CONFEREE COMMITTEE REPORT ON H. F. No. 2323

A bill for an act

relating to the financing and operation of state and local government; making
policy; technical, administrative, enforcement, collection, refund, clarifying,
and other changes to income, franchise, property, sales and use, estate, gift,
cigarette, tobacco, liquor, motor vehicle, gross receipts, minerals, tax increment
financing and other taxes and tax-related provisions; requiring certain additions;
conforming to federal section 179 expensing allowances; adding Minnesota
development subsidies to corporate taxable income; disallowing certain
subtractions; allowing certain nonrefundable credits; allowing a refundable
Minnesota child credit; repealing various credits; conforming to certain
federal tax provisions; expanding definition of domestic corporation to include
tax havens; modifying income tax rates; expanding and increasing credit
for research activities; accelerating single sales apportionment; modifying
minimum fees; allowing county local sales tax; eliminating certain existing
local sales taxes; adjusting county program aid; modifying levy limits; making
changes to residential homestead market value credit; providing flexibility
and mandate reduction provisions; making changes to various property tax
and local government aid-related provisions; providing temporary suspension
of new or increased maintenance of effort and matching fund requirements;
modifying county support of libraries; establishing the Council on Local
Results and Innovation; providing property tax system benchmarks, critical
indicators, and principles; establishing a property tax work group; creating
the Legislative Commission on Mandate Reform; making changes to certain
administrative procedures; modifying mortgage registry tax payments;
modifying truth in taxation provisions; providing clarification for eligibility
for property tax exemption for institutions of purely public charity; making
changes to property tax refund and senior citizen property tax deferral
programs; providing property tax exemptions; providing a property valuation
reduction for certain land constituting a riparian buffer; providing a partial
valuation exclusion for disaster damaged homes; extending deadline for special
service district and housing improvement districts; requiring a fiscal disparity
study; extending emergency medical service special taxing district; providing
emergency debt certificates; providing and modifying local taxes; expanding
county authorization to abate certain improvements; providing municipal
street improvement districts; establishing a seasonal recreational property tax
deferral program; expanding sales and use tax base; defining solicitor for
purposes of nexus; providing a bovine tuberculosis testing grant; modifying
tax preparation services law; modifying authority of municipalities to issue
bonds for certain other postemployment benefits; allowing use of increment to
offset state aid reductions; allowing additional authority to spend increments
for housing replacement district plans; modifying and authorizing certain tax
increment financing districts; providing equitable funding health and human
services reform; modifying JOBZ provisions; repealing international economic
development and biotechnology and health science industry zones; modifying
basic sliding fee program funding; providing appointments; requiring reports;
appropriating money; amending Minnesota Statutes 2008, sections 3.842,
subdivision 4a; 3.843; 16C.28, subdivision 1a; 40A.09; 84.82, subdivision
10; 84.922, subdivision 11; 86B.401, subdivision 12; 123B.10, subdivision
1; 134.34, subdivisions 1, 4; 245.4932, subdivision 1; 253B.045, subdivision
2; 254B.04, subdivision 1; 270C.12, by adding a subdivision; 270C.445;
270C.56, subdivision 3; 272.02, subdivision 7, by adding subdivisions; 272.029,
subdivision 6; 273.111, by adding a subdivision; 273.1231, subdivision 1;
273.1232, subdivision 1; 273.124, subdivision 1; 273.13, subdivisions 25, 34;
273.1384, subdivisions 1, 4, by adding a subdivision; 273.1393; 275.025,
subdivisions 1, 2; 275.065, subdivisions 1, 1a, 1c, 3, 6; 275.07, subdivisions
1, 4, by adding a subdivision; 275.70, subdivisions 3, 5; 275.71, subdivisions
2, 4, 5; 276.04, subdivision 2; 279.10; 282.08; 287.08; 289A.02, subdivision
7, as amended; 289A.11, subdivision 1; 289A.20, subdivision 4; 289A.31,
subdivision 5; 290.01, subdivisions 5, 19, as amended, 19a, as amended, 19b,
19c, as amended, 19d, as amended, 29, 31, as amended, by adding subdivisions;
290.014, subdivision 2; 290.06, subdivisions 2c, 2d, by adding subdivisions;
290.0671, subdivision 1; 290.068, subdivisions 1, 3, 4; 290.091, subdivision 2;
290.0921, subdivision 3; 290.0922, subdivisions 1, 3, by adding a subdivision;
290.17, subdivisions 2, 4; 290.191, subdivisions 2, 3; 290A.03, subdivision
15, as amended; 290A.04, subdivision 2; 290B.03, subdivision 1; 290B.04,
subdivisions 3, 4; 290B.05, subdivision 1; 291.005, subdivision 1, as amended;
291.03, subdivision 1; 295.75, subdivision 2; 297A.61, subdivisions 3, 4, 5, 6,
10, 14a, 17a, 21, 38, by adding subdivisions; 297A.62, by adding a subdivision;
297A.63; 297A.64, subdivision 2; 297A.66, subdivision 1, by adding a
subdivision; 297A.67, subdivisions 15, 23; 297A.815, subdivision 3; 297A.83,
subdivision 3; 297A.94; 297A.99, subdivisions 1, 6; 297B.02, subdivision 1;
297F.01, by adding a subdivision; 297F.05, subdivisions 1, 3, 4, by adding a
subdivision; 297G.03, subdivision 1; 297G.04; 298.001, by adding a subdivision;
298.018, subdivisions 1, 2, by adding a subdivision; 298.227; 298.24, subdivision
1; 298.28, subdivisions 2, 11, by adding a subdivision; 306.243, by adding a
subdivision; 344.18; 365.28; 375.194, subdivision 5; 383A.75, subdivision 3;
428A.101; 428A.21; 429.011, subdivision 2a; 429.021, subdivision 1; 429.041,
subdivisions 1, 2; 464A.086, subdivision 8; 465.719, subdivision 9; 469.015;
469.174, subdivision 22; 469.175, subdivisions 1, 6; 469.176, subdivisions 3, 6,
by adding a subdivision; 469.1763, subdivisions 2, 3; 469.178, subdivision 7;
469.315; 469.3192; 473.13, subdivision 1; 473H.04, by adding a subdivision;
473H.05, subdivision 1; 475.51, subdivision 4; 475.52, subdivision 6; 475.58,
subdivision 1; 477A.011, subdivision 36; 477A.0124, by adding a subdivision;
477A.013, subdivision 9, by adding a subdivision; 477A.03, subdivisions 2a,
2b; 641.12, subdivision 1; Laws 1986, chapter 396, section 4, subdivision 3;
by adding a subdivision; Laws 1986, chapter 400, section 44, as amended;
Laws 1991, chapter 291, article 8, section 27, subdivision 3, as amended; Laws
1993, chapter 375, article 9, section 46, subdivision 2, as amended, by adding
a subdivision; Laws 1995, chapter 264, article 5, sections 44, subdivision 4,
as amended; 45, subdivision 1, as amended; Laws 1996, chapter 471, article
2, section 30; Laws 1998, chapter 389, article 8, section 37, subdivision 1;
Laws 2001, First Special Session chapter 5, article 3, section 8, as amended;
Laws 2002, chapter 377, article 3, section 25; Laws 2006, chapter 259, article
3, section 12, subdivision 3; Laws 2008, chapter 366, article 5, section 34;
article 6, sections 9; 10; article 7, section 16, subdivision 3; proposing coding
for new law in Minnesota Statutes, chapters 3; 6; 14; 17; 256E; 270C; 272;
273; 275; 290; 292; 297A; 435; 475; 477A; proposing coding for new law as
Minnesota Statutes, chapter 290D; repealing Minnesota Statutes 2008, sections
245.4835; 245.714; 246.54; 254B.02, subdivision 3; 256B.19, subdivision 1;
May 18, 2009  

