only one-half of one percent under paragraph
63.9 (a), it may increase the tax to one percent to fund the purposes under paragraph (a)
63.10 provided it is approved by the voters at a general election held before December 31, 2012.

63.11 **EFFECTIVE DATE.** This section is effective the day following compliance by the
63.12 city of Hermantown with Minnesota Statutes, section 645.021, subdivision 3.

63.13 Sec. 5. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by
63.14 Laws 2005, First Special Session chapter 3, article 5, section 28, is amended to read:

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

63.18 (1) transportation infrastructure improvements including regional highway and
63.19 airport improvements;

63.20 (2) improvements to the civic center complex;

63.21 (3) a municipal water, sewer, and storm sewer project necessary to improve regional
63.22 ground water quality; and

63.23 (4) construction of a regional recreation and sports center and other higher education
63.24 facilities available for both community and student use.

63.25 (b) The total amount of capital expenditures or bonds for ~~these~~ projects listed in
63.26 paragraph (a) that may be paid from the revenues raised from the taxes authorized in this
63.27 section may not exceed \$111,500,000. The total amount of capital expenditures or bonds
63.28 for the project in clause (4) that may be paid from the revenues raised from the taxes
63.29 authorized in this section may not exceed \$28,000,000.

63.30 (c) In addition to the projects authorized in paragraph (a) and not subject to the
63.31 amount stated in paragraph (b), the city of Rochester may, if approved by the voters at an
63.32 election under subdivision 5, paragraph (c), use the revenues received from the taxes and
63.33 bonds authorized in this section to pay the costs of or bonds for the following purposes:

63.34 (1) \$17,000,000 for capital expenditures and bonds for the following Olmsted
63.35 County transportation infrastructure improvements:

- 64.1 (i) County State Aid Highway 34 reconstruction;
64.2 (ii) Trunk Highway 63 and County State Aid Highway 16 interchange;
64.3 (iii) phase II of the Trunk Highway 52 and County State Aid Highway 22
64.4 interchange;
64.5 (iv) widening of County State Aid Highway 22 West Circle Drive; and
64.6 (v) 60th Avenue Northwest corridor preservation;
64.7 (2) \$30,000,000 for city transportation projects including:
64.8 (i) Trunk Highway 52 and 65th Street interchange;
64.9 (ii) NW transportation corridor acquisition;
64.10 (iii) Phase I of the Trunk Highway 52 and County State Aid Highway 22 interchange;
64.11 (iv) Trunk Highway 14 and Trunk Highway 63 intersection;
64.12 (v) Southeast transportation corridor acquisition;
64.13 (vi) Rochester International Airport expansion; and
64.14 (vii) a transit operations center bus facility;
64.15 (3) \$14,000,000 for the University of Minnesota Rochester academic and
64.16 complementary facilities;
64.17 (4) \$6,500,000 for the Rochester Community and Technical College/Winona State
64.18 University career technical education and science and math facilities;
64.19 (5) \$6,000,000 for the Rochester Community and Technical College regional
64.20 recreation facilities at University Center Rochester;
64.21 (6) \$20,000,000 for the Destination Medical Community Initiative;
64.22 (7) \$8,000,000 for the regional public safety and 911 dispatch center facilities;
64.23 (8) \$20,000,000 for a regional recreation/senior center;
64.24 (9) \$10,000,000 for an economic development fund; and
64.25 (10) \$8,000,000 for downtown infrastructure.
64.26 (d) No revenues from the taxes raised from the taxes authorized in subdivisions 1
64.27 and 2 may be used to fund transportation improvements related to a railroad bypass that
64.28 would divert traffic from the city of Rochester.
64.29 (e) The city shall use \$5,000,000 of the money allocated to the purpose in paragraph
64.30 (c), clause (9), for grants to the cities of Byron, Chatfield, Dodge Center, Dover, Elgin,
64.31 Eyota, Kasson, Mantorville, Oronoco, Pine Island, Plainview, St. Charles, Stewartville,
64.32 Zumbrota, Spring Valley, West Concord, and Hayfield for economic development projects
64.33 that these communities would fund through their economic development authority or
64.34 housing and redevelopment authority.
64.35 **EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 6. Laws 1998, chapter 389, article 8, section 43, subdivision 4, as amended by Laws 2005, First Special Session chapter 3, article 5, section 29, is amended to read:

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve up to \$71,500,000 in bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes. An election to approve up to an additional \$40,000,000 of bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize extension of the tax under subdivision 5, paragraph (b). An election to approve bonds under Minnesota Statutes, section 475.58, in an amount not to exceed \$139,500,000 plus an amount equal to the costs of issuance of the bonds, may be held in combination with the election to authorize the extension of the tax under subdivision 5, paragraph (c).

(b) The city ~~may~~ shall enter into an agreement with Olmsted County under which the city and the county agree to jointly undertake and finance certain roadway infrastructure improvements. The agreement ~~may~~ shall provide that the city will make available to the county a portion of the sales tax revenues collected pursuant to the authority granted in this section and the bonding authority provided in this subdivision. The county may, pursuant to the agreement, issue its general obligation bonds in a principal amount not exceeding the amount authorized by its agreement with the city payable primarily from the sales tax revenues from the city under the agreement. The county's bonds must be issued in accordance with the provisions of Minnesota Statutes, chapter 475, except that no election is required for the issuance of the bonds and the bonds are not included in the net debt of the county.

~~(b)~~ (c) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

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

(e) The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements for projects listed in subdivision 3, paragraph (a), may not exceed \$111,500,000, plus an amount equal to the costs related to issuance of the bonds. The aggregate principal amount of bonds plus the

66.1 aggregate of the taxes used directly to pay the costs of eligible projects under subdivision
66.2 3, paragraph (c), may not exceed \$139,500,000 plus an amount equal to the costs of
66.3 issuance of the bonds.

66.4 ~~(d)~~ (f) The taxes may be pledged to and used for the payment of the bonds and
66.5 any bonds issued to refund them, only if the bonds and any refunding bonds are general
66.6 obligations of the city.

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

66.8 Sec. 7. Laws 1998, chapter 389, article 8, section 43, subdivision 5, as amended by
66.9 Laws 2005, First Special Session chapter 3, article 5, section 30, is amended to read:

66.10 Subd. 5. **Termination of taxes.** (a) The taxes imposed under subdivisions 1 and
66.11 2 expire at the later of (1) December 31, 2009, or (2) when the city council determines
66.12 that sufficient funds have been received from the taxes to finance the first \$71,500,000
66.13 of capital expenditures and bonds for the projects authorized in subdivision 3, including
66.14 the amount to prepay or retire at maturity the principal, interest, and premium due on any
66.15 bonds issued for the projects under subdivision 4, unless the taxes are extended as allowed
66.16 in paragraph (b). Any funds remaining after completion of the project and retirement or
66.17 redemption of the bonds shall also be used to fund the projects under subdivision 3. The
66.18 taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so
66.19 determines by ordinance.

66.20 (b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any
66.21 other contrary provision of law, ordinance, or city charter, the city of Rochester may, by
66.22 ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond December 31, 2009,
66.23 if approved by the voters of the city at a special election in 2005 or the general election in
66.24 2006. The question put to the voters must indicate that an affirmative vote would allow
66.25 up to an additional \$40,000,000 of sales tax revenues be raised and up to \$40,000,000
66.26 of bonds to be issued above the amount authorized in the June 23, 1998, referendum for
66.27 the projects specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are
66.28 extended under this paragraph, the taxes expire when the city council determines that
66.29 sufficient funds have been received from the taxes to finance the projects and to prepay
66.30 or retire at maturity the principal, interest, and premium due on any bonds issued for the
66.31 projects under subdivision 4. Any funds remaining after completion of the project and
66.32 retirement or redemption of the bonds may be placed in the general fund of the city.

66.33 (c) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any
66.34 other contrary provision of law, ordinance, or city charter, the city of Rochester may, by
66.35 ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond the date the city

67.1 council determines that sufficient funds have been received from the taxes to finance
67.2 \$111,500,000 of expenditures and bonds for the projects authorized in subdivision 3,
67.3 paragraph (a), plus an amount equal to the costs of issuance of the bonds and including
67.4 the amount to prepay or retire at maturity the principal, interest, and premiums due on
67.5 any bonds issued for the projects under subdivision 4, paragraph (a), if approved by the
67.6 voters of the city at the general election in 2012. If the election to authorize the additional
67.7 \$139,500,000 of bonds plus an amount equal to the costs of the issuance of the bonds is
67.8 placed on the general election ballot in 2012, the city may continue to collect the taxes
67.9 authorized in subdivisions 1 and 2 until December 31, 2012. The question put to the
67.10 voters must indicate that an affirmative vote would allow sales tax revenues be raised for
67.11 an extended period of time and an additional \$139,500,000 of bonds plus an amount
67.12 equal to the costs of issuance of the bonds, to be issued above the amount authorized in
67.13 the previous elections required under paragraphs (a) and (b) for the projects and amounts
67.14 specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended
67.15 under this paragraph, the taxes expire when the city council determines that \$139,500,000
67.16 has been received from the taxes to finance the projects plus an amount sufficient to
67.17 prepay or retire at maturity the principal, interest, and premium due on any bonds issued
67.18 for the projects under subdivision 4, including any bonds issued to refund the bonds. Any
67.19 funds remaining after completion of the projects and retirement or redemption of the
67.20 bonds may be placed in the general fund of the city.

67.21 **EFFECTIVE DATE.** This section is effective the day after compliance by the
67.22 governing body of the city of Rochester with Minnesota Statutes, section 645.021,
67.23 subdivision 3.

67.24 Sec. 8. Laws 2008, chapter 366, article 7, section 19, subdivision 3, is amended to read:

67.25 Subd. 3. **Use of revenues.** Notwithstanding Minnesota Statutes, section 297A.99,
67.26 subdivision 3, paragraph (b), the proceeds of the tax imposed under this section shall be
67.27 used to pay for the costs of acquisition, construction, improvement, and development of
67.28 a regional parks, bicycle trails, park land, open space, and pedestrian bridge walkways,
67.29 as described in the city improvement plan adopted by the city council by resolution on
67.30 December 12, 2006, and land and buildings for a community and recreation center. The
67.31 total amount of revenues from the taxes in subdivisions 1 and 2 that may be used to fund
67.32 these projects is \$12,000,000 plus any associated bond costs.

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

68.4 Sec. 9. Laws 2010, chapter 389, article 5, section 6, subdivision 1, is amended to read:

68.5 Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section
68.6 297A.99, subdivisions 1, 2, and 3, or 477A.016, or any other law, ordinance, or city
68.7 charter, the city of Marshall, if imposed within ~~two~~ three years of the date of final
68.8 enactment of this section, may impose any or all of the taxes described in this section.

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

68.10 Sec. 10. **CITY OF CLOQUET; TAXES AUTHORIZED.**

68.11 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section
68.12 297A.99, subdivision 1, 477A.016, or any other provision of law, ordinance, or city
68.13 charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the
68.14 city of Cloquet may impose by ordinance a sales and use tax of up to one-half of one
68.15 percent for the purposes specified in subdivision 3. Except as provided in this section, the
68.16 provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,
68.17 collection, and enforcement of the tax authorized under this subdivision.

68.18 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section
68.19 297A.99, subdivision 1, 477A.016, or any other provision of law, ordinance, or city
68.20 charter, the city of Cloquet may impose by ordinance, for the purposes specified in
68.21 subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance,
68.22 purchased or acquired from any person engaged within the city in the business of selling
68.23 motor vehicles at retail.

68.24 Subd. 3. **Use of revenues.** Revenues received from taxes authorized by subdivisions
68.25 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the
68.26 following projects:

68.27 (1) \$4,500,000 for construction and completion of park improvement projects,
68.28 including St. Louis River riverfront improvements; Veteran's Park construction and
68.29 improvements; improvements to the Hilltop Park soccer complex and Braun Park baseball
68.30 complex; capital equipment and building and grounds improvements at the Pine Valley
68.31 Park/Pine Valley Hockey Arena/Cloquet Area Recreation Center; and development of
68.32 pedestrian trails within the city;

(2) \$5,800,00 for extension of utilities and the construction of all improvements associated with the development of property adjacent to Highway 33 and Interstate Highway 35, including payment of all debt service on bonds issued for these; and

(3) \$6,200,000 for engineering and construction of infrastructure improvements, including, but not limited to, storm sewer, sanitary sewer, and water in areas identified as part of the city's comprehensive land use plan.

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

Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the improvements described in subdivision 3 in an amount that does not exceed \$16,500,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

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

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

Subd. 5. **Termination of taxes.** The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) 30 years, or (2) when the city council determines that the amount of revenues received from the taxes to finance the improvements described in subdivision 3 first equals or exceeds \$16,500,000, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 11. CITY OF FERGUS FALLS; SALES AND USE TAX AUTHORIZED.

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 297A.99, subdivision 1, or 477A.016, or any other provision of law, ordinance, or city charter, as approved by the voters at the November 2, 2010 general election, the city of Fergus Falls may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 2. Except as provided in this section, the

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

Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision 1 must be used by the city of Fergus Falls to pay the cost of collecting the tax and to pay for all or part of the costs of the acquisition and betterment of a regional community ice arena facility. Authorized expenses include, but are not limited to, acquiring property, predesign, design, and paying construction, furnishing, and equipment costs related to the facility and paying debt service on bonds or other obligations issued by the Fergus Falls Port Authority to finance the facility. The amount of revenues from the tax imposed under subdivision 1 that may be used to finance the facility and any associated costs is limited to \$6,600,000.

Subd. 3. **Termination of taxes.** The tax imposed under this section expires when the Fergus Falls City Council determines that sufficient funds have been received from the taxes to finance the facility and to prepay or retire at maturity the principal, interest, and premium due on any bonds, including refunding bonds, issued by the Fergus Falls Port Authority for the facility. Any funds remaining after completion of the facility and retirement or redemption of the bonds may be placed in the general fund of the city of Fergus Falls. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 12. CITY OF HUTCHINSON; TAXES AUTHORIZED.

Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, as approved by the voters at a referendum held at the 2010 general election, the city of Hutchinson may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3. Except as otherwise provided in this section, Minnesota Statutes, section 297A.99, governs the imposition, administration, collection, and enforcement of the tax authorized under this subdivision. Minnesota Statutes, section 297A.99, subdivision 1, paragraph (d), does not apply to this section.

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

71.1 Subd. 3. **Use of revenues.** Revenues received from the taxes authorized by this
71.2 section must be used to pay the cost of collecting and administering the tax and to finance
71.3 the costs of constructing the water treatment facility and renovating the wastewater
71.4 treatment facility in the city of Hutchinson. Authorized costs include, but are not limited
71.5 to, construction and engineering costs of the projects and associated bond costs.

71.6 Subd. 4. **Termination of tax.** The taxes authorized under subdivisions 1 and 2
71.7 terminate at the earlier of: (1) 18 years after the date of initial imposition of the tax; or
71.8 (2) when the Hutchinson City Council determines that the amount of revenues raised is
71.9 sufficient to pay for the projects under subdivision 3, plus the amount needed to finance
71.10 the capital and administrative costs for the projects specified in subdivision 3, and to repay
71.11 or retire at maturity the principal, interest, and premium due on any bonds issued for the
71.12 projects. Any funds remaining after completion of the projects specified in subdivision
71.13 3 and retirement or redemption of the associated bonds may be placed in the general
71.14 fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier
71.15 time if the city so determines by ordinance.