The Honorable Margaret Anderson Kelliher  
Speaker of the House of Representatives  

The Honorable James P. Metzen  
President of the Senate  

We, the undersigned conferees for H. F. No. 2323 report that we have agreed upon the items in dispute and recommend as follows:  

That the Senate recede from its amendments and that H. F. No. 2323 be further amended as follows:  

Delete everything after the enacting clause and insert:  

"ARTICLE 1  
EDUCATION SHIFTS  

Section 1. Minnesota Statutes 2008, section 123B.54, as amended by Laws 2009, chapter 96, article 4, section 1, is amended to read:  

123B.54 DEBT SERVICE APPROPRIATION.  

(a) $9,109,000 in fiscal year 2009, $7,948,000 $6,608,000 in fiscal year 2010, $9,275,000 $9,012,000 in fiscal year 2011, $9,574,000 $9,547,000 in fiscal year 2012, and $8,904,000 $9,033,000 in fiscal year 2013 and later are appropriated from the general fund to the commissioner of education for payment of debt service equalization aid under section 123B.53.  

(b) The appropriations in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.  

Sec. 2. Minnesota Statutes 2008, section 123B.75, is amended by adding a subdivision to read:  

Subd. 1a. Definition. For the purpose of this section, "school district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district.  

Sec. 3. Minnesota Statutes 2008, section 123B.75, subdivision 5, is amended to read:  

3.21
Subd. 5. Levy recognition. (a) “School district tax settlement revenue” means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district.

(b) For fiscal year 2004 and later years. In June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or

(2) the sum of:

(i) 31 percent of the referendum levy certified according to section 126C.17, in calendar year 2000; and

(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6.

(b) For fiscal year 2010 and later years, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or

(2) the sum of:

(i) the greater of 49.1 percent of the referendum levy certified according to section 126C.17 in the prior calendar year, or 31 percent of the referendum levy certified according to section 126C.17 in calendar year 2000; plus

(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6; plus

(iii) 49.1 percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, not including the levy portions that are assumed by the state, that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to item (ii).
Sec. 4. Minnesota Statutes 2008, section 126C.48, subdivision 7, is amended to read:

Subd. 7. Reporting. For each tax settlement, the county auditor shall report to each school district by fund, the district tax settlement revenue defined in section 123B.75, subdivision 5, paragraph (a) or (b), on the form specified in section 276.10. The county auditor shall send to the district a copy of the spread levy report specified in section 275.124.

Sec. 5. Minnesota Statutes 2008, section 127A.441, is amended to read:

127A.441 AID REDUCTION; LEVY REVENUE RECOGNITION CHANGE.

Each year, the state aids payable to any school district for that fiscal year that are recognized as revenue in the school district's general and community service funds shall be adjusted by an amount equal to (1) the amount the district recognized as revenue for the prior fiscal year pursuant to section 123B.75, subdivision 5, paragraph (a) or (b), minus (2) the amount the district recognized as revenue for the current fiscal year pursuant to section 123B.75, subdivision 5, paragraph (a) or (b). For purposes of making the aid adjustments under this section, the amount the district recognizes as revenue for either the prior fiscal year or the current fiscal year pursuant to section 123B.75, subdivision 5, paragraph (b), shall not include any amount levied pursuant to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6. Payment from the permanent school fund shall not be adjusted pursuant to this section. The school district shall be notified of the amount of the adjustment made to each payment pursuant to this section.

Sec. 6. Minnesota Statutes 2008, section 127A.45, subdivision 2, is amended to read:

Subd. 2. Definitions. (a) The term "Other district receipts" means payments by county treasurers pursuant to section 276.10, apportionments from the school endowment fund pursuant to section 127A.33, apportionments by the county auditor pursuant to section 127A.34, subdivision 2, and payments to school districts by the commissioner of revenue pursuant to chapter 298.

(b) The term "Cumulative amount guaranteed" means the product of

(1) the cumulative disbursement percentage shown in subdivision 3; times

(2) the sum of

(i) the current year aid payment percentage of the estimated aid and credit entitlements paid according to subdivision 13; plus

(ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus

(iii) the other district receipts.
The term "Payment date" means the date on which state payments to districts are made by the electronic funds transfer method. If a payment date falls on a Saturday, a Sunday, or a weekday which is a legal holiday, the payment shall be made on the immediately preceding business day. The commissioner may make payments on dates other than those listed in subdivision 3, but only for portions of payments from any preceding payment dates which could not be processed by the electronic funds transfer method due to documented extenuating circumstances.

(d) The current year aid payment percentage equals 90.73.

Sec. 7. Minnesota Statutes 2008, section 127A.45, subdivision 3, is amended to read:

Subd. 3. Payment dates and percentages. (a) For fiscal year 2004 and later, the commissioner shall pay to a district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of (1) the district's other district receipts through the current payment, and (2) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

<table>
<thead>
<tr>
<th>Payment date</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 July 15:</td>
<td>5.5</td>
</tr>
<tr>
<td>2 July 30:</td>
<td>8.0</td>
</tr>
<tr>
<td>3 August 15:</td>
<td>17.5</td>
</tr>
<tr>
<td>4 August 30:</td>
<td>20.0</td>
</tr>
<tr>
<td>5 September 15:</td>
<td>22.5</td>
</tr>
<tr>
<td>6 September 30:</td>
<td>25.0</td>
</tr>
<tr>
<td>7 October 15:</td>
<td>27.0</td>
</tr>
<tr>
<td>8 October 30:</td>
<td>30.0</td>
</tr>
<tr>
<td>9 November 15:</td>
<td>32.5</td>
</tr>
<tr>
<td>10 November 30:</td>
<td>36.5</td>
</tr>
<tr>
<td>11 December 15:</td>
<td>42.0</td>
</tr>
<tr>
<td>12 December 30:</td>
<td>45.0</td>
</tr>
<tr>
<td>13 January 15:</td>
<td>50.0</td>
</tr>
<tr>
<td>14 January 30:</td>
<td>54.0</td>
</tr>
<tr>
<td>15 February 15:</td>
<td>58.0</td>
</tr>
</tbody>
</table>
Payment 16  February 28:  63.0
Payment 17  March 15:  68.0
Payment 18  March 30:  74.0
Payment 19  April 15:  78.0
Payment 20  April 30:  85.0
Payment 21  May 15:  90.0
Payment 22  May 30:  95.0
Payment 23  June 20:  100.0

(b) In addition to the amounts paid under paragraph (a), for fiscal year 2004, the commissioner shall pay to a district on the dates indicated an amount computed as follows:

Payment 3  August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392
Payment 4  August 30: one-third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 6  September 30: one-third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 8  October 30: one-third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits

(c) In addition to the amounts paid under paragraph (a), for fiscal years 2005 and later, the commissioner shall pay to a district on the dates indicated an amount computed as follows:

Payment 3  August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392
Payment 4  August 30: 30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 6  September 30: 40 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 8  October 30: 30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Sec. 8. Minnesota Statutes 2008, section 127A.45, is amended by adding a subdivision to read:

Subd. 7b. **Advance final payment.** (a) Notwithstanding subdivisions 3 and 7, a school district or charter school exceeding its expenditure limitations under section 123B.83 as of June 30 of the prior fiscal year may receive a portion of its final payment for the current fiscal year on June 20, if requested by the district or charter school. The amount paid under this subdivision must not exceed the lesser of:

(1) the difference between 90 percent and the current year payment percentage in subdivision 2, paragraph (d), in the current fiscal year times the sum of the district or charter school's general education aid plus the aid adjustment in section 127A.50 for the current fiscal year; or

(2) the amount by which the district's or charter school's net negative unreserved general fund balance as of June 30 of the prior fiscal year exceeds 2.5 percent of the district or charter school's expenditures for that fiscal year.

(b) The state total advance final payment under this subdivision for any year must not exceed $7,500,000. If the amount request exceeds $7,500,000, the advance final payment for each eligible district must be reduced proportionately.

Sec. 9. Minnesota Statutes 2008, section 127A.45, subdivision 13, is amended to read:

Subd. 13. **Aid payment percentage.** Except as provided in subdivisions 11, 12, 12a, and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A, 120B, 121A, 122A, 123A, 123B, 124D, 125A, 125B, 126C, 134, and section 273.1392, shall be paid at the current year aid payment percentage of the estimated entitlement during the fiscal year of the entitlement. For the purposes of this subdivision, a district's estimated entitlement for special education excess cost aid under section 125A.79 for fiscal year 2005 equals 70 percent of the district's entitlement for the second prior fiscal year. For the purposes of this subdivision, a district's estimated entitlement for special education excess cost aid under section 125A.79 for fiscal year 2006 and later equals 74.0 percent of the district's entitlement for the current fiscal year. The final adjustment payment, according to subdivision 9, must be the amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

**ARTICLE 2**

**EDUCATION APPROPRIATION ADJUSTMENTS**

Section 1. Laws 2009, chapter 96, article 1, section 24, subdivision 2, is amended to read:
Subd. 2. **General education aid.** For general education aid under Minnesota Statutes, section 126C.13, subdivision 4:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,195,504,000</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>$3,752,648,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$5,626,994,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$5,503,377,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The 2010 appropriation includes $555,864,000 for 2009 and $4,639,640,000 for 2010.

The 2011 appropriation includes $500,976,000 $1,943,838,000 for 2010 and $5,126,018,000 $3,559,539,000 for 2011.

Sec. 2. Laws 2009, chapter 96, article 1, section 24, subdivision 4, is amended to read:

Subd. 4. **Abatement revenue.** For abatement aid under Minnesota Statutes, section 127A.49:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,175,000</td>
</tr>
<tr>
<td></td>
<td>+980,000</td>
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<td></td>
<td>$1,034,000</td>
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<tr>
<td></td>
<td>+1,056,000</td>
</tr>
</tbody>
</table>

The 2010 appropriation includes $140,000 for 2009 and $1,035,000 $840,000 for 2010.

The 2011 appropriation includes $1,155,000 $310,000 for 2010 and $919,000

$746,000 for 2011.

Sec. 3. Laws 2009, chapter 96, article 1, section 24, subdivision 5, is amended to read:

Subd. 5. **Consolidation transition.** For districts consolidating under Minnesota Statutes, section 123A.485:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$854,000 693,000</td>
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<tr>
<td></td>
<td>$927,000 931,000</td>
</tr>
</tbody>
</table>

The 2010 appropriation includes $0 for 2009 and $854,000 $693,000 for 2010.

The 2011 appropriation includes $94,000 $255,000 for 2010 and $833,000 $676,000 for 2011.

Sec. 4. Laws 2009, chapter 96, article 1, section 24, subdivision 6, is amended to read:
Subd. 6. **Nonpublic pupil education aid.** For nonpublic pupil education aid under Minnesota Statutes, sections 123B.40 to 123B.43 and 123B.87:

10.24 $47,250,000
10.25 $14,303,000  ..... 2010
10.26 $47,889,000
10.27 $17,785,000  ..... 2011

The 2010 appropriation includes $1,647,000 for 2009 and $15,602,000 $12,656,000 for 2010.

The 2011 appropriation includes $1,733,000 $4,680,000 for 2010 and $16,156,000 $13,105,000 for 2011.

Sec. 5. Laws 2009, chapter 96, article 1, section 24, subdivision 7, is amended to read:

Subd. 7. **Nonpublic pupil transportation.** For nonpublic pupil transportation aid under Minnesota Statutes, section 123B.92, subdivision 9:

10.31 $22,459,000
10.32 $18,366,000  ..... 2010
10.33 $22,712,000
10.34 $22,636,000  ..... 2011

The 2010 appropriation includes $2,077,000 for 2009 and $20,082,000 $16,289,000 for 2010.

The 2011 appropriation includes $2,231,000 $6,024,000 for 2010 and $20,481,000 $16,612,000 for 2011.

Sec. 6. Laws 2009, chapter 96, article 2, section 67, subdivision 2, is amended to read:

Subd. 2. **Charter school building lease aid.** For building lease aid under Minnesota Statutes, section 124D.11, subdivision 4:

10.37 $40,453,000
10.38 $33,512,000  ..... 2010
10.39 $44,775,000
10.40 $44,030,000  ..... 2011

The 2010 appropriation includes $3,704,000 for 2009 and $36,749,000 $29,808,000 for 2010.
11.1 The 2011 appropriation includes $4,083,000, $11,024,000 for 2010 and $40,692,000, $33,006,000 for 2011.