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

71.19 **Sec. 13. CITY OF LANESBORO; SALES AND USE TAX AUTHORIZED.**

71.20 Subdivision 1. **Sales and use tax authorized.** Notwithstanding Minnesota Statutes,
71.21 sections 297A.99, subdivision 1, and 477A.016, or any other provision of law, ordinance,
71.22 or city charter, as approved by the voters at the November 2, 2010, general election, the
71.23 city of Lanesboro may impose by ordinance a sales and use tax of up to one-half of one
71.24 percent for the purposes specified in subdivision 2. Except as provided in this section,
71.25 the provisions of Minnesota Statutes, section 297A.99, govern the imposition of the tax
71.26 authorized under this subdivision.

71.27 Subd. 2. **Use of revenues.** Revenues received from the tax authorized under
71.28 subdivision 1 must be used by the city of Lanesboro to pay the costs of collecting the tax
71.29 and to pay for all or a part of the improvements to city streets and utility systems, and the
71.30 betterment of city municipal buildings consisting of (i) street and utility improvements to
71.31 Calhoun Avenue, Fillmore Avenue, Kenilworth Avenue, Pleasant Street, Kirkwood Street,
71.32 Auburn Avenue, and Zenith Street, and street light replacement on State Highways 250
71.33 and 16; (ii) improvements to utility systems consisting of wastewater treatment facility
71.34 improvements and electric utility improvements to the Lanesboro High Hazard Dam; and
71.35 (iii) improvements to the Lanesboro community center, library, and city hall, including

paying debt service on bonds or other obligations issued to fund these projects under subdivision 3. The total amount of revenues from the taxes in subdivision 1 that may be used to fund these projects is \$800,000 plus any associated bond costs.

Subd. 3. **Bonding authority.** The city of Lanesboro may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses related to the projects authorized in subdivision 2. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required. The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61. The bonds are not included in computing any debt limitation applicable to the city and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of the bonds plus the aggregate of the taxes used directly to pay costs of the projects listed in subdivision 2 may not exceed \$800,000, plus an amount equal to the costs related to issuance of the bonds and capitalized interest.

The taxes authorized in subdivision 1 may be pledged and used for payments of the bonds and bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

Subd. 4. **Termination of tax.** The tax imposed under subdivision 1 expires when the Lanesboro City Council determines that sufficient funds have been raised from the taxes to finance the projects authorized under subdivision 2 and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued under subdivision 3. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

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

Sec. 14. CITY OF MARSHALL; SALES AND USE TAX.

Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 1 and 2, or 477A.016, or any other law, ordinance, or city charter, the city of Marshall, if approved by the voters at a general election held within two years of the date of final enactment of this section, may impose the tax authorized under subdivision 2. Two separate ballot questions must be presented to the voters, one for each of the two facility projects named in subdivision 3.

73.1 Subd. 2. **Sales and use tax authorized.** The city of Marshall may impose by
73.2 ordinance a sales and use tax of up to one-half of one percent for the purposes specified in
73.3 subdivision 3. The provisions of Minnesota Statutes, section 297A.99, except subdivisions
73.4 1 and 2, govern the imposition, administration, collection, and enforcement of the tax
73.5 authorized under this subdivision.

73.6 Subd. 3. **Use of sales and use tax revenues.** The revenues derived from the tax
73.7 authorized under subdivision 2 must be used by the city of Marshall to pay the costs of
73.8 collecting and administering the sales and use tax and to pay all or part of the costs of the
73.9 new and existing facilities of the Minnesota Emergency Response and Industry Training
73.10 Center and all or part of the costs of the new facilities of the Southwest Minnesota
73.11 Regional Amateur Sports Center. Authorized expenses include, but are not limited to,
73.12 acquiring property, predesign, design, and paying construction, furnishing, and equipment
73.13 costs related to these facilities and paying debt service on bonds or other obligations issued
73.14 by the city of Marshall under subdivision 4 to finance the capital costs of these facilities.

73.15 Subd. 4. **Bonds.** (a) If the imposition of a sales and use tax is approved by the voters,
73.16 the city of Marshall may issue bonds under Minnesota Statutes, chapter 475, to finance all
73.17 or a portion of the costs of the facilities authorized in subdivision 3, and may issue bonds
73.18 to refund bonds previously issued. The aggregate principal amount of bonds issued under
73.19 this subdivision may not exceed \$17,290,000, plus an amount to be applied to the payment
73.20 of the costs of issuing the bonds. The bonds may be paid from or secured by any funds
73.21 available to the city of Marshall, including the tax authorized under subdivision 2.

73.22 (b) The bonds are not included in computing any debt limitation applicable to the
73.23 city of Marshall, and any levy of taxes under Minnesota Statutes, section 475.61, to pay
73.24 principal and interest on the bonds, is not subject to any levy limitation. A separate
73.25 election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

73.26 Subd. 5. **Termination of taxes.** The tax imposed under subdivision 2 expires at the
73.27 earlier of (1) 15 years after the tax is first imposed, or (2) when the city council determines
73.28 that the amount of revenues received from the tax to pay for the capital and administrative
73.29 costs of the facilities under subdivision 3 first equals or exceeds the amount authorized to
73.30 be spent for the facilities plus the additional amount needed to pay the costs related to
73.31 issuance of the bonds under subdivision 4, including interest on the bonds. Any funds
73.32 remaining after payment of all such costs and retirement or redemption of the bonds shall
73.33 be placed in the general fund of the city. The tax imposed under subdivision 2 may expire
73.34 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. 15. **CITY OF MEDFORD; SALES AND USE TAX.**

Subdivision 1. Sales and use tax authorized. Notwithstanding Minnesota Statutes, sections 297A.99, subdivision 1, and 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, at the next general election, the city of Medford may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise provided in this section, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. Use of revenues. The proceeds of the tax imposed under this section must be used by the city of Medford to pay the costs of collecting and administering the tax and to repay loans received from the Minnesota Public Facilities Authority since 2007 that were used to finance \$4,200,000 of improvements to the city's water and wastewater systems.

Subd. 3. Termination of taxes. The tax imposed under this section expires at the earlier of (1) 20 years after the date the taxes are first imposed, or (2) when the Medford City Council determines that the amount of revenues received from the tax equals or exceeds the sum of loans made to the city by the Minnesota Public Facilities Authority as described in subdivision 2, including interest on the loans. Any funds remaining after completion of the repayment of the loans may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

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

ARTICLE 6

PROPERTY TAXES

Section 1. Minnesota Statutes 2010, section 126C.01, subdivision 3, is amended to read:

Subd. 3. Referendum market value. "Referendum market value" means the market value of all taxable property, excluding property classified as class 2, ~~noncommercial~~

~~4c(1), or 4c(4), or 4c(12)~~ under section 273.13. The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. Any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has a class rate of less than one percent under section 273.13 shall have a referendum market value equal to its net tax capacity multiplied by 100.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 2. Minnesota Statutes 2010, section 272.02, subdivision 39, is amended to read:

Subd. 39. **Economic development; public purpose.** The holding of property by a political subdivision of the state for later resale for economic development purposes shall be considered a public purpose in accordance with subdivision 8 for a period not to exceed ~~eight~~ ten years, except that for property located in a city of 5,000 population or under that is located outside of the metropolitan area as defined in section 473.121, subdivision 2, the period must not exceed 15 years.

The holding of property by a political subdivision of the state for later resale (1) which is purchased or held for housing purposes, or (2) which meets the conditions described in section 469.174, subdivision 10, shall be considered a public purpose in accordance with subdivision 8.

The governing body of the political subdivision which acquires property which is subject to this subdivision shall after the purchase of the property certify to the city or county assessor whether the property is held for economic development purposes or housing purposes, or whether it meets the conditions of section 469.174, subdivision 10. If the property is acquired for economic development purposes and buildings or other improvements are constructed after acquisition of the property, and if more than one-half of the floor space of the buildings or improvements which is available for lease to or use by a private individual, corporation, or other entity is leased to or otherwise used by a private individual, corporation, or other entity the provisions of this subdivision shall not apply to the property. This subdivision shall not create an exemption from section 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of law providing for the taxation of or for payments in lieu of taxes for publicly held property which is leased, loaned, or otherwise made available and used by a private person.

EFFECTIVE DATE. This section is effective for taxes levied in 2011, payable in 2012, and thereafter.

Sec. 3. Minnesota Statutes 2010, section 272.02, is amended by adding a subdivision to read:

Subd. 95. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other personal property that is part of a multiple reciprocating engine electric generation facility that adds more than 20 and less than 30 megawatts of installed capacity at a site where there is presently more than ten megawatts and fewer than 15 megawatts of installed capacity and that meets the requirements of this subdivision is exempt from taxation and from payments in lieu of taxation. At the time of construction, the facility must:

(1) be designed to utilize natural gas as a primary fuel;

(2) be owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;

(3) be located within one mile of an existing natural gas pipeline;

(4) be designed to have black start capability and to furnish emergency backup power service to the city in which it is located;

(5) satisfy a resource deficiency identified in an approved integrated resource plan filed under section 216B.2422; and

(6) have received, by resolution, the approval of the governing bodies of the city and county in which it is located for the exemption of personal property provided by this subdivision.

(b) Construction of the facility must be commenced after December 31, 2011, and before January 1, 2015. Property eligible for this exemption does not include (i) electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility; or (ii) property located on the site on the enactment date of this subdivision.

EFFECTIVE DATE. This section is effective for assessments in 2012, taxes payable in 2013, and thereafter.

Sec. 4. Minnesota Statutes 2010, section 273.111, is amended by adding a subdivision to read:

Subd. 17. **Appeal.** If an assessor denies an application for valuation under this section, the applicant may appeal the decision to the local board of appeal and equalization as provided under section 274.01, subdivision 1, paragraph (h).

EFFECTIVE DATE. This section is effective for appeals denied after June 30, 2011.

Sec. 5. Minnesota Statutes 2010, section 273.121, subdivision 1, is amended to read:

Subdivision 1. **Notice.** Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be included on the assessment roll that year if the person's address is known to the assessor, otherwise the occupant of the property. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of appeal and equalization under section 274.01 or the review process established under section 274.13, subdivision 1c. Upon written request by the owner of the property, the assessor may send the notice in electronic form or by electronic mail instead of on paper or by ordinary mail. It shall contain: (1) the market value for the current and prior assessment, (2) ~~the limited market value under section 273.11, subdivision 1a, for the current and prior assessment,~~ (3) the qualifying amount of any improvements under section 273.11, subdivision 16, for the current assessment, ~~(4)~~ (3) the market value subject to taxation after subtracting the amount of any qualifying improvements for the current assessment, ~~(5)~~ (4) the classification of the property for the current and prior assessment, ~~(6) a note that if the property is homestead and at least 45 years old, improvements made to the property may be eligible for a valuation exclusion under section 273.11, subdivision 16,~~ (7) (5) the assessor's office address, and ~~(8)~~ (6) the dates, places, and times set for the meetings of the local board of appeal and equalization, the review process established under section 274.13, subdivision 1c, and the county board of appeal and equalization. If the classification of the property has changed between the current and prior assessments, a specific note to that effect shall be prominently listed on the statement. The commissioner of revenue shall specify the form of the notice. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of management and budget of the amount necessary to provide such notices. The commissioner of management and budget shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

EFFECTIVE DATE. This section is effective for notifications for taxes payable in 2013 and thereafter.

Sec. 6. Minnesota Statutes 2010, 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 commercial 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 not 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

H.F. No. 42, 4th Engrossment - 87th Legislative Session (2011-2012) [H0042-4]

79.1 equipped with water and electrical hookups for recreational vehicles. ~~Class 4c property~~
79.2 ~~under this clause must provide recreational activities such as renting ice fishing houses,~~
79.3 ~~boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina~~
79.4 ~~services, launch services, or guide services; or sell bait and fishing tackle. A camping pad~~
79.5 offered for rent by a property that otherwise qualifies for class 4c under this clause is also
79.6 class 4c under this clause regardless of the term of the rental agreement, as long as the use
79.7 of the camping pad does not exceed 250 days. In order for a property to be classified as
79.8 ~~class 4c, seasonal residential recreational for commercial purposes under this clause, either~~
79.9 (i) the business located on the property must provide recreational activities, at least 40
79.10 percent of the annual gross lodging receipts related to the property must be from business
79.11 conducted during 90 consecutive days, and either (i)(A) at least 60 percent of all paid
79.12 bookings by lodging guests during the year must be for periods of at least two consecutive
79.13 nights; or (ii)(B) at least 20 percent of the annual gross receipts must be from charges
79.14 for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski
79.15 equipment, or charges for marina services, launch services, and guide services, or the sale
79.16 of bait and fishing tackle providing recreational activities, or (ii) the business must contain
79.17 20 or fewer rental units, and must be located in a township or a city with a population of
79.18 2,500 or less located outside the metropolitan area, as defined under section 473.121,
79.19 subdivision 2, that contains a portion of a state trail administered by the Department of
79.20 Natural Resources. For purposes of this determination item (i)(A), a paid booking of
79.21 five or more nights shall be counted as two bookings. Class 4c property classified under
79.22 this clause also includes commercial use real property used exclusively for recreational
79.23 purposes in conjunction with other class 4c property classified under this clause and
79.24 devoted to temporary and seasonal residential occupancy for recreational purposes, up to a
79.25 total of two acres, provided the property is not devoted to commercial recreational use for
79.26 more than 250 days in the year preceding the year of assessment and is located within two
79.27 miles of the class 4c property with which it is used. Owners of real and personal property
79.28 devoted to temporary and seasonal residential occupancy for recreation purposes and all
79.29 or a portion of which was devoted to commercial purposes for not more than 250 days in
79.30 the year preceding the year of assessment desiring classification as class 4c, In order for a
79.31 property to qualify for classification under this clause, the owner must submit a declaration
79.32 to the assessor designating the cabins or units occupied for 250 days or less in the year
79.33 preceding the year of assessment by January 15 of the assessment year. Those cabins or
79.34 units and a proportionate share of the land on which they are located must be designated
79.35 class 4c under this clause as otherwise provided. The remainder of the cabins or units and
79.36 a proportionate share of the land on which they are located will be designated as class 3a.

The owner of property desiring designation as class 4c property under this clause must provide guest registers or other records demonstrating that the units for which class 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes does not qualify for class 4c. For the purposes of this paragraph, "recreational activities" means renting ice fishing houses, boats and motors, snowmobiles, downhill or cross-country ski equipment; providing marina services, launch services, or guide services; or selling bait and fishing tackle;

(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

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

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

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

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

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

81.23 (5) (i) manufactured home parks as defined in section 327.14, subdivision 3,
81.24 excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii)
81.25 manufactured home parks as defined in section 327.14, subdivision 3, that are described in
81.26 section 273.124, subdivision 3a;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

82.35 (11) lakeshore and riparian property and adjacent land, not to exceed six acres, used
82.36 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 by means of an access ramp or other facility that is either located on the property of the marina or at a publicly owned site that abuts the property of the marina. 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; and

(12) real and personal property devoted to noncommercial temporary and seasonal residential occupancy for recreation purposes.

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of noncommercial seasonal residential recreational property ~~not used for commercial purposes~~ under clause (12) 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 if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a class rate of one percent if 50 percent or less of the lots are so occupied, (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.

84.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and
84.2 thereafter.