11.2 Sec. 7. Laws 2009, chapter 96, article 2, section 67, subdivision 3, is amended to read:

Subd. 3. Charter school startup aid. For charter school startup cost aid under Minnesota Statutes, section 124D.11:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Year</th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>4,488,000</td>
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</tr>
<tr>
<td>2.</td>
<td>1,245,000</td>
<td>2010</td>
</tr>
<tr>
<td>3.</td>
<td>1,064,000</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>1,133,000</td>
<td>2011</td>
</tr>
</tbody>
</table>

The 2010 appropriation includes $202,000 for 2009 and $1,286,000, $1,043,000 for 2010.

11.3 Sec. 8. Laws 2009, chapter 96, article 2, section 67, subdivision 4, is amended to read:

Subd. 4. Integration aid. For integration aid under Minnesota Statutes, section 124D.86, subdivision 5:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>65,358,000</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>54,167,000</td>
<td>2010</td>
</tr>
<tr>
<td>3.</td>
<td>65,484,000</td>
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</tr>
<tr>
<td>4.</td>
<td>65,549,000</td>
<td>2011</td>
</tr>
</tbody>
</table>

The 2010 appropriation includes $6,110,000 for 2009 and $59,248,000, $48,057,000 for 2010.

11.4 Sec. 9. Laws 2009, chapter 96, article 2, section 67, subdivision 7, is amended to read:

Subd. 7. Success for the future. For American Indian success for the future grants under Minnesota Statutes, section 124D.81:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2,137,000</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>1,774,000</td>
<td>2010</td>
</tr>
<tr>
<td>3.</td>
<td>2,137,000</td>
<td>2011</td>
</tr>
</tbody>
</table>
The 2010 appropriation includes $213,000 for 2009 and $1,924,000 $1,561,000 for 2010.

The 2011 appropriation includes $213,000 $576,000 for 2010 and $1,924,000 $1,561,000 for 2011.

Sec. 10. Laws 2009, chapter 96, article 2, section 67, subdivision 9, is amended to read:

Subd. 9. Tribal contract schools. For tribal contract school aid under Minnesota Statutes, section 124D.83:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$2,030,000</td>
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<tr>
<td>2011</td>
<td>$2,179,000</td>
</tr>
</tbody>
</table>

The 2010 appropriation includes $191,000 for 2009 and $1,839,000 $1,492,000 for 2010.

The 2011 appropriation includes $204,000 $551,000 for 2010 and $2,007,000 $1,628,000 for 2011.

Sec. 11. Laws 2009, chapter 96, article 3, section 21, subdivision 2, is amended to read:

Subd. 2. Special education; regular. For special education aid under Minnesota Statutes, section 125A.75:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$734,071,000</td>
</tr>
<tr>
<td>2011</td>
<td>$772,845,000</td>
</tr>
</tbody>
</table>

The 2010 appropriation includes $71,947,000 for 2009 and $662,124,000 $537,056,000 for 2010.

The 2011 appropriation includes $73,569,000 $198,637,000 for 2010 and $707,928,000 $574,208,000 for 2011.

Sec. 12. Laws 2009, chapter 96, article 3, section 21, subdivision 4, is amended to read:

Subd. 4. Travel for home-based services. For aid for teacher travel for home-based services under Minnesota Statutes, section 125A.75, subdivision 1:
$258,000 214,000 ..... 2010
$282,000 278,000 ..... 2011

The 2010 appropriation includes $24,000 for 2009 and $234,000 $190,000 for 2010.
The 2011 appropriation includes $26,000 $70,000 for 2010 and $256,000 $208,000
for 2011.

Sec. 13. Laws 2009, chapter 96, article 3, section 21, subdivision 5, is amended to read:

Subd. 5. Special education; excess costs. For excess cost aid under Minnesota
Statutes, section 125A.79, subdivision 7:

$110,871,000

$96,926,000 ..... 2010

$110,877,000

$110,871,000 ..... 2011

The 2010 appropriation includes $37,046,000 for 2009 and $73,825,000 $59,880,000
for 2010.
The 2011 appropriation includes $37,022,000 $50,967,000 for 2010 and $73,855,000
$59,904,000 for 2011.

Sec. 14. Laws 2009, chapter 96, article 4, section 12, subdivision 2, is amended to read:

Subd. 2. Health and safety revenue. For health and safety aid according to
Minnesota Statutes, section 123B.57, subdivision 5:

$461,000 132,000 ..... 2010

$460,000 162,000 ..... 2011

The 2010 appropriation includes $10,000 for 2009 and $154,000 $122,000 for 2010.
The 2011 appropriation includes $16,000 $45,000 for 2010 and $144,000 $117,000
for 2011.

Sec. 15. Laws 2009, chapter 96, article 4, section 12, subdivision 3, is amended to read:

Subd. 3. Debt service equalization. For debt service aid according to Minnesota
Statutes, section 123B.53, subdivision 6:
The 2010 appropriation includes $851,000 for 2009 and $7,097,000 $5,757,000 for 2010.

The 2011 appropriation includes $788,000 $2,128,000 for 2010 and $8,487,000 $6,884,000 for 2011.

Subd. 4. **Alternative facilities bonding aid.** For alternative facilities bonding aid, according to Minnesota Statutes, section 123B.59, subdivision 1:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$19,287,000</td>
</tr>
<tr>
<td>2011</td>
<td>$16,008,000</td>
</tr>
</tbody>
</table>

The 2010 appropriation includes $1,928,000 for 2009 and $17,359,000 $14,080,000 for 2010.

The 2011 appropriation includes $1,928,000 $5,207,000 for 2010 and $17,359,000 $14,080,000 for 2011.

Subd. 6. **Deferred maintenance aid.** For deferred maintenance aid, according to Minnesota Statutes, section 123B.591, subdivision 4:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$2,302,000</td>
</tr>
<tr>
<td>2011</td>
<td>$1,916,000</td>
</tr>
</tbody>
</table>

The 2010 appropriation includes $260,000 for 2009 and $2,642,000 $1,656,000 for 2010.

The 2011 appropriation includes $226,000 $612,000 for 2010 and $1,847,000 $1,498,000 for 2011.

Sec. 18. Laws 2009, chapter 96, article 5, section 13, subdivision 6, is amended to read:
Subd. 6. **Basic system support.** For basic system support grants under Minnesota Statutes, section 134.355:

- $13,570,000

$11,264,000 ..... 2010

- $13,570,000 ..... 2011

The 2010 appropriation includes $1,357,000 for 2009 and $12,213,000 for 2010.

The 2011 appropriation includes $1,357,000 for 2010 and $12,213,000 for 2011.

Sec. 19. Laws 2009, chapter 96, article 5, section 13, subdivision 7, is amended to read:

Subd. 7. **Multicounty, multitype library systems.** For grants under Minnesota Statutes, sections 134.353 and 134.354, to multicounty, multitype library systems:

- $1,300,000

$1,079,000 ..... 2010

- $1,300,000 ..... 2011

The 2010 appropriation includes $130,000 for 2009 and $1,170,000 for 2010.