84.3 Sec. 7. Minnesota Statutes 2010, section 273.13, subdivision 34, is amended to read:

84.4 Subd. 34. **Homestead of disabled veteran or family caregiver.** (a) All or a portion
84.5 of the market value of property owned by a veteran ~~or by the veteran and the~~ and serving
84.6 as the veteran's spouse qualifying for homestead classification under subdivision 22 or
84.7 23 under this section is excluded in determining the property's taxable market value if
84.8 ~~it serves as the homestead of a military veteran, as defined in section 197.447, who has~~
84.9 a service-connected disability of 70 percent or more as certified by the United States
84.10 Department of Veterans Affairs. To qualify for exclusion under this subdivision, the
84.11 veteran must have been honorably discharged from the United States armed forces, as
84.12 indicated by United States Government Form DD214 or other official military discharge
84.13 papers, ~~and must be certified by the United States Veterans Administration as having a~~
84.14 ~~service-connected disability.~~

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

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

84.19 (c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b),
84.20 clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the
84.21 spouse holds the legal or beneficial title to the homestead and permanently resides there,
84.22 the exclusion shall carry over to the benefit of the veteran's spouse for ~~one additional~~
84.23 ~~assessment year~~ the current taxes payable year and for five additional taxes payable years
84.24 or until such time as the spouse remarries, or sells, transfers, or otherwise disposes of the
84.25 property, whichever comes first. Qualification under this paragraph requires an annual
84.26 application under paragraph (h).

84.27 (d) If the spouse of a member of any branch or unit of the United States armed
84.28 forces who dies due to a service-connected cause while serving honorably in active
84.29 service, as indicated on United States Government Form DD1300 or DD2064, holds
84.30 the legal or beneficial title to a homestead and permanently resides there, the spouse is
84.31 entitled to the benefit described in paragraph (b), clause (2), for five taxes payable years,
84.32 or until such time as the spouse remarries or sells, transfers, or otherwise disposes of the
84.33 property, whichever comes first.

84.34 (e) If a veteran meets the disability criteria of paragraph (a) but does not own
84.35 property classified as homestead in the state of Minnesota, then the homestead of the

veteran's primary family caregiver, if any, is eligible for the exclusion that the veteran would otherwise qualify for under paragraph (b).

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

~~(e)~~ (g) A property qualifying for a valuation exclusion under this subdivision is not eligible for the ~~credit under section 273.1384, subdivision 1~~ market value exclusion under subdivision 35, or classification under subdivision 22, paragraph (b).

~~(f)~~ (h) 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 (a) and qualifies for the benefit described in paragraph (b), clause (2), and the property continues to qualify until there is a change in ownership. For an application received after July 1 of any calendar year, the exclusion shall become effective for the following assessment year.

(i) A first-time application by a qualifying spouse for the market value exclusion under paragraph (d) may be made any time within two years of the death of the service member.

(j) For purposes of this subdivision:

(1) "active service" has the meaning given in section 190.05;

(2) "own" means that the person's name is present as an owner on the property deed;

(3) "primary family caregiver" means a person who is approved by the secretary of the United States Department of Veterans Affairs for assistance as the primary provider of personal care services for an eligible veteran under the Program of Comprehensive Assistance for Family Caregivers, codified as United States Code, title 38, section 1720G; and

(4) "veteran" has the meaning given the term in section 197.447.

(k) The purpose of this provision of law providing a level of homestead property tax relief for gravely disabled veterans, their primary family caregivers, and their surviving spouses is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily.

EFFECTIVE DATE. (a) This section is effective for taxes payable in 2012 and thereafter, and applies to homesteads that initially qualified for the exclusion for taxes payable in 2009 and thereafter.

(b) A qualifier under paragraph (c) that would have been eligible for a market value exclusion under this section for taxes payable in 2011, if the change under this section had

86.1 been effective for that year, shall be eligible to receive the benefit of the exclusion for the
86.2 remaining number of total taxes payable years provided under paragraph (c).

86.3 Sec. 8. Minnesota Statutes 2010, section 274.01, subdivision 1, is amended to read:

86.4 Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town
86.5 board of a town, or the council or other governing body of a city, is the board of appeal
86.6 and equalization except (1) in cities whose charters provide for a board of equalization or
86.7 (2) in any city or town that has transferred its local board of review power and duties to
86.8 the county board as provided in subdivision 3. The county assessor shall fix a day and
86.9 time when the board or the board of equalization shall meet in the assessment districts
86.10 of the county. Notwithstanding any law or city charter to the contrary, a city board of
86.11 equalization shall be referred to as a board of appeal and equalization. On or before
86.12 February 15 of each year the assessor shall give written notice of the time to the city or
86.13 town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings
86.14 must be held between April 1 and May 31 each year, provided that the board may review
86.15 appeals of denials of green acres treatment as provided in paragraph (h) at any time.

86.16 The clerk shall give published and posted notice of the meeting at least ten days before
86.17 the date of the meeting.

86.18 The board shall meet at the office of the clerk to review the assessment and
86.19 classification of property in the town or city. No changes in valuation or classification
86.20 which are intended to correct errors in judgment by the county assessor may be made by
86.21 the county assessor after the board has adjourned in those cities or towns that hold a
86.22 local board of review; however, corrections of errors that are merely clerical in nature or
86.23 changes that extend homestead treatment to property are permitted after adjournment until
86.24 the tax extension date for that assessment year. The changes must be fully documented and
86.25 maintained in the assessor's office and must be available for review by any person. A copy
86.26 of the changes made during this period in those cities or towns that hold a local board of
86.27 review must be sent to the county board no later than December 31 of the assessment year.

86.28 (b) The board shall determine whether the taxable property in the town or city has
86.29 been properly placed on the list and properly valued by the assessor. If real or personal
86.30 property has been omitted, the board shall place it on the list with its market value, and
86.31 correct the assessment so that each tract or lot of real property, and each article, parcel,
86.32 or class of personal property, is entered on the assessment list at its market value. No
86.33 assessment of the property of any person may be raised unless the person has been
86.34 duly notified of the intent of the board to do so. On application of any person feeling
86.35 aggrieved, the board shall review the assessment or classification, or both, and correct

87.1 it as appears just. The board may not make an individual market value adjustment or
87.2 classification change that would benefit the property if the owner or other person having
87.3 control over the property has refused the assessor access to inspect the property and the
87.4 interior of any buildings or structures as provided in section 273.20. A board member
87.5 shall not participate in any actions of the board which result in market value adjustments
87.6 or classification changes to property owned by the board member, the spouse, parent,
87.7 stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew,
87.8 or niece of a board member, or property in which a board member has a financial interest.
87.9 The relationship may be by blood or marriage.

87.10 (c) A local board may reduce assessments upon petition of the taxpayer but the total
87.11 reductions must not reduce the aggregate assessment made by the county assessor by more
87.12 than one percent. If the total reductions would lower the aggregate assessments made by
87.13 the county assessor by more than one percent, none of the adjustments may be made. The
87.14 assessor shall correct any clerical errors or double assessments discovered by the board
87.15 without regard to the one percent limitation.

87.16 (d) A local board does not have authority to grant an exemption or to order property
87.17 removed from the tax rolls.

87.18 (e) A majority of the members may act at the meeting, and adjourn from day to day
87.19 until they finish hearing the cases presented. The assessor shall attend, with the assessment
87.20 books and papers, and take part in the proceedings, but must not vote. The county assessor,
87.21 or an assistant delegated by the county assessor shall attend the meetings. The board shall
87.22 list separately, on a form appended to the assessment book, all omitted property added
87.23 to the list by the board and all items of property increased or decreased, with the market
87.24 value of each item of property, added or changed by the board, placed opposite the item.
87.25 The county assessor shall enter all changes made by the board in the assessment book.

87.26 (f) Except as provided in subdivision 3, if a person fails to appear in person, by
87.27 counsel, or by written communication before the board after being duly notified of the
87.28 board's intent to raise the assessment of the property, or if a person feeling aggrieved by an
87.29 assessment or classification fails to apply for a review of the assessment or classification,
87.30 the person may not appear before the county board of appeal and equalization for a review
87.31 of the assessment or classification. This paragraph does not apply if an assessment was
87.32 made after the local board meeting, as provided in section 273.01, or if the person can
87.33 establish not having received notice of market value at least five days before the local
87.34 board meeting.

87.35 (g) The local board must complete its work and adjourn within 20 days from the
87.36 time of convening stated in the notice of the clerk, unless a longer period is approved by

the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

(h) The local board may, but is not required to, review appeals from property owners of denials by assessors of applications for valuation under section 273.111. If it intends to exercise the authority provided in this paragraph, the board must pass a resolution stating that it will do so, and must then review all such appeals until it passes a subsequent resolution stating that it will not review such appeals.

EFFECTIVE DATE. This section is effective for appeals denied after June 30, 2011.

Sec. 9. Minnesota Statutes 2010, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy base amount for commercial-industrial property is ~~\$592,000,000~~ \$739,000,000 for taxes payable in ~~2002~~ 2012. The state general levy base amount for seasonal recreational property is \$40,600,000 for taxes payable in 2012. For taxes payable in ~~subsequent years 2013, the~~ each levy base amount is increased ~~each year~~ by multiplying the levy base amount for ~~the prior year taxes payable in 2012~~ by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 ~~of the year prior to the year the taxes are payable, 2012.~~ For taxes payable in 2014 and 2015, the state general levy is \$743,000,000 for commercial-industrial property and \$40,500,000 for seasonal residential recreational property. For taxes payable in 2016, the state general levy is \$668,700,000 for commercial-industrial property and \$36,450,000 for seasonal residential recreational property. For taxes payable in 2017, the state general levy is \$594,400,000 for commercial-industrial property and \$32,400,000 for seasonal residential recreational property. For taxes payable in 2018, the state general levy is \$520,100,000 for commercial-industrial property and \$28,350,000 for seasonal residential recreational property. For taxes payable in 2019, the state general levy is \$445,800,000 for commercial-industrial property and \$24,300,000

89.1 for seasonal residential recreational property. For taxes payable in 2020, the state
89.2 general levy is \$371,500,000 for commercial-industrial property and \$20,250,000
89.3 for seasonal residential recreational property. For taxes payable in 2021, the state
89.4 general levy is \$297,200,000 for commercial-industrial property and \$16,200,000 for
89.5 seasonal residential recreational property. For taxes payable in 2022, the state general
89.6 levy is \$222,900,000 for commercial-industrial property and \$12,150,000 for seasonal
89.7 residential recreational property. For taxes payable in 2023, the state general levy is
89.8 \$148,600,000 for commercial-industrial property and \$8,100,000 for seasonal residential
89.9 recreational property. For taxes payable in 2024, the state general levy is \$74,300,000
89.10 for commercial-industrial property and \$4,050,000 for seasonal residential recreational
89.11 property. The tax under this section is not treated as a local tax rate under section 469.177
89.12 and is not the levy of a governmental unit under chapters 276A and 473F.

89.13 The commissioner shall increase or decrease the preliminary or final rate for a year
89.14 as necessary to account for errors and tax base changes that affected a preliminary or final
89.15 rate for either of the two preceding years. Adjustments are allowed to the extent that the
89.16 necessary information is available to the commissioner at the time the rates for a year must
89.17 be certified, and for the following reasons:

- 89.18 (1) an erroneous report of taxable value by a local official;
89.19 (2) an erroneous calculation by the commissioner; and
89.20 (3) an increase or decrease in taxable value for commercial-industrial or seasonal
89.21 residential recreational property reported on the abstracts of tax lists submitted under
89.22 section 275.29 that was not reported on the abstracts of assessment submitted under
89.23 section 270C.89 for the same year.

89.24 The commissioner may, but need not, make adjustments if the total difference in the tax
89.25 levied for the year would be less than \$100,000.

89.26 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and
89.27 thereafter.

89.28 Sec. 10. Minnesota Statutes 2010, section 275.025, subdivision 3, is amended to read:

89.29 Subd. 3. **Seasonal residential recreational tax capacity.** For the purposes of this
89.30 section, "seasonal residential recreational tax capacity" means the tax capacity of tier III
89.31 of class 1c under section 273.13, subdivision 22, and all class 4c(1) ~~and~~ 4c(3)(ii), and
89.32 4c(12) property under section 273.13, subdivision 25, except that the first \$76,000 of
89.33 market value of each noncommercial class ~~4c(1)~~ 4c(12) property has a tax capacity for this
89.34 purpose equal to 40 percent of its tax capacity under section 273.13.

90.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and
90.2 thereafter.

90.3 Sec. 11. Minnesota Statutes 2010, section 275.025, subdivision 4, is amended to read:

90.4 Subd. 4. **Apportionment and levy of state general tax.** ~~Ninety-five percent of The~~
90.5 state general tax must be levied by applying a uniform rate to all commercial-industrial tax
90.6 capacity and ~~five percent of the state general tax must be levied by applying~~ a uniform
90.7 rate to all seasonal residential recreational tax capacity. On or before October 1 each
90.8 year, the commissioner of revenue shall certify the preliminary state general levy rates to
90.9 each county auditor that must be used to prepare the notices of proposed property taxes
90.10 for taxes payable in the following year. By January 1 of each year, the commissioner
90.11 shall certify the final state general levy ~~rate~~ rates to each county auditor that shall be
90.12 used in spreading taxes.

90.13 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and
90.14 thereafter.