The 2011 appropriation includes $130,000 for 2010 and $1,170,000 for 2011.

Sec. 20. Laws 2009, chapter 96, article 5, section 13, subdivision 9, is amended to read:

Subd. 9. **Regional library telecommunications aid.** For regional library telecommunications aid under Minnesota Statutes, section 134.355:

- $2,300,000

$1,909,000 ..... 2010

- $2,300,000 ..... 2011

The 2010 appropriation includes $230,000 for 2009 and $2,070,000 for 2010.

The 2011 appropriation includes $230,000 for 2010 and $2,070,000 for 2011.

Sec. 21. Laws 2009, chapter 96, article 6, section 11, subdivision 2, is amended to read:
Subd. 2. School readiness. For revenue for school readiness programs under Minnesota Statutes, sections 124D.15 and 124D.16:

16.3 $10,095,000
16.4 $8,379,000 ..... 2010
16.5 $10,095,000 ..... 2011

The 2010 appropriation includes $1,009,000 for 2009 and $9,086,000 $7,370,000 for 2010.
The 2011 appropriation includes $1,009,000 $2,725,000 for 2010 and $9,086,000 $7,370,000 for 2011.

Sec. 22. Laws 2009, chapter 96, article 6, section 11, subdivision 3, is amended to read:

Subd. 3. Early childhood family education aid. For early childhood family education aid under Minnesota Statutes, section 124D.135:

16.13 $22,955,000
16.14 $19,189,000 ..... 2010
16.15 $22,547,000
16.16 $22,473,000 ..... 2011

The 2010 appropriation includes $3,020,000 for 2009 and $19,935,000 $16,169,000 for 2010.
The 2011 appropriation includes $2,214,000 $5,980,000 for 2010 and $20,333,000 $16,493,000 for 2011.

Sec. 23. Laws 2009, chapter 96, article 6, section 11, subdivision 4, is amended to read:

Subd. 4. Health and developmental screening aid. For health and developmental screening aid under Minnesota Statutes, sections 121A.17 and 121A.19:

16.24 $3,694,000
16.25 $3,066,000 ..... 2010
16.26 $3,800,000
16.27 $3,780,000 ..... 2011

The 2010 appropriation includes $367,000 for 2009 and $3,327,000 $2,699,000 for 2010.
The 2011 appropriation includes $369,000 $997,000 for 2010 and $3,431,000 $2,783,000 for 2011.
Sec. 24. Laws 2009, chapter 96, article 6, section 11, subdivision 8, is amended to read:

Subd. 8. Community education aid. For community education aid under Minnesota Statutes, section 124D.20:

$ 585,000 488,000 ..... 2010
$ 467,000 486,000 ..... 2011

The 2010 appropriation includes $73,000 for 2009 and $512,000 $415,000 for 2010. The 2011 appropriation included $56,000 $153,000 for 2010 and $411,000 $333,000 for 2011.

Sec. 25. Laws 2009, chapter 96, article 6, section 11, subdivision 9, is amended to read:

Subd. 9. Adults with disabilities program aid. For adults with disabilities programs under Minnesota Statutes, section 124D.56:

$ 710,000 590,000 ..... 2010
$ 710,000 ..... 2011

The 2010 appropriation includes $71,000 for 2009 and $639,000 $519,000 for 2010. The 2011 appropriation includes $71,000 $191,000 for 2010 and $639,000 $519,000 for 2011.

Sec. 26. Laws 2009, chapter 96, article 6, section 11, subdivision 12, is amended to read:

Subd. 12. Adult basic education aid. For adult basic education aid under Minnesota Statutes, section 124D.531:

42,975,000
$ 35,648,000 ..... 2010
44,258,000
$ 44,039,000 ..... 2011

The 2010 appropriation includes $4,187,000 for 2009 and $58,788,000 $31,461,000 for 2010. The 2011 appropriation includes $4,309,000 $11,636,000 for 2010 and $39,949,000 $32,403,000 for 2011.
ARTICLE 3
PERMANENT REVENUE

Section 1. [116J.8737] INVESTMENT TAX CREDIT.

Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have the meanings given.

(b) "Qualified new business venture" means a business that satisfies all of the following conditions:

(1) the business has its headquarters in Minnesota;

(2) at least 51 percent of the business's employees are employed in Minnesota, and 51 percent of the business's total payroll is paid or incurred in the state;

(3) the business is engaged in, or is committed to engage in:

(i) using advanced technology to add value to a product, process, or service in a qualified high-technology field or qualified biotechnology or medical device field;

(ii) conducting research in and development of a product, process, or service in a qualified high-technology field or qualified biotechnology or medical device field;

(iii) developing a new product, process, or service in a qualified high-technology field or qualified biotechnology or medical device field; or

(iv) qualified green manufacturing;

(4) the business is not engaged in real estate development, insurance, banking, lending, lobbying, political consulting, information technology consulting, wholesale or retail trade, leisure, hospitality, transportation, construction, ethanol production from corn, or professional services provided by attorneys, accountants, business consultants, physicians, or health care consultants;

(5) the business has fewer than 25 employees, and, if the business has more than five employees, the business must pay its employees annual wages of at least 175 percent of the federal poverty guideline for the year for a family of four, and must pay any remaining employees annual wages of at least 110 percent of the federal poverty guideline for a family of four;

(6) the business has not been in operation for more than ten consecutive years;

(7) the business has not received more than $1,000,000 in investments that have qualified for and received tax credits under this section;

(8) the business has less than $2,000,000 in annual gross sales receipts for the previous year;

(9) the business is not a subsidiary or an affiliate of a business that employs more than 100 employees or has gross sales receipts for the previous year of more than
$2,000,000, computed by aggregating all of the employees and gross sales receipts of the
business entities affiliated with the business; and

(10) the business has not previously received private equity investments of more
than $2,000,000.

(c) "Qualified high-technology field" includes, but is not limited to, aerospace,
agricultural processing, alternative energy, environmental engineering, food technology,
cellulosic ethanol, information technology, materials science technology, nanotechnology,
and telecommunications, but excludes a business qualifying under the definitions in
paragraphs (h) and (i).

(d) "Qualified biotechnology or medical device field" means the business of
manufacturing, processing, assembling, researching, or developing biotechnology or
medical device products, including biotechnology and device products used in agriculture.

(e) "Qualified green manufacturing" means a business whose primary business
activity is production of products, processes, methods, technologies, or services intended
to do one or more of the following:

(1) increase the use of energy from renewable sources, as defined in section
216B.1691;

(2) increase the energy efficiency of the electric utility infrastructure system or to
increase energy conservation related to electricity use, as provided in sections 216B.2401
and 216B.241;

(3) reduce greenhouse gas emissions, as defined in section 216H.01, subdivision
2, or to mitigate greenhouse gas emissions through, but not limited to, carbon capture,
storage, or sequestration;

(4) monitor, protect, restore, and preserve the quality of surface waters; and

(5) expand use of biofuels, including expanding the feasibility or reducing the cost
of producing biofuels or the types of equipment, machinery, and vehicles that can use
biofuels.