90.15 Sec. 12. Minnesota Statutes 2010, section 275.70, subdivision 5, is amended to read:

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

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

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

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

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

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

90.28 (iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an
90.29 insufficiency in other revenue sources, provided that nothing in this subdivision limits the
90.30 special levy authorized under section 475.755;

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

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

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

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

91.10 (7) to pay the expenses reasonably and necessarily incurred in preparing for or
91.11 repairing the effects of natural disaster including the occurrence or threat of widespread
91.12 or severe damage, injury, or loss of life or property resulting from natural causes, in
91.13 accordance with standards formulated by the Emergency Services Division of the state
91.14 Department of Public Safety, as allowed by the commissioner of revenue under section
91.15 275.74, subdivision 2;

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

91.21 (9) to pay an abatement under section 469.1815;

91.22 (10) to pay any costs attributable to increases in the employer contribution rates
91.23 under chapter 353, or locally administered pension plans, that are effective after June
91.24 30, 2001;

91.25 (11) to pay the operating or maintenance costs of a county jail as authorized in
91.26 section 641.01 or 641.262, or of a correctional facility as defined in section 241.021,
91.27 subdivision 1, paragraph (f), to the extent that the county can demonstrate to the
91.28 commissioner of revenue that the amount has been included in the county budget as
91.29 a direct result of a rule, minimum requirement, minimum standard, or directive of the
91.30 Department of Corrections, or to pay the operating or maintenance costs of a regional jail
91.31 as authorized in section 641.262. For purposes of this clause, a district court order is
91.32 not a rule, minimum requirement, minimum standard, or directive of the Department of
91.33 Corrections. If the county utilizes this special levy, except to pay operating or maintenance
91.34 costs of a new regional jail facility under sections 641.262 to 641.264 which will not
91.35 replace an existing jail facility, any amount levied by the county in the previous levy year
91.36 for the purposes specified under this clause and included in the county's previous year's

92.1 levy limitation computed under section 275.71, shall be deducted from the levy limit
92.2 base under section 275.71, subdivision 2, when determining the county's current year
92.3 levy limitation. The county shall provide the necessary information to the commissioner
92.4 of revenue for making this determination;

92.5 (12) to pay for operation of a lake improvement district, as authorized under section
92.6 103B.555. If the county utilizes this special levy, any amount levied by the county in the
92.7 previous levy year for the purposes specified under this clause and included in the county's
92.8 previous year's levy limitation computed under section 275.71 shall be deducted from
92.9 the levy limit base under section 275.71, subdivision 2, when determining the county's
92.10 current year levy limitation. The county shall provide the necessary information to the
92.11 commissioner of revenue for making this determination;

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

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

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

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

92.26 (17) to pay for the maintenance and support of a city or county society for the
92.27 prevention of cruelty to animals under section 343.11, but not to exceed in any year
92.28 \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most
92.29 recent federal census, whichever is greater. If the city or county uses this special levy, any
92.30 amount levied by the city or county in the previous levy year for the purposes specified
92.31 in this clause and included in the city's or county's previous year's levy limit computed
92.32 under section 275.71, must be deducted from the levy limit base under section 275.71,
92.33 subdivision 2, in determining the city's or county's current year levy limit;

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

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

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

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

93.17 (22) an amount equal to any reductions in the certified aids or credit reimbursements
93.18 payable under sections 477A.011 to 477A.014, and section 273.1384, due to unallotment
93.19 under section 16A.152 or reductions under another provision of law. The amount of the
93.20 levy allowed under this clause for each year is limited to the amount unallotted or reduced
93.21 from the aids and credit reimbursements certified for payment in the year following the
93.22 calendar year in which the tax levy is certified unless the unallotment or reduction amount
93.23 is not known by September 1 of the levy certification year, and the local government has
93.24 not adjusted its levy under section 275.065, subdivision 6, or 275.07, subdivision 6, in
93.25 which case that unallotment or reduction amount may be levied in the following year;

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

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

94.1 (25) for the estimated amount of reduction to market value credit reimbursements
94.2 under section 273.1384 for credits payable in the year in which the levy is payable; except
94.3 for a reduction due to the repeal of section 273.1384, subdivision 1; and

94.4 (26) for the reduction in the county share of payments to the county under sections
94.5 97A.061 and 477A.11 to 477A.17 between payments certified in calendar year 2011 and
94.6 the estimated amount of the county share in the year in which the levy is payable provided
94.7 the reduction is at least one percent of the county's total payable 2011 certified levy.

94.8 **EFFECTIVE DATE.** This section is effective for taxes levied in 2011 and 2012.

94.9 Sec. 13. Minnesota Statutes 2010, section 275.71, subdivision 2, is amended to read:

94.10 Subd. 2. **Levy limit base.** (a) The levy limit base for a local governmental unit for
94.11 taxes levied in 2008 is its levy aid base from the previous year, subject to any adjustments
94.12 under section 275.72. For taxes levied in 2009 ~~and 2010~~ through 2012, the levy limit base
94.13 for a local governmental unit is its adjusted levy limit base in the previous year, subject
94.14 to any adjustments under section 275.72.

94.15 **EFFECTIVE DATE.** This section is effective for taxes levied in 2011 and 2012.

94.16 Sec. 14. Minnesota Statutes 2010, section 275.71, subdivision 4, is amended to read:

94.17 Subd. 4. **Adjusted levy limit base.** (a) For taxes levied in 2008 through ~~2010~~ 2012,
94.18 the adjusted levy limit base is equal to the levy limit base computed under subdivision 2
94.19 or section 275.72, multiplied by:

94.20 (1) one plus the percentage growth in the implicit price deflator, but the percentage
94.21 shall not be less than zero or exceed 3.9 percent;

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

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

94.28 (b) If a city decertifies a tax increment finance district in the year in which the levy is
94.29 set, the base amount determined under paragraph (a) is increased by an amount equal to
94.30 the city's current year tax rate multiplied by the retained captured value for the district for
94.31 the year prior to the year in which the levy is set, as reported on the TIF supplement to
94.32 the abstract of tax lists.

94.33 **EFFECTIVE DATE.** This section is effective for taxes levied in 2011 and 2012.

Sec. 15. Minnesota Statutes 2010, section 275.71, subdivision 5, is amended to read:

Subd. 5. **Property tax levy limit.** (a) For taxes levied in 2008 through ~~2010~~ 2012, 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 for taxes levied in 2011 and 2012.

Sec. 16. **[275.761] MAINTENANCE OF EFFORT REQUIREMENTS**
SUSPENDED.

(a) Notwithstanding any law to the contrary and except as provided in paragraphs (b) and (c), all maintenance of effort requirements for counties, including but not limited to those under sections 116L.872, 134.34, 245.4835, 245.4932, 245.714, 256F.10, and 256F.13, are suspended.

(b) This section does not permit a county to suspend compliance with maintenance of effort requirements to the extent that the suspension would:

(1) require the state to expend additional money or incur additional costs; or

(2) cause a reduction in the receipt by the state or the county of federal funds.

(c) The commissioner of management and budget may determine the maintenance of effort requirements that are not permitted, in whole or in part, to be suspended under paragraph (b). The commissioner shall publish these determinations on the department's Web site and no county may suspend compliance with a maintenance of effort requirement that the commissioner determines is not subject to suspension.

(d) Notwithstanding any law to the contrary, all statutory and home rule charter cities are exempt from the maintenance of effort requirements under section 134.34.

EFFECTIVE DATE. This section is effective for maintenance of effort requirements in calendar years 2012 and 2013.

Sec. 17. **REPEALER.**

Minnesota Statutes 2010, section 275.025, is repealed.

EFFECTIVE DATE. This section is effective for taxes levied in 2024, payable in 2025, and thereafter.

ARTICLE 7

AIDS, CREDITS, PAYMENTS, AND REFUNDS

Section 1. Minnesota Statutes 2010, section 88.49, subdivision 5, is amended to read:

Subd. 5. **Cancellation.** Upon the failure of the owner faithfully to fulfill and perform such contract or any provision thereof, or any requirement of sections 88.47 to 88.53, or any rule adopted by the commissioner thereunder, the commissioner may cancel the contract in the manner herein provided. The commissioner shall give to the owner, in the manner prescribed in section 88.48, subdivision 4, 60 days' notice of a hearing thereon at which the owner may appear and show cause, if any, why the contract should not be canceled. The commissioner shall thereupon determine whether the contract should be canceled and make an order to that effect. Notice of the commissioner's determination and the making of the order shall be given to the owner in the manner provided in section 88.48, subdivision 4. On determining that the contract should be canceled and no appeal therefrom be taken, the commissioner shall send notice thereof to the auditor of the county and to the town clerk of the town affected and file with the recorder a certified copy of the order, who shall forthwith note the cancellation upon the record thereof, and thereupon the land therein described shall cease to be an auxiliary forest and, together with the timber thereon, become liable to all taxes and assessments that otherwise would have been levied against it had it never been an auxiliary forest from the time of the making of the contract, any provisions of the statutes of limitation to the contrary notwithstanding, less the amount of taxes paid under the provisions of section 88.51, subdivision 1, together with interest on such taxes and assessments at six percent per annum, but without penalties.

The commissioner may in like manner and with like effect cancel the contract upon written application of the owner.

~~The commissioner shall cancel any contract if the owner has made successful application under sections 290C.01 to 290C.11, the Sustainable Forest Incentive Act, and has paid to the county treasurer the difference between the amount which would have been~~

~~paid had the land under contract been subject to the Minnesota Tree Growth Tax Law and the Sustainable Forest Incentive Act from the date of the recording of the contract and the amount actually paid under section 88.51, subdivisions 1 and 2. This tax difference must be calculated based on the years the lands would have been taxed under the Tree Growth Tax Law and the Sustainable Forest Incentive Act. The sustainable forest tax difference is net of the incentive payment of section 290C.07. If the amount which would have been paid, had the land under contract been under the Minnesota Tree Growth Tax Law and the Sustainable Forest Incentive Act from the date of the filing of the contract, is less than the amount actually paid under the contract, the cancellation shall be made without further payment by the owner.~~

When the execution of any contract creating an auxiliary forest shall have been procured through fraud or deception practiced upon the county board or the commissioner or any other person or body representing the state, it may be canceled upon suit brought by the attorney general at the direction of the commissioner. This cancellation shall have the same effect as the cancellation of a contract by the commissioner.

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

Sec. 2. Minnesota Statutes 2010, section 88.49, subdivision 9a, is amended to read:

Subd. 9a. **Land trades with governmental units.** Notwithstanding subdivisions 6 and 9, or section 88.491, subdivision 2, if an owner trades land under auxiliary forest contract for land owned by a governmental unit and the owner agrees to use the land received in trade from the governmental unit for the production of forest products, upon resolution of the county board, no taxes and assessments shall be levied against the land traded, except that any current or delinquent annual taxes or yield taxes due on that land while it was under the auxiliary forest provision must be paid prior to the land exchange. ~~The land received from the governmental unit in the land trade automatically qualifies for inclusion in the Sustainable Forest Incentive Act.~~

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

Sec. 3. Minnesota Statutes 2010, section 97A.061, subdivision 1, is amended to read:

Subdivision 1. **Applicability; amount.** (a) The commissioner shall annually make a payment to each county having public hunting areas and game refuges. Money to make the payments is annually appropriated for that purpose from the general fund. Except as provided in paragraph (b), this section does not apply to state trust fund land and other

98.1 state land not purchased for game refuge or public hunting purposes. Except as provided
98.2 in paragraph (b), the payment shall be the greatest of:

98.3 (1) ~~35~~ 30.8 percent of the gross receipts from all special use permits and leases of
98.4 land acquired for public hunting and game refuges;

98.5 (2) ~~50~~ 44 cents per acre on land purchased actually used for public hunting or game
98.6 refuges; or

98.7 (3) ~~three-fourths of one~~ .66 percent of the appraised value of purchased land actually
98.8 used for public hunting and game refuges.

98.9 (b) The payment shall be 50 percent of the dollar amount ~~adjusted for inflation~~ as
98.10 determined under section 477A.12, subdivision 1, paragraph (a), clause (1), multiplied
98.11 by the number of acres of land in the county that are owned by another state agency for
98.12 military purposes and designated as a game refuge under section 97A.085.

98.13 (c) The payment must be reduced by the amount paid under subdivision 3 for
98.14 croplands managed for wild geese.

98.15 (d) The appraised value is the purchase price for five years after acquisition.

98.16 The appraised value shall be determined by the county assessor every five years after
98.17 acquisition.

98.18 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
98.19 2011 and thereafter.

98.20 Sec. 4. Minnesota Statutes 2010, section 97A.061, subdivision 3, is amended to read:

98.21 Subd. 3. **Goose management croplands.** (a) The commissioner shall make a
98.22 payment on July 1 of each year to each county where the state owns more than 1,000 acres
98.23 of crop land, for wild goose management purposes. The payment shall be equal to 88
98.24 percent of the taxes assessed on comparable, privately owned, adjacent land. Money to
98.25 make the payments is annually appropriated for that purpose from the general fund. The
98.26 county treasurer shall allocate and distribute the payment as provided in subdivision 2.

98.27 (b) The land used for goose management under this subdivision is exempt from
98.28 taxation as provided in sections 272.01 and 273.19.

98.29 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
98.30 2011 and thereafter.

98.31 Sec. 5. Minnesota Statutes 2010, section 126C.01, subdivision 3, is amended to read:

98.32 Subd. 3. **Referendum market value.** "Referendum market value" means the market
98.33 value of all taxable property, excluding property classified as class 2, noncommercial

99.1 4c(1), or 4c(4) under section 273.13. The portion of class 2a property consisting of the
99.2 house, garage, and surrounding one acre of land of an agricultural homestead is included
99.3 in referendum market value. For the purposes of this subdivision, in the case of class 1a,
99.4 1b, or 2a property, "market value" means the value prior to the exclusion under section
99.5 273.13, subdivision 35. Any class of property, or any portion of a class of property, that
99.6 is included in the definition of referendum market value and that has a class rate of less
99.7 than one percent under section 273.13 shall have a referendum market value equal to its
99.8 ~~net tax capacity~~ market value times its class rate, multiplied by 100.

99.9 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and
99.10 thereafter.

99.11 Sec. 6. Minnesota Statutes 2010, section 270A.03, subdivision 7, is amended to read:

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

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

99.19 In the case of a joint property tax refund payable to spouses under chapter 290A,
99.20 the refund shall be considered as belonging to each spouse in the proportion of the total
99.21 refund that equals each spouse's proportion of the total income determined under section
99.22 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the
99.23 refund shall be considered as belonging to each spouse in the proportion of the total
99.24 refund that equals each spouse's proportion of the total taxable income determined under
99.25 section 290.01, subdivision 29. The commissioner shall remit the entire refund to the
99.26 claimant agency, which shall, upon the request of the spouse who does not owe the debt,
99.27 determine the amount of the refund belonging to that spouse and refund the amount to
99.28 that spouse. For court fines, fees, and surcharges and court-ordered restitution under
99.29 section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under
99.30 section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice
99.31 to the spouse who does not owe the debt.

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

100.1 Sec. 7. Minnesota Statutes 2010, section 273.114, subdivision 2, as amended by Laws
100.2 2011, chapter 13, section 2, is amended to read:

100.3 Subd. 2. **Requirements.** Class 2b property that had been properly enrolled under
100.4 section 273.111 for taxes payable in 2008, or that is part of an agricultural homestead
100.5 under section 273.13, subdivision 23, paragraph (a), at least a portion of which is enrolled
100.6 under section 273.111, is entitled to valuation and tax deferment under this section if:

100.7 (1) the property is contiguous to class 2a property enrolled under section 273.111
100.8 under the same ownership;

100.9 (2) there are no delinquent property taxes on the land; and

100.10 (3) the property is not also enrolled for valuation and deferment under section
100.11 273.111 or 273.112, or chapter ~~290C~~ or 473H.

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

100.13 Sec. 8. Minnesota Statutes 2010, section 273.13, subdivision 23, is amended to read:

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

100.24 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that
100.25 are agricultural land and buildings. Class 2a property has a net class rate of one percent of
100.26 market value, unless it is part of an agricultural homestead under paragraph (a). Class
100.27 2a property must also include any property that would otherwise be classified as 2b,
100.28 but is interspersed with class 2a property, including but not limited to sloughs, wooded
100.29 wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback
100.30 requirement, and other similar land that is impractical for the assessor to value separately
100.31 from the rest of the property or that is unlikely to be able to be sold separately from
100.32 the rest of the property.