(f) "Qualified taxpayer" means:

(1) an accredited investor, within the meaning of Regulation D of the Securities and
Exchange Commission, Code of Federal Regulations, title 17, section 230.501(a), whether
part of a pass-through entity or not, who:

(i) does not own, control, or hold power to vote 20 percent or more of the outstanding
securities of the qualified new business venture in which the eligible investment is
proposed; or

(ii) does not receive more than 50 percent of the gross annual income from the
qualified new business venture in which the eligible investment is proposed; and
(2) a member of the immediate family of a taxpayer disqualified by this subdivision is not eligible for a credit under this section. For purposes of this subdivision, "immediate family" means the taxpayer's spouse, parent, sibling, or child, or the spouse of any person listed in this paragraph.

Subd. 2. Credit allowed, holding period, limitations, and carryover. (a) A qualified taxpayer is allowed a credit against the tax imposed under chapter 290 for investments made in a qualified new business venture. The credit equals 25 percent of the qualified taxpayer's investment in the business, but not to exceed the lesser of:

(1) the liability for tax under chapter 290, including the applicable alternative minimum tax, but excluding the minimum fee under section 290.0922; and

(2) the amount of the certificate provided to the qualified taxpayer under subdivision 3, paragraph (c).

(b) No taxpayer may receive more than $50,000 in provisional credits under this section in any one year.

(c) A qualified taxpayer must claim the credit in the fourth tax year after which the investment in the qualified new business venture was made. The credit is allowed only for investments made in a qualified new business venture that remains invested for at least four years and that are made after the qualified taxpayer has been certified by the commissioner under subdivision 3.

(d) The four-year investment holding period required by paragraph (c) does not apply if:

(1) the investment by the qualified taxpayer becomes worthless before the end of the four-year period; or

(2) the qualified new business venture is sold before the end of the four-year period.

(e) If the amount of the credit under this subdivision for any taxable year exceeds the limitations under paragraph (a), the excess is a credit carryover to each of the ten succeeding taxable years. The entire amount of the excess unused credit for the taxable year must be carried first to the earliest of the taxable years to which the credit may be carried. The amount of the unused credit that may be added under this paragraph may not exceed the taxpayer's liability for tax less the credit for the taxable year.

Subd. 3. Certification of qualified taxpayers. (a) Qualified taxpayers may apply to the commissioner of employment and economic development for certification. The application must be in the form and be made under the procedures specified by the commissioner, accompanied by an application fee of $250. Fees are appropriated to the commissioner for personnel and administrative expenses related to administering the program.
(b) The commissioner shall provide provisional credit certificates to qualified taxpayers, upon a showing by the qualified taxpayer of investments of at least $12,500 in qualified new business ventures. The commissioner may not issue more than $50,000 in provisional credit certificates per qualified taxpayer per year. In awarding provisional certificates under this paragraph, the commissioner must award them to taxpayers in the order in which the applications are received. The commissioner may not issue a total of more than $10,000,000 per year in provisional credit certificates to qualified taxpayers in fiscal years 2010, 2011, 2012, and 2013.

(c) The commissioner shall provide a final credit certificate to the qualified taxpayer upon a showing by the taxpayer that the holding requirements of subdivision 2, paragraph (c), have been met, that the qualified new business venture continues to satisfy the conditions of subdivision 1, paragraph (b), clauses (1) to (4), and (5) related to annual wage standards, and that the taxpayer is otherwise eligible for the credit.

**Subd. 4. Rulemaking.** The commissioner's actions in establishing procedures and requirements and in making determinations and certifications to administer this section are not a rule for purposes of chapter 14, are not subject to the Administrative Procedures Act contained in chapter 14, and are not subject to section 14.386.

**EFFECTIVE DATE.** This section is effective July 1, 2009, for taxable years beginning after December 31, 2008, and only applies to investments made after the qualified taxpayer has been certified by the commissioner of employment and economic development.

Sec. 2. Minnesota Statutes 2008, 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. (1) on the first $25,600 $33,220, 5.35 percent;
2. (2) on all over $25,600 $33,220, but not over $102,030 $131,970, 7.05 percent;
3. (3) on all over $102,030 $131,970, but not over $250,000, 7.85 percent; and
4. (4) on all over $250,000, nine 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 $22,730, 5.35 percent;
(2) on all over $17,570 $22,730, but not over $57,710 $74,650, 7.05 percent;
(3) on all over $57,710 $74,650, but not over $141,250, 7.85 percent; and
(4) on all over $141,250, nine 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 $21,620 $27,980, 5.35 percent;
(2) on all over $21,620 $27,980, but not over $86,910 $112,420, 7.05 percent;
(3) on all over $86,910 $112,420, but not over $212,500, 7.85 percent; and
(4) on all over $212,500, nine 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
da 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), and
(13) and reduced by the Minnesota assignable portion of the subtraction for United States
government interest under section 290.01, subdivision 19b, clause (1), and the subtractions
under section 290.01, subdivision 19b, clauses (9), (10), (14), (15), and (16), 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), and (13) and
reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (9),
(10), (14), (15), and (16).

(f) For taxable years beginning after December 31, 2013, the maximum tax rate
under this subdivision is 7.85 percent, if the commissioner of finance estimates in the
February 2013 economic forecast that the unrestricted general fund balance at the end of fiscal year 2013 equals or exceeds $500,000,000.

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

Sec. 3. Minnesota Statutes 2008, section 290.06, subdivision 2d, is amended to read:

Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after December 31, 2000, 2009, the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the percentage determined under paragraph (b). For the purpose of making the adjustment as provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the rate brackets as they existed for taxable years beginning after December 31, 1999, 2008, and before January 1, 2004, 2010. The rate applicable to any rate bracket must not be changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes in the rate brackets. The rate brackets as adjusted must be rounded to the nearest $10 amount. If the rate bracket ends in $5, it must be rounded up to the nearest $10 amount.

(b) The commissioner shall adjust the rate brackets and by the percentage determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that:

(1) in section 1(f)(2)(A) the words "increasing or decreasing" shall be substituted for the word "increasing";

(2) in section 1(f)(3)(A) the words "differs from" shall be substituted for the word "exceeds"; and

(3) in section 1(f)(3)(B) the word "1999", "2008" shall be substituted for the word "1992." For 2004, 2010, the commissioner shall then determine the percent change from the 12 months ending on August 31, 1999, 2008, to the 12 months ending on August 31, 2009, and in each subsequent year, from the 12 months ending on August 31, 2008, to the 12 months ending on August 31 of the year preceding the taxable year. The determination of the commissioner pursuant to this subdivision shall not be considered a "rule" and shall not be subject to the Administrative Procedure Act contained in chapter 14.