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

101.1 (c) Class 2b rural vacant land consists of parcels of property, or portions thereof,
101.2 that are unplatted real estate, rural in character and not used for agricultural purposes,
101.3 including land used for growing trees for timber, lumber, and wood and wood products,
101.4 that is not improved with a structure. The presence of a minor, ancillary nonresidential
101.5 structure as defined by the commissioner of revenue does not disqualify the property from
101.6 classification under this paragraph. Any parcel of 20 acres or more improved with a
101.7 structure that is not a minor, ancillary nonresidential structure must be split-classified, and
101.8 ten acres must be assigned to the split parcel containing the structure. Class 2b property
101.9 has a net class rate of one percent of market value unless it is part of an agricultural
101.10 homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

101.11 (d) Class 2c managed forest land consists of no less than 20 and no more than
101.12 1,920 acres statewide per taxpayer that is being managed under a forest management
101.13 plan ~~that meets the requirements of chapter 290C, but is not enrolled in the sustainable~~
101.14 ~~forest resource management incentive program.~~ It has a class rate of .65 percent,
101.15 provided that the owner of the property must apply to the assessor in order for the
101.16 property to initially qualify for the reduced rate and provide the information required
101.17 by the assessor to verify that the property qualifies for the reduced rate. If the assessor
101.18 receives the application and information before May 1 in an assessment year, the property
101.19 qualifies beginning with that assessment year. If the assessor receives the application
101.20 and information after April 30 in an assessment year, the property may not qualify until
101.21 the next assessment year. The commissioner of natural resources must concur that the
101.22 land is qualified. The commissioner of natural resources shall annually provide county
101.23 assessors verification information on a timely basis. The presence of a minor, ancillary
101.24 nonresidential structure as defined by the commissioner of revenue does not disqualify
101.25 the property from classification under this paragraph. For purposes of this paragraph,
101.26 a "forest management plan" means a written document providing a framework for
101.27 site-specific healthy, productive, and sustainable forest resources. A forest management
101.28 plan must include at least the following: (i) forest management goals for the land; (ii) a
101.29 reliable field inventory of the individual forest cover types, their age, and density; (iii) a
101.30 description of the soil type and quality; (iv) an aerial photo and/or map of the vegetation
101.31 and other natural features of the land clearly indicating the boundaries of the land and of
101.32 the forest land; (v) the proposed future conditions of the land; (vi) prescriptions to meet
101.33 proposed future conditions of the land; (vii) a recommended timetable for implementing
101.34 the prescribed activities; and (viii) a legal description of the land encompassing the
101.35 parcels included in the plan. All management activities prescribed in a plan must be in
101.36 accordance with the recommended timber harvesting and forest management guidelines.

102.1 The commissioner of natural resources shall provide a framework for plan content and
102.2 updating and revising plans.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

103.25 (1) wholesale and retail sales;

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

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

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

103.30 the assessor shall classify the part of the parcel used for agricultural purposes as class
103.31 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its
103.32 use. The grading, sorting, and packaging of raw agricultural products for first sale is
103.33 considered an agricultural purpose. A greenhouse or other building where horticultural
103.34 or nursery products are grown that is also used for the conduct of retail sales must be
103.35 classified as agricultural if it is primarily used for the growing of horticultural or nursery
103.36 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of

104.1 those products. Use of a greenhouse or building only for the display of already grown
104.2 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

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

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

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

104.34 (1) a legal description of the property;

104.35 (2) a disclosure that the property contains a commercial aggregate deposit that is not
104.36 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 levied in 2011, payable in 2012, and thereafter.

Sec. 9. Minnesota Statutes 2010, section 273.13, is amended by adding a subdivision to read:

Subd. 35. Homestead market value exclusion. (a) Prior to determining a property's net tax capacity under this section, property classified as class 1a or 1b under subdivision 22, and the portion of property classified as class 2a under subdivision 23 consisting of the house, garage, and surrounding one acre of land, shall be eligible for a market value exclusion as determined under paragraph (b).

(b) For a homestead valued at \$76,000 or less, the exclusion is 40 percent of market value. For a homestead valued between \$76,000 and \$413,800, the exclusion is \$30,400 minus nine percent of the valuation over \$76,000. For a homestead valued at \$413,800 or more, there is no valuation exclusion. The valuation exclusion shall be rounded to the nearest whole dollar, and may not be less than zero.

(c) Any valuation exclusions or adjustments under section 273.11 shall be applied prior to determining the amount of the valuation exclusion under this subdivision.

(d) In the case of a property that is classified as part homestead and part nonhomestead, (i) the exclusion shall apply only to the homestead portion of the property, but (ii) if a portion of a property is classified as nonhomestead solely because not all the owners occupy the property, not all the owners have qualifying relatives occupying the property, or solely because not all the spouses of owners occupy the property, the exclusion amount shall be initially computed as if that nonhomestead portion were also in the homestead class and then prorated to the owner-occupant's percentage of ownership. For the purpose of this section, when an owner-occupant's spouse does not occupy the property, the percentage of ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 10. Minnesota Statutes 2010, section 273.1384, subdivision 3, is amended to read:

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under ~~this section~~ subdivision 2 within the county for each taxes payable year and shall certify that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted by the county auditors under section 275.29. Any prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. ~~The credits~~ credit under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 11. Minnesota Statutes 2010, section 273.1384, subdivision 4, is amended to read:

107.1 Subd. 4. **Payment.** (a) The commissioner of revenue shall reimburse each local
107.2 taxing jurisdiction, other than school districts, for the tax reductions granted under ~~this~~
107.3 ~~section~~ subdivision 2 in two equal installments on October 31 and December 26 of the
107.4 taxes payable year for which the reductions are granted, including in each payment
107.5 the prior year adjustments certified on the abstracts for that taxes payable year. The
107.6 reimbursements related to tax increments shall be issued in one installment each year on
107.7 December 26.

107.8 (b) The commissioner of revenue shall certify the total of the tax reductions granted
107.9 under ~~this section~~ subdivision 2 for each taxes payable year within each school district to
107.10 the commissioner of the Department of Education and the commissioner of education shall
107.11 pay the reimbursement amounts to each school district as provided in section 273.1392.

107.12 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and
107.13 thereafter.

107.14 Sec. 12. Minnesota Statutes 2010, section 273.1393, is amended to read:

107.15 **273.1393 COMPUTATION OF NET PROPERTY TAXES.**

107.16 Notwithstanding any other provisions to the contrary, "net" property taxes are
107.17 determined by subtracting the credits in the order listed from the gross tax:

- 107.18 (1) disaster credit as provided in sections 273.1231 to 273.1235;
107.19 (2) powerline credit as provided in section 273.42;
107.20 (3) agricultural preserves credit as provided in section 473H.10;
107.21 (4) enterprise zone credit as provided in section 469.171;
107.22 (5) disparity reduction credit;
107.23 (6) conservation tax credit as provided in section 273.119;
107.24 (7) ~~homestead and agricultural credits~~ credit as provided in section 273.1384;
107.25 (8) taconite homestead credit as provided in section 273.135;
107.26 (9) supplemental homestead credit as provided in section 273.1391; and
107.27 (10) the bovine tuberculosis zone credit, as provided in section 273.113.

107.28 The combination of all property tax credits must not exceed the gross tax amount.

107.29 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and
107.30 thereafter.

107.31 Sec. 13. Minnesota Statutes 2010, section 273.1398, subdivision 3, is amended to read:

107.32 Subd. 3. **Disparity reduction aid.** The amount of disparity aid certified in 2012 and
107.33 subsequent years for each ~~taxing~~ school district within each unique taxing jurisdiction

~~for taxes payable in the prior year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid is being computed, to (2) its tax capacity using the class rates for taxes payable in the year prior to that for which aid is being computed, both based upon market values for taxes payable in the year prior to that for which aid is being computed. If the commissioner determines that insufficient information is available to reasonably and timely calculate the numerator in this ratio for the first taxes payable year that a class rate change or new class rate is effective, the commissioner shall omit the effects of that class rate change or new class rate when calculating this ratio for aid payable in that taxes payable year. For aid payable in the year following a year for which such omission was made, the commissioner shall use in the denominator for the class that was changed or created, the tax capacity for taxes payable two years prior to that in which the aid is payable, based on market values for taxes payable in the year prior to that for which aid is being computed is equal to the amount certified for aid payable in 2011.~~

EFFECTIVE DATE. This section is effective for aid payable in 2012 and thereafter.

Sec. 14. Minnesota Statutes 2010, 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 special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), 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

109.1 under the senior citizens' property tax deferral program under chapter 290B is the total
109.2 amount of property tax before subtraction of the deferred property tax amount. The
109.3 amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any,
109.4 must also be separately stated. The dollar amounts, including the dollar amount of any
109.5 special assessments, may be rounded to the nearest even whole dollar. For purposes of this
109.6 section whole odd-numbered dollars may be adjusted to the next higher even-numbered
109.7 dollar. The amount of market value excluded under section 273.11, subdivision 16, if any,
109.8 must also be listed on the tax statement.

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

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

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

109.17 (2) the property's homestead market value exclusion under section 273.13,
109.18 subdivision 35;

109.19 ~~(2)~~ (3) the property's taxable market value after reductions under ~~section~~ sections
109.20 273.11, subdivisions 1a and 16, and 273.13, subdivision 35;

109.21 ~~(3)~~ (4) the property's gross tax, before credits;

109.22 ~~(4)~~ (5) for homestead ~~residential and~~ agricultural properties, the ~~credits~~ credit under
109.23 section 273.1384;

109.24 ~~(5)~~ (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;
109.25 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of
109.26 credit received under section 273.135 must be separately stated and identified as "taconite
109.27 tax relief"; and

109.28 ~~(6)~~ (7) the net tax payable in the manner required in paragraph (a).

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

110.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and
110.2 thereafter.

110.3 Sec. 15. Minnesota Statutes 2010, section 289A.50, subdivision 1, is amended to read:

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

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

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

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

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

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

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

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

111.1 **EFFECTIVE DATE.** This section is effective for refund claims based on
111.2 contributions made after June 30, 2011.

111.3 Sec. 16. Minnesota Statutes 2010, section 290.01, subdivision 6, is amended to read:

111.4 Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to
111.5 a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term~~
111.6 ~~"taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

111.7 **EFFECTIVE DATE.** This section is effective for refund claims based on
111.8 contributions made after June 30, 2011.

111.9 Sec. 17. Minnesota Statutes 2010, section 290A.03, subdivision 11, is amended to read:

111.10 Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes"
111.11 means ~~19~~ 15 percent of the gross rent actually paid in cash, or its equivalent, or the portion
111.12 of rent paid in lieu of property taxes, in any calendar year by a claimant for the right
111.13 of occupancy of the claimant's Minnesota homestead in the calendar year, and which
111.14 rent constitutes the basis, in the succeeding calendar year of a claim for relief under this
111.15 chapter by the claimant.

111.16 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
111.17 2010 and thereafter.

111.18 Sec. 18. Minnesota Statutes 2010, section 290A.03, subdivision 13, is amended to read:

111.19 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax
111.20 exclusive of special assessments, penalties, and interest payable on a claimant's homestead
111.21 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,
111.22 and any other state paid property tax credits in any calendar year, and after any refund
111.23 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in
111.24 the year that the property tax is payable. In the case of a claimant who makes ground
111.25 lease payments, "property taxes payable" includes the amount of the payments directly
111.26 attributable to the property taxes assessed against the parcel on which the house is located.
111.27 No apportionment or reduction of the "property taxes payable" shall be required for the
111.28 use of a portion of the claimant's homestead for a business purpose if the claimant does not
111.29 deduct any business depreciation expenses for the use of a portion of the homestead in the
111.30 determination of federal adjusted gross income. For homesteads which are manufactured
111.31 homes as defined in section 273.125, subdivision 8, and for homesteads which are park
111.32 trailers taxed as manufactured homes under section 168.012, subdivision 9, "property

taxes payable" shall also include ~~19~~ 15 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2010 and following years.

Sec. 19. Minnesota Statutes 2010, section 290A.04, subdivision 2, is amended to read:

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

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,189	1.0 percent	15 percent	\$ 1,850
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

H.F. No. 42, 4th Engrossment - 87th Legislative Session (2011-2012) [H0042-4]

113.1	13,140 to 14,349	2.0 percent	30 percent	\$ 1,540
113.2	14,350 to 16,739	2.1 percent	30 percent	\$ 1,540
113.3	16,740 to 17,929	2.2 percent	35 percent	\$ 1,480
113.4	17,930 to 19,119	2.3 percent	35 percent	\$ 1,480
113.5	19,120 to 20,319	2.4 percent	35 percent	\$ 1,420
113.6	20,320 to 25,099	2.5 percent	40 percent	\$ 1,420
113.7	25,100 to 28,679	2.6 percent	40 percent	\$ 1,360
113.8	28,680 to 35,849	2.7 percent	40 percent	\$ 1,360
113.9	35,850 to 41,819	2.8 percent	45 percent	\$ 1,240
113.10	41,820 to 47,799	3.0 percent	45 percent	\$ 1,240
113.11	47,800 to 53,779	3.2 percent	45 percent	\$ 1,110
113.12	53,780 to 59,749	3.5 percent	50 percent	\$ 990
113.13	59,750 to 65,729	3.5 percent	50 percent	\$ 870
113.14	65,730 to 69,319	3.5 percent	50 percent	\$ 740
113.15	69,320 to 71,719	3.5 percent	50 percent	\$ 610
113.16	71,720 to 74,619	3.5 percent	50 percent	\$ 500
113.17	74,620 to 77,519	3.5 percent	50 percent	\$ 370
113.18				<u>Maximum</u>
113.19			<u>Percent Paid by</u>	<u>State</u>
113.20	<u>Household Income</u>	<u>Percent of Income</u>	<u>Claimant</u>	<u>Refund</u>
113.21	<u>\$0 to 1,549</u>	<u>1.0 percent</u>	<u>15 percent</u>	<u>\$ 2,460</u>
113.22	<u>1,550 to 3,089</u>	<u>1.1 percent</u>	<u>15 percent</u>	<u>\$ 2,460</u>
113.23	<u>3,090 to 4,669</u>	<u>1.2 percent</u>	<u>15 percent</u>	<u>\$ 2,460</u>
113.24	<u>4,670 to 6,229</u>	<u>1.3 percent</u>	<u>20 percent</u>	<u>\$ 2,460</u>
113.25	<u>6,230 to 7,769</u>	<u>1.4 percent</u>	<u>20 percent</u>	<u>\$ 2,460</u>
113.26	<u>7,770 to 10,879</u>	<u>1.5 percent</u>	<u>20 percent</u>	<u>\$ 2,460</u>
113.27	<u>10,880 to 12,429</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 2,460</u>
113.28	<u>12,430 to 13,989</u>	<u>1.7 percent</u>	<u>20 percent</u>	<u>\$ 2,460</u>
113.29	<u>13,990 to 15,539</u>	<u>1.8 percent</u>	<u>20 percent</u>	<u>\$ 2,460</u>
113.30	<u>15,540 to 17,079</u>	<u>1.9 percent</u>	<u>25 percent</u>	<u>\$ 2,460</u>
113.31	<u>17,080 to 18,659</u>	<u>2.0 percent</u>	<u>25 percent</u>	<u>\$ 2,460</u>
113.32	<u>18,660 to 21,759</u>	<u>2.1 percent</u>	<u>25 percent</u>	<u>\$ 2,460</u>
113.33	<u>21,760 to 23,309</u>	<u>2.2 percent</u>	<u>30 percent</u>	<u>\$ 2,460</u>
113.34	<u>23,310 to 24,859</u>	<u>2.3 percent</u>	<u>30 percent</u>	<u>\$ 2,460</u>
113.35	<u>24,860 to 26,419</u>	<u>2.4 percent</u>	<u>30 percent</u>	<u>\$ 2,460</u>
113.36	<u>26,420 to 32,629</u>	<u>2.5 percent</u>	<u>35 percent</u>	<u>\$ 2,460</u>
113.37	<u>32,630 to 37,279</u>	<u>2.6 percent</u>	<u>35 percent</u>	<u>\$ 2,460</u>
113.38	<u>37,280 to 46,609</u>	<u>2.7 percent</u>	<u>35 percent</u>	<u>\$ 2,000</u>
113.39	<u>46,610 to 54,369</u>	<u>2.8 percent</u>	<u>35 percent</u>	<u>\$ 2,000</u>
113.40	<u>54,370 to 62,139</u>	<u>2.8 percent</u>	<u>40 percent</u>	<u>\$ 1,750</u>
113.41	<u>62,140 to 69,909</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$ 1,440</u>
113.42	<u>69,910 to 77,679</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$ 1,290</u>
113.43	<u>77,680 to 85,449</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$ 1,130</u>

114.1	<u>85,450 to 90,119</u>	<u>3.5 percent</u>	<u>45 percent</u>	<u>\$ 960</u>
114.2	<u>90,120 to 93,239</u>	<u>3.5 percent</u>	<u>45 percent</u>	<u>\$ 790</u>
114.3	<u>93,240 to 97,009</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$ 650</u>
114.4	<u>97,010 to 100,779</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$ 480</u>

114.5 The payment made to a claimant shall be the amount of the state refund calculated
114.6 under this subdivision. No payment is allowed if the claimant's household income is
114.7 ~~\$77,520~~ \$100,780 or more.

114.8 **EFFECTIVE DATE.** This section is effective beginning with refunds based on
114.9 taxes payable in 2012.

114.10 Sec. 20. Minnesota Statutes 2010, section 290A.04, subdivision 2a, is amended to read:

114.11 Subd. 2a. **Renters; senior or disabled.** A claimant whose rent constituting property
114.12 taxes exceeds the percentage of the household income stated below must pay an amount
114.13 equal to the percent of income shown for the appropriate household income level along
114.14 with the percent to be paid by the claimant of the remaining amount of rent constituting
114.15 property taxes. The state refund equals the amount of rent constituting property taxes that
114.16 remain, up to the maximum state refund amount shown below. This subdivision applies
114.17 only if the claimant or claimant's spouse was disabled or attained the age of 65 on or
114.18 before December 31 of the year for which the rent was paid.

114.19				Maximum
114.20			Percent Paid by	State
114.21	Household Income	Percent of Income	Claimant	Refund
114.22				1,190
114.23	\$0 to 3,589 <u>4,599</u>	1.0 percent	5 percent	<u>\$ 1,520</u>
114.24	3,590 to 4,779			1,190
114.25	<u>4,600 to 6,119</u>	1.0 percent	10 percent	<u>\$ 1,520</u>
114.26	4,780 to 5,969			1,190
114.27	<u>6,120 to 7,639</u>	1.1 percent	10 percent	<u>\$ 1,520</u>
114.28	5,970 to 8,369			1,190
114.29	<u>7,640 to 10,719</u>	1.2 percent	10 percent	<u>\$ 1,520</u>
114.30	8,370 to 10,759			1,190
114.31	<u>10,720 to 13,779</u>	1.3 percent	15 percent	<u>\$ 1,520</u>
114.32	10,760 to 11,949			1,190
114.33	<u>13,780 to 15,299</u>	1.4 percent	15 percent	<u>\$ 1,520</u>
114.34	11,950 to 13,139			1,190
114.35	<u>15,300 to 16,819</u>	1.4 percent	20 percent	<u>\$ 1,520</u>
114.36	13,140 to 15,539			1,190
114.37	<u>16,820 to 19,899</u>	1.5 percent	20 percent	<u>\$ 1,520</u>
114.38	15,540 to 16,729			1,190
114.39	<u>19,900 to 21,419</u>	1.6 percent	20 percent	<u>\$ 1,520</u>

H.F. No. 42, 4th Engrossment - 87th Legislative Session (2011-2012) [H0042-4]

115.1	16,730 to 17,919			1,190
115.2	<u>21,420 to 22,939</u>	1.7 percent	25 percent	\$ <u>1,520</u>
115.3	17,920 to 20,319			1,190
115.4	<u>22,940 to 26,009</u>	1.8 percent	25 percent	\$ <u>1,520</u>
115.5	20,320 to 21,509			1,190
115.6	<u>26,010 to 27,539</u>	1.9 percent	30 percent	\$ <u>1,500</u>
115.7	21,510 to 22,699			1,190
115.8	<u>27,540 to 29,059</u>	2.0 percent	30 percent	\$ <u>1,400</u>
115.9	22,700 to 23,899			1,190
115.10	<u>29,060 to 30,599</u>	2.2 percent	30 percent	\$ <u>1,300</u>
115.11	23,900 to 25,089			1,190
115.12	<u>30,600 to 32,119</u>	2.4 percent	30 percent	\$ <u>1,200</u>
115.13	25,090 to 26,289			1,190
115.14	<u>32,120 to 33,659</u>	2.6 percent	35 percent	\$ <u>1,000</u>
115.15	26,290 to 27,489			1,190
115.16	<u>33,660 to 35,189</u>	2.7 percent	35 percent	\$ <u>1,000</u>
115.17	27,490 to 28,679			1,190
115.18	<u>35,190 to 36,719</u>	2.8 percent	35 percent	\$ <u>750</u>
115.19	28,680 to 29,869			1,190
115.20	<u>36,720 to 38,239</u>	2.9 percent	40 percent	\$ <u>500</u>
115.21	29,870 to 31,079			1,190
115.22	<u>38,240 to 39,999</u>	3.0 percent	40 percent	\$ <u>250</u>
115.23	31,080 to 32,269	3.1 percent	40 percent	\$ 1,190
115.24	32,270 to 33,459	3.2 percent	40 percent	\$ 1,190
115.25	33,460 to 34,649	3.3 percent	45 percent	\$ 1,080
115.26	34,650 to 35,849	3.4 percent	45 percent	\$ <u>960</u>
115.27	35,850 to 37,049	3.5 percent	45 percent	\$ <u>830</u>
115.28	37,050 to 38,239	3.5 percent	50 percent	\$ <u>720</u>
115.29	38,240 to 39,439	3.5 percent	50 percent	\$ <u>600</u>
115.30	38,440 to 40,629	3.5 percent	50 percent	\$ <u>360</u>
115.31	40,630 to 41,819	3.5 percent	50 percent	\$ <u>120</u>

115.32 The payment made to a claimant is the amount of the state refund calculated under
115.33 this subdivision. No payment is allowed if the claimant's household income is ~~\$41,820~~
115.34 \$40,000 or more.

115.35 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
115.36 2010 and following years.

115.37 Sec. 21. Minnesota Statutes 2010, section 290A.04, is amended by adding a
115.38 subdivision to read:

115.39 Subd. 2k. **Renters; nonsenior nondisabled.** A claimant whose rent constituting
115.40 property taxes exceeds the percentage of the household income stated below must pay
115.41 an amount equal to the percent of income shown for the appropriate household income
115.42 level along with the percent to be paid by the claimant of the remaining amount of rent

constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below. This subdivision applies only if the claimant or claimant's spouse is not eligible for a refund under subdivision 2a.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 4,599	1.0 percent	15 percent	\$ 1,000
4,600 to 6,119	1.0 percent	15 percent	\$ 1,000
6,120 to 7,639	1.1 percent	20 percent	\$ 1,000
7,640 to 10,719	1.2 percent	20 percent	\$ 900
10,720 to 13,779	1.3 percent	25 percent	\$ 800
13,780 to 15,299	1.4 percent	25 percent	\$ 800
15,300 to 16,819	1.4 percent	30 percent	\$ 600
16,820 to 19,899	1.5 percent	30 percent	\$ 600
19,900 to 21,419	1.6 percent	35 percent	\$ 400
21,420 to 22,939	1.7 percent	35 percent	\$ 400
22,940 to 24,999	1.8 percent	40 percent	\$ 200

The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is \$25,000 or more.

EFFECTIVE DATE. This section is effective for claims based on rent paid in 2010 and following years.

Sec. 22. Minnesota Statutes 2010, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in calendar year 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under ~~subdivisions~~ subdivision 2 ~~and 2a~~ for inflation. The commissioner shall make the inflation adjustments in accordance with section 1(f) of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined from the year ending on June 30, ~~2000~~ 2011, to the year ending on June 30 of the year preceding that in which the refund is payable.

(b) The commissioner shall use the appropriate percentage increase to annually adjust the income thresholds and maximum refunds under ~~subdivisions~~ subdivision 2 ~~and 2a~~ for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

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

117.4 **EFFECTIVE DATE.** The changes to this section relating to refunds under
117.5 subdivision 2 are effective beginning for refunds based on taxes payable in 2013 and
117.6 the changes relating to refunds under subdivision 2a are effective beginning for refunds
117.7 based on rent paid in 2011.

117.8 Sec. 23. **[373.51] ALTERNATIVE PROCESS FOR CONSOLIDATION.**

117.9 Notwithstanding the provisions relating to petitions in sections 371.02 and 371.03,
117.10 two or more counties may begin the process for consolidation by filing with the secretary
117.11 of state a resolution unanimously adopted by the board of each affected county to seek
117.12 voter approval for consolidation of the counties following the procedures in chapter 371.

117.13 Sec. 24. Minnesota Statutes 2010, section 477A.011, is amended by adding a
117.14 subdivision to read:

117.15 Subd. 1c. **First class city.** "First class city" means a city of the first class as of
117.16 2009 as defined in section 410.01.

117.17 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
117.18 2011 and thereafter.

117.19 Sec. 25. Minnesota Statutes 2010, section 477A.011, subdivision 20, is amended to
117.20 read:

117.21 Subd. 20. **City net tax capacity.** "City net tax capacity" means (1) the net tax
117.22 capacity computed using the net tax capacity rates in section 273.13 for taxes payable
117.23 in the year of the aid distribution, and the market values, after the exclusion in section
117.24 273.13, subdivision 35, for taxes payable in the year prior to the aid distribution plus (2)
117.25 a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2,
117.26 paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior
117.27 to that for which aids are being calculated. The market value utilized in computing city
117.28 net tax capacity shall be reduced by the sum of (1) a city's market value of commercial
117.29 industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3,
117.30 multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph
117.31 (a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value
117.32 of tax increment financing districts as defined in section 469.177, subdivision 2, and (3)

the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The city net tax capacity will be computed using equalized market values.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 26. Minnesota Statutes 2010, section 477A.0124, is amended by adding a subdivision to read:

Subd. 6. Aid payments in 2011 and 2012. Notwithstanding total aids calculated or certified for 2011 under subdivisions 3, 4, and 5, for 2011 and 2012, each county shall receive an aid distribution under this section equal to the lesser of (1) the total amount of aid it received under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134, or (2) the total amount the county is certified to receive in 2011 under subdivisions 3 to 5.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2011 and 2012.

Sec. 27. Minnesota Statutes 2010, section 477A.013, subdivision 8, is amended to read:

Subd. 8. City formula aid. The formula aid for a city is equal to the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase percentage multiplied by the average of its unmet need for the most recently available two years.

No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities. For first class cities, the formula aid is 25 percent of its base aid as defined in subdivision 11, paragraph (a), for aids payable in 2013 and zero for aids payable in 2014 and thereafter.

The applicable need increase percentage must be calculated by the Department of Revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03. Data used in calculating aids to cities under sections 477A.011 to 477A.013 shall be the most recently available data as of January 1 in the year in which the aid is calculated except that the data used to compute "net levy" in subdivision 9 is the data most recently available at the time of the aid computation.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2013 and thereafter.

Sec. 28. Minnesota Statutes 2010, section 477A.013, subdivision 9, is amended to read:

119.1 Subd. 9. **City aid distribution.** (a) In calendar year 2009 and thereafter, each
119.2 city shall receive an aid distribution equal to the sum of (1) the city formula aid under
119.3 subdivision 8, and (2) its city aid base.

119.4 (b) For aids payable in ~~2011~~ 2013 only, the total aid in the previous year for any
119.5 city shall mean the amount of aid it was certified to receive for aids payable in ~~2010~~
119.6 2012 under ~~this section minus the amount of its aid reduction under section 477A.0134~~
119.7 subdivision 11. For aids payable in ~~2012~~ 2014 and thereafter, the total aid in the previous
119.8 year for any city means the amount of aid it was certified to receive under this section in
119.9 the previous payable year.

119.10 (c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed
119.11 the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution
119.12 plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total
119.13 aid for any city with a population of 2,500 or more may not be less than its total aid under
119.14 this section in the previous year minus the lesser of \$10 multiplied by its population, or ten
119.15 percent of its net levy in the year prior to the aid distribution.

119.16 (d) For aids payable in 2010 and thereafter, the total aid for a city with a population
119.17 less than 2,500 must not be less than the amount it was certified to receive in the
119.18 previous year minus the lesser of \$10 multiplied by its population, or five percent of its
119.19 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a
119.20 population less than 2,500 must not be less than what it received under this section in the
119.21 previous year unless its total aid in calendar year 2008 was aid under section 477A.011,
119.22 subdivision 36, paragraph (s), in which case its minimum aid is zero.

119.23 (e) A city's aid loss under this section may not exceed \$300,000 in any year in
119.24 which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or
119.25 greater than the appropriation under that subdivision in the previous year, unless the
119.26 city has an adjustment in its city net tax capacity under the process described in section
119.27 469.174, subdivision 28.

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

119.34 (g) Notwithstanding paragraphs (a) to (f), the total aid for a first class city is its
119.35 formula aid under subdivision 8.

120.1 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
120.2 2013 and thereafter.

120.3 Sec. 29. Minnesota Statutes 2010, section 477A.013, is amended by adding a
120.4 subdivision to read:

120.5 **Subd. 11. Aid payments in 2011 and 2012.** (a) For purposes of this subdivision,
120.6 "base aid" means the lesser of (1) the total amount of aid it received under this section
120.7 in 2010, after the reductions under sections 477A.0133 and 477A.0134 and reduced by
120.8 the amount of payments under section 477A.011, subdivision 36, paragraphs (y) and (z),
120.9 or (2) the amount it was certified to receive in 2011 under subdivision 9. In 2011 only,
120.10 a city that qualifies for the aid base adjustment under section 477A.011, subdivision 36,
120.11 paragraph (aa), shall receive the amount that it was certified to receive in 2011. In 2012,
120.12 a city that qualifies for the aid base adjustment under section 477A.011, subdivision 36,
120.13 paragraph (aa), shall receive the amount that it was certified to receive in 2011, minus the
120.14 aid base adjustment provided under section 477A.011, subdivision 36, paragraph (aa).

120.15 (b) Notwithstanding aids calculated or certified for aids payable in 2011 under
120.16 subdivision 9, in 2011 each city shall receive an aid distribution under this section as
120.17 follows:

120.18 (1) for a first class city, 75 percent of its base aid as defined in paragraph (a); and
120.19 (2) for any other city, its base aid as determined under paragraph (a).

120.20 (c) Notwithstanding aids calculated or certified for aids payable in 2012 under
120.21 subdivision 9, in 2012 each city shall receive an aid distribution under this section as
120.22 follows:

120.23 (1) for a first class city, 50 percent of its base aid as defined in paragraph (a); and
120.24 (2) for any other city, its base aid as defined under paragraph (a).

120.25 **EFFECTIVE DATE.** This section is effective for aids payable in calendar years
120.26 2011 and 2012.

120.27 Sec. 30. Minnesota Statutes 2010, section 477A.03, is amended to read:

120.28 **477A.03 APPROPRIATION.**

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

121.1 Subd. 2a. **Cities.** For aids payable in 2013 only, the total aid paid under section
121.2 477A.013, subdivision 9, is \$318,774,184. For aids payable in ~~2011~~ 2014 and thereafter,
121.3 the total aid paid under section 477A.013, subdivision 9, is ~~\$527,100,646~~ \$283,292,875.