No later than December 15 of each year, the commissioner shall announce the specific percentage that will be used to adjust the tax rate brackets.

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

Sec. 4. Minnesota Statutes 2008, section 290.06, is amended by adding a subdivision to read:

Article Sec. 4. 23
Subd. 36. **Investment tax credit.** A taxpayer is allowed a credit as determined under section 116J.8737 against the tax imposed by this chapter. Notwithstanding the certification eligibility issued by the commissioner of the Department of Employment and Economic Development under section 116J.8737, the commissioner may utilize any audit and examination powers under chapters 270C or 289A to the extent necessary to verify that the taxpayer is eligible for the credit and to assess for the amount of any improperly claimed credit.

**EFFECTIVE DATE.** This section is effective July 1, 2009, for taxable years beginning after December 31, 2008, and only applies to investments made after the qualified taxpayer has been certified by the commissioner of employment and economic development.

Sec. 5. [290.094] **SURTAX ON CERTAIN INTEREST INCOME.**

Subdivision 1. **Definitions.** (a) Unless the language or context clearly indicates that a different meaning is intended, for the purposes of this section, the following terms have the meanings given them.

(b) "Annual percentage rate" has the meaning given the term in Code of Federal Regulations, title 12, parts 226.14 and 226.22, related to open-end and closed-end credit.

(c) "Borrower" means a debtor under a loan or a purchaser of debt under a credit sale contract.

(d) "Cardholder" means a person to whom a credit card is issued or who has agreed with the financial institution to pay obligations arising from the issuance to or use of the card by another person.

(e) "Consumer loan" means a loan made by a financial institution in which:

(1) the debtor is a person other than an organization;

(2) the debt is incurred primarily for a personal, family, or household purpose; and

(3) the debt is payable in installments or a finance charge is made.

(f) "Credit" means the right granted by a financial institution to a borrower to defer payment of a debt, to incur debt and defer its payment, or to purchase property or services and defer payment.

(g) "Credit card" means a card or device issued under an arrangement under which a financial institution gives to a cardholder the privilege of obtaining credit from the financial institution or other person in purchasing or leasing property or services, obtaining loans, or otherwise. A transaction is "pursuant to a credit card" only if credit is obtained according to the terms of the arrangement by transmitting information contained on the card or device orally, in writing, by mechanical or electronic methods, or in any
other manner. A transaction is not "pursuant to a credit card" if the card or device is
used solely in that transaction to:

(1) identify the cardholder or evidence the cardholder's creditworthiness and credit is
not obtained according to the terms of the arrangement;
(2) obtain a guarantee of payment from the cardholder's deposit account, whether or
not the payment results in a credit extension to the cardholder by the financial institution; or
(3) effect an immediate transfer of funds from the cardholder's deposit account by
electronic or other means, whether or not the transfer results in a credit extension to
the cardholder by the financial institution.

(b) "Credit sale contract" means a contract evidencing a credit sale. "Credit sale"
means a sale of goods or services, or an interest in land, in which:

(1) credit is granted by a seller who regularly engages as a seller in credit transactions
of the same kind; and
(2) the debt is payable in installments or a finance charge is made.

(i) "Financial institution" means a state or federally chartered bank, a state or
federally chartered bank and trust, a trust company with banking powers, a state or
federally chartered savings association, an industrial loan and thrift company organized
under chapter 53, a regulated lender organized under chapter 56, or an operating subsidiary
of any such institution.

(j) "Loan" means:

(1) the creation of debt by the financial institution's payment of money to the
borrower or a third person for the account of the borrower;
(2) the creation of debt pursuant to a credit card in any manner, including a cash
advance or the financial institution's honoring a draft or similar order for the payment of
money drawn or accepted by the borrower, paying or agreeing to pay the borrower's
obligation, or purchasing or otherwise acquiring the borrower's obligation from the
obligee or the borrower's assignee;
(3) the creation of debt by a cash advance to a borrower pursuant to an overdraft
line of credit arrangement;
(4) the creation of debt by a credit to an account with the financial institution upon
which the borrower is entitled to draw immediately;
(5) the forbearance of debt arising from a loan; and
(6) the creation of debt pursuant to open-end credit.

Loan does not include the forbearance of debt arising from a sale or lease, a credit
sale contract, or an overdraft from a person's deposit account with a financial institution
which is not pursuant to a written agreement to pay overdrafts with the right to defer
repayment thereof.

(k) "Organization" means a corporation, government, government subdivision or
agency, trust, estate, partnership, joint venture, cooperative, limited liability company,
limited liability partnership, or association.

(l) "Person" means a natural person or an organization.

(m) "Principal" means the total of:

(1) the amount paid to, received by, or paid or repayable for the account of, the
borrower; and

(2) to the extent that payment is deferred:

(i) the amount actually paid or to be paid by the financial institution for additional
charges permitted under this section; and

(ii) prepaid finance charges.

Subd. 2. Scope. (a) Any person or organization conducting a trade or business
in this state who is subject to the truth in lending requirements under Code of Federal
Regulations, title 12, part 226 (Federal Regulation Z), and who charges interest on the
credit issued shall be subject to a surtax on each transaction as prescribed by this chapter.
Transactions include any open-end and closed-end credit transactions subject to Federal
Regulation Z such as loans, consumer loans, credit sale contracts, extensions of credit, and
credit issued pursuant to a credit card. A transferee or assignee of a transaction subject to
the surtax under this section is also subject to the tax under this section.

(b) The tax shall be determined for each transaction subject to the requirements of
this section that occurs during the calendar year.

Subd. 3. Surtax rate. The surtax shall be imposed at the rate of 30 percent on any
income attributable to interest collected from the portion of an annual percentage rate
that exceeds 15 percent on transactions subject to Code of Federal Regulations, title 12,
part 226 (Federal Regulation Z).

Subd. 4. Collection and administration. The tax imposed by this section shall
be paid annually to the commissioner of revenue and is subject to the same collection,
enforcement, and penalty provisions as other taxes imposed by this chapter.

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

Sec. 6. Minnesota Statutes 2008, section 297A.68, subdivision 5, is amended to read:
Subd. 5. **Capital equipment.** (a) Capital equipment is exempt. 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.

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used primarily to electronically transmit results retrieved by a customer of an online computerized data retrieval system.

(b) Capital equipment includes, but is not limited to:

1. machinery and equipment used to operate, control, or regulate the production equipment;
2. machinery and equipment used for research and development, design, quality control, and testing activities;
3. environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;
4. materials and supplies used to construct and install machinery or equipment;
5. repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;
6. materials used for foundations that support machinery or equipment;
7. materials used to construct and install special purpose buildings used in the production process;
8. ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis, repair parts for ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and
9. machinery or equipment used for research, development, design, or production of computer software.