121.4 Subd. 2b. **Counties.** (a) For aids payable in ~~2011~~ 2013 and thereafter, the total aid
121.5 payable under section 477A.0124, subdivision 3, is ~~\$96,395,000~~ \$78,218,000. Each
121.6 calendar year, \$500,000 shall be retained by the commissioner of revenue to make
121.7 reimbursements to the commissioner of management and budget for payments made
121.8 under section 611.27. ~~For calendar year 2004, the amount shall be in addition to the~~
121.9 ~~payments authorized under section 477A.0124, subdivision 1. For calendar year 2005~~
121.10 ~~and subsequent years;~~ The amount shall be deducted from the appropriation under
121.11 this paragraph. The reimbursements shall be to defray the additional costs associated
121.12 with court-ordered counsel under section 611.27. Any retained amounts not used for
121.13 reimbursement in a year shall be included in the next distribution of county need aid
121.14 that is certified to the county auditors for the purpose of property tax reduction for the
121.15 next taxes payable year.

121.16 (b) For aids payable in ~~2011~~ 2013 and thereafter, the total aid under section
121.17 477A.0124, subdivision 4, is ~~\$101,309,575~~ \$83,133,000. The commissioner of
121.18 management and budget shall bill the commissioner of revenue for the cost of preparation
121.19 of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year
121.20 2004 and thereafter. The commissioner of education shall bill the commissioner of
121.21 revenue for the cost of preparation of local impact notes for school districts as required by
121.22 section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner
121.23 of revenue shall deduct the amounts billed under this paragraph from the appropriation
121.24 under this paragraph. The amounts deducted are appropriated to the commissioner of
121.25 management and budget and the commissioner of education for the preparation of local
121.26 impact notes.

121.27 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
121.28 2012 and thereafter.

121.29 Sec. 31. Minnesota Statutes 2010, section 477A.11, subdivision 1, is amended to read:

121.30 Subdivision 1. **Terms.** For the purpose of sections 477A.11 to ~~477A.145~~ 477A.14,
121.31 the terms defined in this section have the meanings given them.

121.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
121.33 2011 and thereafter.

Sec. 32. Minnesota Statutes 2010, section 477A.12, subdivision 1, is amended to read:

Subdivision 1. **Types of land; payments.** (a) As an offset for expenses incurred by counties and towns in support of natural resources lands, the following amounts are annually appropriated to the commissioner of natural resources from the general fund for transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to ~~477A.145~~ 477A.14.

The amounts are:

(1) for acquired natural resources land, ~~\$3, as adjusted for inflation under section 477A.145, \$4.517~~ multiplied by the total number of acres of acquired natural resources land or, at the county's option ~~three-fourths of one~~ 0.66 percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(2) ~~75 cents, as adjusted for inflation under section 477A.145, \$1.129~~ multiplied by the number of acres of county-administered other natural resources land;

(3) ~~75 cents, as adjusted for inflation under section 477A.145, \$1.129~~ multiplied by the total number of acres of land utilization project land; and

(4) ~~37.5 cents, as adjusted for inflation under section 477A.145, 56.5 cents~~ multiplied by the number of acres of commissioner-administered other natural resources land located in each county as of July 1 of each year prior to the payment year.

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

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

Sec. 33. Minnesota Statutes 2010, section 477A.14, subdivision 1, is amended to read:

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

(a) ~~37.5 cents, as adjusted for inflation under section 477A.145, 56.5 cents~~ for each acre of county-administered other natural resources land shall be deposited in a resource development fund to be created within the county treasury for use in resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of county-administered other natural resources land. Any

123.1 county receiving less than \$5,000 annually for the resource development fund may elect to
123.2 deposit that amount in the county general revenue fund;

123.3 (b) From the funds remaining, within 30 days of receipt of the payment to the
123.4 county, the county treasurer shall pay each organized township ~~30 cents, as adjusted for~~
123.5 ~~inflation under section 477A.145, 45.2 cents~~ for each acre of acquired natural resources
123.6 land and each acre of land described in section 477A.12, subdivision 1, paragraph (b), and
123.7 ~~7.5 cents, as adjusted for inflation under section 477A.145, 11.3 cents~~ for each acre of
123.8 other natural resources land and each acre of land utilization project land located within its
123.9 boundaries. Payments for natural resources lands not located in an organized township
123.10 shall be deposited in the county general revenue fund. Payments to counties and townships
123.11 pursuant to this paragraph shall be used to provide property tax levy reduction, except
123.12 that of the payments for natural resources lands not located in an organized township, the
123.13 county may allocate the amount determined to be necessary for maintenance of roads in
123.14 unorganized townships. Provided that, if the total payment to the county pursuant to
123.15 section 477A.12 is not sufficient to fully fund the distribution provided for in this clause,
123.16 the amount available shall be distributed to each township and the county general revenue
123.17 fund on a pro rata basis; and

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

123.21 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
123.22 2011 and thereafter.

123.23 Sec. 34. Minnesota Statutes 2010, section 477A.17, is amended to read:

123.24 **477A.17 LAKE VERMILION STATE PARK AND SOUDAN**
123.25 **UNDERGROUND MINE STATE PARK; ANNUAL PAYMENTS.**

123.26 (a) Beginning in fiscal year 2012, in lieu of the payment amount provided under
123.27 section 477A.12, subdivision 1, clause (1), the county shall receive an annual payment for
123.28 land acquired for Lake Vermilion State Park, established in section 85.012, subdivision
123.29 38a, and land within the boundary of Soudan Underground Mine State Park, established
123.30 in section 85.012, subdivision 53a, equal to ~~1.5~~ 1.32 percent of the appraised value of
123.31 the land.

123.32 (b) For the purposes of this section, the appraised value of the land acquired for
123.33 Lake Vermilion State Park for the first five years after acquisition shall be the purchase
123.34 price of the land, plus the value of any portion of the land that is acquired by donation.

124.1 The appraised value must be redetermined by the county assessor every five years after
124.2 the land is acquired.

124.3 (c) The annual payments under this section shall be distributed to the taxing
124.4 jurisdictions containing the property as follows: one-third to the school districts; one-third
124.5 to the town; and one-third to the county. The payment to school districts is not a county
124.6 apportionment under section 127A.34 and is not subject to aid recapture. Each of those
124.7 taxing jurisdictions may use the payments for their general purposes.

124.8 (d) Except as provided in this section, the payments shall be made as provided
124.9 in sections 477A.11 to 477A.13.

124.10 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
124.11 2011 and thereafter.

124.12 Sec. 35. **ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2011.**

124.13 In administering this bill for claims for refunds submitted using 19 percent of gross
124.14 rent as rent constituting property taxes under prior law, the commissioner shall recalculate
124.15 and pay the refund amounts using 15 percent of gross rent, subject to the reduced
124.16 maximum income limits, maximum refunds, and increased copayment percentages in this
124.17 bill. The commissioner shall notify the claimant that the recalculation was mandated by
124.18 action of the 2011 Legislature.

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

124.20 Sec. 36. **CREDIT REDUCTIONS AND LIMITATION; COUNTIES AND**
124.21 **CITIES.**

124.22 In 2011, the market value credit reimbursement payment to each county and city
124.23 authorized under Minnesota Statutes, section 273.1384, subdivision 4, may not exceed the
124.24 reimbursement payment received by the county or city for taxes payable in 2010.

124.25 **EFFECTIVE DATE.** This section is effective for credit reimbursements in 2011.

124.26 Sec. 37. **PROPERTY TAX STATEMENT FOR TAXES PAYABLE IN 2012 ONLY.**

124.27 For the purposes of the property tax statements required under Minnesota Statutes,
124.28 section 276.04, subdivision 2, for taxes payable in 2012 only, the gross tax amount shown
124.29 for the previous year is the gross tax minus the residential homestead market value credit.

124.30 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 only.

Sec. 38. **REPORT ON PAYMENT IN LIEU OF TAXES FOR STATE NATURAL RESOURCE LANDS.**

By December 1, 2011, the commissioner of natural resources, after consultation with the commissioners of revenue and management and budget, and stakeholders, including representatives from affected local units of government and other interested parties, shall report to the chairs and ranking minority caucus members of the senate and house of representatives natural resources and tax policy and finance committees with recommended changes to payment in lieu of taxes for natural resource lands under Minnesota Statutes, sections 97A.061 and 477A.11 to 477A.145. The report shall include an analysis of the current payment and distribution system, and any recommended changes to:

- (1) the purpose of the payment system and the criteria for payments;
- (2) the rate of payments for specific classes of natural resource lands;
- (3) the formula for distribution of the payments to local units of government; and
- (4) recognition in the amount of the payments of the tax capacity foregone by the local government due to the loss of the future development potential of the land.

Sec. 39. **COOPERATION AND CONSOLIDATION GRANTS.**

Subdivision 1. **Definition.** For the purposes of this section, "local government" means a town, county, or home rule charter or statutory city.

Subd. 2. **Grants.** The commissioner of administration may make a cooperation and consolidation grant to a local government that is participating with at least one other local government in planning for or implementing provision of services cooperatively or in planning and implementing consolidation of services, functions, or governance. The grants shall be made on a first-come first-served basis. The commissioner shall determine the form and content of the application and grant agreements. At a minimum, an application must contain a resolution adopted by the governing body of each participating local government supporting the cooperation or consolidation effort that identifies the services and functions the local government is considering providing cooperatively with one or more other local governments or that identifies the functions the local governments seek to consolidate. The maximum grant amount is \$100,000 per local government.

Subd. 3. **Report.** The commissioner of administration must report to the governor and legislative committees with jurisdiction over local government governance and local government taxes and finance on the cooperation and consolidation grants made and how the money was used, what services and functions have been provided by local governments in cooperation with each other, what programs or governance structures have been proposed for consolidation or consolidated, and what impediments remain that

prevent cooperation, consolidation, and service innovation. An interim report is due February 1, 2012, and a final report is due December 15, 2012.

Subd. 4. **Appropriation.** \$1,000,000 in fiscal year 2012, and \$2,500,000 in fiscal year 2013, are appropriated from the general fund to the commissioner of administration to make grants to counties as provided in this section.

Sec. 40. SUSTAINABLE FOREST INCENTIVE ACT REPEAL; TRANSITION PAYMENTS; APPROPRIATION.

(a) Given the limits on state budgetary resources for the coming and future fiscal biennia, the projected cost of the sustainable forest resource management incentive program under Minnesota Statutes, chapter 290C, of over \$31,000,000 for the fiscal 2012 and 2013 biennium, and the minimal amount of tangible public benefits of that program, the legislature determines that it is prudent and necessary to repeal that program effective immediately to help balance the state budget for the fiscal 2012 and 2013 biennium and to help provide permanent structural balance to the state budget. The legislature takes notice of and finds that many of the eligibility requirements for participants in the sustainable forest incentive program are in the participants' own financial interests, determined without regard to whether they receive state payments for doing so, and that the participants with the largest amounts of acreage in the program do follow and would likely continue to follow similar or more stringent management practices, regardless of whether the program exists. The legislature further finds that the modification of the sustainable forest incentive program made by Laws 2009, chapter 88, article 10, section 16, increased the per acre payments made to program claimants for fiscal year 2011 by approximately 80 percent, even though it was intended by the 2009 legislature to have little or no effect on the per acre amount of the payments. As a result, this legislative change provided unintended and windfall benefits to almost all the claimants.

(b) On or before October 1, 2011, the commissioner of revenue shall pay to:

(1) each claimant whose fiscal year 2011 payment was \$100,000 under Laws 2010, First Special Session chapter 1, article 13, section 4, subdivision 3, a transition payment equal to one-twelfth for each month, or part of a month, of calendar year 2011 in which the claimant's covenant was in effect, multiplied by \$100,000, except that this payment must be reduced, but not below zero, by the increase, if any, in the claimant's 2010 total payment resulting from the increase in the per acre payment rates between 2009 and 2010; and

(2) each claimant who was eligible for a payment in calendar year 2011 and who received no payment for calendar year 2010, a transition payment of \$3.75 per acre of land

127.1 enrolled in the program, but not to exceed the amount allowed per claimant to claimants
127.2 receiving payments under clause (1).

127.3 Because claimants not covered by clauses (1) or (2) received much larger per acre
127.4 payments than intended for calendar year 2010, no transition payments are provided
127.5 to them.

127.6 For purposes of this paragraph (b), "claimant" refers to each Social Security number
127.7 or state or federal business tax identification number.

127.8 (c) An amount sufficient to make the transition payments required under paragraph
127.9 (b) is appropriated to the commissioner of revenue from the general fund.

127.10 (d) Land that had been enrolled in the sustainable forest incentive program on May
127.11 1, 2011, may be reclassified as class 2(c) managed forest land for taxes payable in 2012
127.12 if the owner applies to the assessor for the reclassification before September 1, 2011,
127.13 notwithstanding the application date in Minnesota Statutes, section 273.13, subdivision
127.14 23, paragraph (d).

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

127.16 Sec. 41. **REPEALER.**

127.17 (a) Minnesota Statutes 2010, sections 10A.322, subdivision 4; and 13.4967,
127.18 subdivision 2, are repealed.

127.19 (b) Minnesota Statutes 2010, section 290.06, subdivision 23, is repealed.

127.20 (c) Minnesota Statutes 2010, sections 275.295; and 477A.145, are repealed.

127.21 (d) Minnesota Statutes 2010, section 273.1384, subdivisions 1 and 6, are repealed.

127.22 (e) Minnesota Statutes 2010, sections 13.4967, subdivision 2b; 290C.01; 290C.02;
127.23 290C.03; 290C.04; 290C.05; 290C.055; 290C.06; 290C.07; 290C.08; 290C.09; 290C.10;
127.24 290C.11; 290C.12; and 290C.13, are repealed.

127.25 **EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.

127.26 Paragraph (b) is effective for refund claims based on contributions made after June 30,
127.27 2011. Paragraph (c) is effective for aids payable in 2011 and thereafter. Paragraph (d)
127.28 is effective for taxes payable in 2012 and thereafter. Paragraph (e) is effective the day
127.29 following final enactment, and the covenants under the program are void on that date. No
127.30 later than 90 days after enactment of this section, the commissioner of revenue shall issue
127.31 a document to each enrollee releasing the land from the covenant as provided in Minnesota
127.32 Statutes 2010, section 290C.04, paragraph (e), effective the day following final enactment.

ARTICLE 8

MINERALS

Section 1. Minnesota Statutes 2010, section 272.02, is amended by adding a subdivision to read:

Subd. 95. **Property used in the business of mining subject to the net proceeds tax.** The following property used in the business of mining that is subject to the net proceeds tax under section 298.015 is exempt:

(1) deposits of ores, metals, and minerals and the lands in which they are contained;

(2) all real and personal property used in mining, quarrying, producing, or refining ores, minerals, or metals, including lands occupied by or used in connection with the mining, quarrying, production, or ore refining facilities; and

(3) concentrate or direct reduced ore.

This exemption applies for each year that a person subject to tax under section 298.015 uses the property for mining, quarrying, producing, or refining ores, metals, or minerals.

EFFECTIVE DATE. This section is effective for taxes payable in 2012 and thereafter.

Sec. 2. Minnesota Statutes 2010, section 290.05, subdivision 1, is amended to read:

Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and mining, producing, or refining other ores, metals, and minerals, the mining or, production, or refining of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

129.1 (c) any insurance company.

129.2 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
129.3 December 31, 2010.

129.4 Sec. 3. Minnesota Statutes 2010, section 298.001, is amended by adding a subdivision
129.5 to read:

129.6 Subd. 10. **Refining.** "Refining" means and is limited to refining:

129.7 (1) of ores, metals, or mineral products, the mining, extraction, or quarrying of
129.8 which were subject to tax under section 298.015; and

129.9 (2) carried out by the entity, or an affiliated entity, that mined, extracted, or quarried
129.10 the metal or mineral products.

129.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
129.12 December 31, 2010.

129.13 Sec. 4. Minnesota Statutes 2010, section 298.01, subdivision 3, is amended to read:

129.14 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of
129.15 mining, refining, or producing ores, metals, or minerals in this state, except iron ore or
129.16 taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided
129.17 in this subdivision. For purposes of this subdivision, mining includes the application
129.18 of hydrometallurgical processes. The tax is determined in the same manner as the tax
129.19 imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17,
129.20 subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must
129.21 be computed by applying to taxable income the rate of 2.45 percent. A person subject
129.22 to occupation tax under this section shall apportion its net income on the basis of the
129.23 percentage obtained by taking the sum of:

129.24 (1) 75 percent of the percentage which the sales made within this state in connection
129.25 with the trade or business during the tax period are of the total sales wherever made in
129.26 connection with the trade or business during the tax period;

129.27 (2) 12.5 percent of the percentage which the total tangible property used by the
129.28 taxpayer in this state in connection with the trade or business during the tax period is of
129.29 the total tangible property, wherever located, used by the taxpayer in connection with the
129.30 trade or business during the tax period; and

129.31 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred
129.32 in this state or paid in respect to labor performed in this state in connection with the trade

or business during the tax period are of the taxpayer's total payrolls paid or incurred in connection with the trade or business during the tax period.

The tax is in addition to all other taxes.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 5. Minnesota Statutes 2010, section 298.01, subdivision 3a, is amended to read:

Subd. 3a. **Gross income.** (a) For purposes of determining a person's taxable income under subdivision 3, gross income is determined by the amount of gross proceeds from mining in this state under section 298.016 and includes any gain or loss recognized from the sale or disposition of assets used in the business in this state. If more than one ~~ore, mineral, or metal, or energy resource~~ referred to in section 298.016 is mined and processed at the same mine and plant, a gross income for each ~~ore, mineral, or metal, or energy resource~~ must be determined separately. The gross incomes may be combined on one occupation tax return to arrive at the gross income of all production.

(b) In applying section 290.191, subdivision 5, transfers of ores, metals, or minerals that are subject to tax under this chapter are deemed to be sales in this state.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 6. Minnesota Statutes 2010, section 298.015, subdivision 1, is amended to read:

Subdivision 1. **Tax imposed.** A person engaged in the business of mining shall pay to the state of Minnesota for distribution as provided in section 298.018 a net proceeds tax equal to two percent of the net proceeds from mining in Minnesota. The tax applies to all ~~mineral and energy resources~~ ores, metals, and minerals mined ~~or~~ extracted, produced, or refined within the state of Minnesota except for sand, silica sand, gravel, building stone, crushed rock, limestone, granite, dimension granite, dimension stone, horticultural peat, clay, soil, iron ore, and taconite concentrates. The tax is in addition to all other taxes provided for by law.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2010.

Sec. 7. Minnesota Statutes 2010, section 298.015, subdivision 2, is amended to read:

Subd. 2. **Net proceeds.** For purposes of this section, the term "net proceeds" means the gross proceeds from mining, as defined in section 298.016, less the deductions ~~allowed~~

131.1 ~~in section 298.017~~ for purposes of determining taxable income under section 298.01,
131.2 ~~subdivision 3b, applied to the mining, production, processing, beneficiation, smelting, or~~
131.3 ~~refining of metal or mineral products. No other credits or deductions shall apply to this tax~~
131.4 ~~except for those provided in section 298.017.~~

131.5 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and
131.6 thereafter.

131.7 Sec. 8. Minnesota Statutes 2010, section 298.016, subdivision 4, is amended to read:

131.8 Subd. 4. **Definitions Metal or mineral products; definition.** For the purposes of
131.9 ~~sections 298.015 and 298.017 this section, the terms defined in this subdivision have the~~
131.10 ~~meaning given them unless the context clearly indicates otherwise.~~

131.11 (a) "metal or mineral products" means all those ~~mineral and energy resources~~ ores,
131.12 metals, and minerals subject to the tax provided in section 298.015.

131.13 (b) ~~"Exploration" means activities designed and engaged in to ascertain the~~
131.14 ~~existence, location, extent, or quality of any deposit of metal or mineral products prior to~~
131.15 ~~the development of a mining site.~~

131.16 (c) ~~"Development" means activities designed and engaged in to prepare or develop~~
131.17 ~~a potential mining site for mining after the existence of metal or mineral products in~~
131.18 ~~commercially marketable quantities has been disclosed including, but not limited to,~~
131.19 ~~the clearing of forestation, the building of roads, removal of overburden, or the sinking~~
131.20 ~~of shafts.~~

131.21 (d) ~~"Research" means activities designed and engaged in to create new or improved~~
131.22 ~~methods of mining, producing, processing, beneficiating, smelting, or refining metal~~
131.23 ~~or mineral products.~~

131.24 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
131.25 December 31, 2010.

131.26 Sec. 9. Minnesota Statutes 2010, section 298.225, subdivision 1, is amended to read:

131.27 Subdivision 1. **Guaranteed distribution.** (a) The distribution of the taconite
131.28 production tax as provided in section 298.28, subdivisions 3 to 5, 6, paragraph (b), and
131.29 ~~7, and 8,~~ shall equal the lesser of the following amounts:

131.30 (1) the amount distributed pursuant to this section and section 298.28, with respect
131.31 to 1983 production if the production for the year prior to the distribution year is no less
131.32 than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the
131.33 amount of the distributions shall be reduced proportionately at the rate of two percent

132.1 for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than
132.2 42,000,000 tons; or

132.3 (2)(i) for the distributions made pursuant to section 298.28, subdivisions 4,
132.4 paragraphs (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed
132.5 pursuant to this section and section 298.28, with respect to 1983 production;

132.6 (ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs
132.7 (b) and (d), 75 percent of the amount distributed pursuant to this section and section
132.8 298.28, with respect to 1983 production.

132.9 (b) The distribution of the taconite production tax as provided in section 298.28,
132.10 subdivision 2, shall equal the following amount:

132.11 (1) if the production for the year prior to the distribution year is at least 42,000,000
132.12 taxable tons, the amount distributed pursuant to this section and section 298.28 with
132.13 respect to 1999 production; or

132.14 (2) if the production for the year prior to the distribution year is less than 42,000,000
132.15 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect
132.16 to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000
132.17 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

132.18 **EFFECTIVE DATE.** This section is effective for distributions in 2012 and
132.19 thereafter.

132.20 Sec. 10. Minnesota Statutes 2010, section 298.24, subdivision 1, is amended to read:

132.21 Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in ~~2001, 2002,~~
132.22 ~~and 2003~~ 2011 and 2012, there is imposed upon taconite and iron sulphides, and upon the
132.23 mining and quarrying thereof, and upon the production of iron ore concentrate therefrom,
132.24 and upon the concentrate so produced, and upon other iron-bearing material, a tax of
132.25 ~~\$2.103~~ \$2.380 per gross ton of merchantable iron ore concentrate produced therefrom.
132.26 ~~For concentrates produced in 2005, the tax rate is the same rate imposed for concentrates~~
132.27 ~~produced in 2004. For concentrates produced in 2009 and subsequent years, the tax is also~~
132.28 ~~imposed upon other iron-bearing material.~~

132.29 (b) For concentrates produced in ~~2006~~ 2013 and subsequent years, the tax rate shall
132.30 be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax
132.31 rate multiplied by the percentage increase in the implicit price deflator from the fourth
132.32 quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit
132.33 price deflator" means the implicit price deflator for the gross domestic product prepared by
132.34 the Bureau of Economic Analysis of the United States Department of Commerce.

133.1 (c) An additional tax is imposed equal to three cents per gross ton of merchantable
133.2 iron ore concentrate for each one percent that the iron content of the product exceeds 72
133.3 percent, when dried at 212 degrees Fahrenheit.

133.4 (d) The tax on taconite and iron sulphides shall be imposed on the average of the
133.5 production for the current year and the previous two years. The rate of the tax imposed
133.6 will be the current year's tax rate. This clause shall not apply in the case of the closing
133.7 of a taconite facility if the property taxes on the facility would be higher if this clause
133.8 and section 298.25 were not applicable. The tax on other iron-bearing material shall be
133.9 imposed on the current year production.

133.10 (e) If the tax or any part of the tax imposed by this subdivision is held to be
133.11 unconstitutional, a tax of ~~\$2.103~~ \$2.380 per gross ton of merchantable iron ore concentrate
133.12 produced shall be imposed.

133.13 (f) Consistent with the intent of this subdivision to impose a tax based upon the
133.14 weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly
133.15 determine the weight of merchantable iron ore concentrate included in fluxed pellets by
133.16 subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic
133.17 flux additives included in the pellets from the weight of the pellets. For purposes of this
133.18 paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite,
133.19 olivine, or other basic flux additives are combined with merchantable iron ore concentrate.
133.20 No subtraction from the weight of the pellets shall be allowed for binders, mineral and
133.21 chemical additives other than basic flux additives, or moisture.

133.22 (g)(1) Notwithstanding any other provision of this subdivision, for the first two years
133.23 of a plant's commercial production of direct reduced ore from ore mined in this state, no
133.24 tax is imposed under this section. As used in this paragraph, "commercial production" is
133.25 production of more than 50,000 tons of direct reduced ore in the current year or in any
133.26 prior year, "noncommercial production" is production of 50,000 tons or less of direct
133.27 reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an
133.28 iron content of at least 75 percent. For the third year of a plant's commercial production of
133.29 direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate
133.30 otherwise determined under this subdivision. For the fourth commercial production year,
133.31 the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth
133.32 commercial production year, the rate is 75 percent of the rate otherwise determined under
133.33 this subdivision; and for all subsequent commercial production years, the full rate is
133.34 imposed.

133.35 (2) Subject to clause (1), production of direct reduced ore in this state is subject to
133.36 the tax imposed by this section, but if that production is not produced by a producer of

134.1 taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron
134.2 sulfides, or other iron-bearing material, that is consumed in the production of direct
134.3 reduced iron in this state is not subject to the tax imposed by this section on taconite,
134.4 iron sulfides, or other iron-bearing material.

134.5 (3) Notwithstanding any other provision of this subdivision, no tax is imposed
134.6 on direct reduced ore under this section during the facility's noncommercial production
134.7 of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial
134.8 production of direct reduced ore is subject to the tax imposed by this section on taconite
134.9 and iron sulphides. Three-year average production of direct reduced ore does not
134.10 include production of direct reduced ore in any noncommercial year. Three-year average
134.11 production for a direct reduced ore facility that has noncommercial production is the
134.12 average of the commercial production of direct reduced ore for the current year and the
134.13 previous two commercial years.

134.14 (4) This paragraph applies only to plants for which all environmental permits have
134.15 been obtained and construction has begun before July 1, 2008.

134.16 **EFFECTIVE DATE.** This section is effective for production in 2011 and thereafter.

134.17 Sec. 11. Minnesota Statutes 2010, section 298.28, subdivision 3, is amended to read:

134.18 Subd. 3. **Cities; towns.** (a) ~~12.5~~ 12.2 cents per taxable ton, less any amount
134.19 distributed under ~~subdivision 8,~~ and paragraph (b), must be allocated to the taconite
134.20 municipal aid account to be distributed as provided in section 298.282.

134.21 (b) An amount must be allocated to towns or cities that is annually certified by
134.22 the county auditor of a county containing a taconite tax relief area as defined in section
134.23 273.134, paragraph (b), within which there is (1) an organized township if, as of January
134.24 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron
134.25 ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation
134.26 of the city consists of iron ore.

134.27 (c) The amount allocated under paragraph (b) will be the portion of a township's or
134.28 city's certified levy equal to the proportion of (1) the difference between 50 percent of
134.29 January 2, 1982, assessed value in the case of a township and 50 percent of the January 2,
134.30 1980, assessed value in the case of a city and its current assessed value to (2) the sum of
134.31 its current assessed value plus the difference determined in (1), provided that the amount
134.32 distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in
134.33 the case of a city. For purposes of this limitation, population will be determined according
134.34 to the 1980 decennial census conducted by the United States Bureau of the Census. If the
134.35 current assessed value of the township exceeds 50 percent of the township's January 2,

1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means the appropriate net tax capacities multiplied by 10.2.

(d) In addition to other distributions under this subdivision, three cents per taxable ton for distributions in 2009 must be allocated for distribution to towns that are entirely located within the taconite tax relief area defined in section 273.134, paragraph (b). For distribution in 2010 and subsequent years, the three-cent amount must be annually increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount available under this paragraph will be distributed to eligible towns on a per capita basis, provided that no town may receive more than \$50,000 in any year under this paragraph. Any amount of the distribution that exceeds the \$50,000 limitation for a town under this paragraph must be redistributed on a per capita basis among the other eligible towns, to whose distributions do not exceed \$50,000.

Sec. 12. **REPEALER.**

(a) Minnesota Statutes 2010, section 298.28, subdivisions 8 and 9c, are repealed.

(b) Minnesota Statutes 2010, section 298.285, is repealed.

(c) Minnesota Statutes 2010, section 298.017, is repealed.

EFFECTIVE DATE. Paragraph (a) is effective for distributions in 2012 and thereafter of taxes on production in 2011 and thereafter. Paragraph (b) is effective June 30, 2011. Paragraph (c) is effective for taxable years beginning after December 31, 2010.

ARTICLE 9

MISCELLANEOUS

Section 1. Minnesota Statutes 2010, section 270C.13, subdivision 1, is amended to read:

Subdivision 1. **Biennial report.** The commissioner shall report to the legislature by March 1 of each odd-numbered year on the overall incidence of the income tax, sales and excise taxes, and property tax. The report shall present information on the distribution of the tax burden as follows: (1) for the overall income distribution, using a systemwide incidence measure such as the Suits index or other appropriate measures of equality and inequality; (2) by income classes, including at a minimum deciles of the income distribution; and (3) by other appropriate taxpayer characteristics. The report must also include information on the distribution of the burden of federal taxes borne by Minnesota residents.

136.1 **EFFECTIVE DATE.** This section is effective beginning with the report due in
136.2 March 2013.

136.3 Sec. 2. **BUDGET RESERVE REDUCTION.**

136.4 On July 1, 2011, the commissioner of management and budget shall cancel
136.5 \$8,665,000 of the balance in the budget reserve account in Minnesota Statutes, section
136.6 16A.152, to the general fund.

136.7 Sec. 3. **CASH FLOW ACCOUNT REDUCTION.**

136.8 On July 1, 2011, the commissioner of management and budget shall cancel
136.9 \$166,000,000 of the balance in the cash flow account in Minnesota Statutes, section
136.10 16A.152, to the general fund.

136.11 Sec. 4. **TRANSFER**

136.12 Prior to June 30, 2012, the commissioner of iron range resources shall transfer
136.13 \$60,000,000 from the Douglas J. Johnson economic protection trust fund to the general
136.14 fund. This is a onetime transfer.