(c) Capital equipment does not include the following:

1. motor vehicles taxed under chapter 297B;
2. machinery or equipment used to receive or store raw materials;
3. building materials, except for materials included in paragraph (b), clauses (6) and (7);
4. machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations;
support operations or administration; pollution control; and plant cleaning, disposal of
scrap and waste, plant communications, space heating, cooling, lighting, or safety;

(5) farm machinery and aquaculture production equipment as defined by section
297A.61, subdivisions 12 and 13;

(6) machinery or equipment purchased and installed by a contractor as part of an
improvement to real property;

(7) machinery and equipment used by restaurants in the furnishing, preparing, or
serving of prepared foods as defined in section 297A.61, subdivision 31;

(8) machinery and equipment used to furnish the services listed in section 297A.61,
subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

(9) machinery or equipment used in the transportation, transmission, or distribution
of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,
tanks, mains, or other means of transporting those products. This clause does not apply to
machinery or equipment used to blend petroleum or biodiesel fuel as defined in section
239.77; or

(10) any other item that is not essential to the integrated process of manufacturing,
fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but
esential to an integrated production process, including computers and computer software,
used in operating, controlling, or regulating machinery and equipment; and any subunit or
assembly comprising a component of any machinery or accessory or attachment parts of
machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or
property to work in a new or different manner.

(3) "Integrated production process" means a process or series of operations through
which tangible personal property is manufactured, fabricated, mined, or refined. For
purposes of this clause, (i) manufacturing begins with the removal of raw materials
from inventory and ends when the last process prior to loading for shipment has been
completed; (ii) fabricating begins with the removal from storage or inventory of the
property to be assembled, processed, altered, or modified and ends with the creation
or production of the new or changed product; (iii) mining begins with the removal of
overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and
ends when the last process before stockpiling is completed; and (iv) refining begins with
the removal from inventory or storage of a natural resource and ends with the conversion
of the item to its completed form.
(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

(5) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(6) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(7) "Mining" means the extraction of minerals, ores, stone, or peat.

(8) "Online data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(9) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product, including the treatment of water to be sold at retail.

(11) This subdivision does not apply to telecommunications equipment as provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit for telecommunications services.

**EFFECTIVE DATE.** This section is effective for sales and purchases after December 31, 2009.

Sec. 7. Minnesota Statutes 2008, section 297A.75, subdivision 1, as amended by Laws 2009, chapter 88, article 4, section 7, 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;

(2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
(3) building materials for correctional facilities under section 297A.71;
(4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;
(5) elevators and building materials exempt under section 297A.71, subdivision 12;
(6) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17;
(7) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;
(8) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;
(9) 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;
(10) tangible personal property and taxable services and construction materials, supplies, and equipment exempt under section 297A.68, subdivision 41;
(11) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, clause (11);
(12) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40; and
(13) materials, supplies, and equipment for construction or improvement of a meat processing facility exempt under section 297A.71, subdivision 41.

**EFFECTIVE DATE.** This section is effective for sales and purchases after December 31, 2009.

Sec. 8. Minnesota Statutes 2008, section 297A.75, subdivision 2, as amended by Laws 2009, chapter 88, article 4, section 8, 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) and (2), the applicant must be the purchaser;
(2) for subdivision 1, clauses (4) and (6), the applicant must be the governmental subdivision;
(3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;
(4) for subdivision 1, clause (6) (5), the applicant must be the owner of the homestead property;
(5) for subdivision 1, clause (8) (7), the owner of the qualified low-income housing project;
(6) for subdivision 1, clause (9) (8), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;
(7) for subdivision 1, clauses (9), (10), (11), (12), or (13), the owner of the qualifying business; and
(8) for subdivision 1, clauses (11) and (12) and (13), 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.

Sec. 9. Minnesota Statutes 2008, 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 (3), (4), (5), (6), (7), (8), (9), (10), (11), (12), or (13), or (14), 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) (b) 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.

Sec. 10. Minnesota Statutes 2008, section 295.75, subdivision 2, is amended to read:

Subd. 2. Gross receipts tax imposed. A tax is imposed on each liquor retailer equal to five percent of gross receipts from retail sales in Minnesota of liquor.

EFFECTIVE DATE. This section is effective for gross receipts received after June 30, 2009.

Article3 Sec. 10.
Sec. 11. Minnesota Statutes 2008, section 297G.03, subdivision 1, is amended to read:

Subdivision 1. **General rate; distilled spirits and wine.** The following excise tax is imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in this state:

(a) Distilled spirits, liqueurs, cordials, and specialties regardless of alcohol content (excluding ethyl alcohol)

(b) Wine containing 14 percent or less alcohol by volume (except cider as defined in section 297G.01, subdivision 3a)

(c) Wine containing more than 14 percent but not more than 21 percent alcohol by volume

(d) Wine containing more than 21 percent but not more than 24 percent alcohol by volume

(e) Wine containing more than 24 percent alcohol by volume

(f) Natural and artificial sparkling wines containing alcohol

(g) Cider as defined in section 297G.01, subdivision 3a

(h) Low alcohol dairy cocktails

In computing the tax on a package of distilled spirits or wine, a proportional tax at a like rate on all fractional parts of a gallon or liter must be paid, except that the tax on a fractional part of a gallon less than 1/16 of a gallon is the same as for 1/16 of a gallon.

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

Sec. 12. Minnesota Statutes 2008, section 297G.04, is amended to read:

**297G.04 FERMENTED MALT BEVERAGES; RATE OF TAX.**
Subdivision 1. **Tax imposed.** The following excise tax is imposed on all fermented malt beverages that are imported, directly or indirectly sold, or possessed in this state:

(1) on fermented malt beverages containing not more than 3.2 percent alcohol by weight, $\$2.40 \$10.67 per 31-gallon barrel; and

(2) on fermented malt beverages containing more than 3.2 percent alcohol by weight, $\$4.69 \$12.87 per 31-gallon barrel.

For fractions of a 31-gallon barrel, the tax rate is calculated proportionally.

Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages is entitled to a tax credit of $\$4.69 \$12.87 per barrel on 25,000 barrels sold in any fiscal year beginning July 1, regardless of the alcohol content of the product. Qualified brewers may take the credit on the 18th day of each month, but the total credit allowed may not exceed in any fiscal year the lesser of:

(1) the liability for tax; or

(2) $115,000 $322,200.

For purposes of this subdivision, a "qualified brewer" means a brewer, whether or not located in this state, manufacturing less than 100,000 barrels of fermented malt beverages in the calendar year immediately preceding the calendar year for which the credit under this subdivision is claimed. In determining the number of barrels, all brands or labels of a brewer must be combined. All facilities for the manufacture of fermented malt beverages owned or controlled by the same person, corporation, or other entity must be treated as a single brewer.

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

Sec. 13. **APPROPRIATIONS.**

Subdivision 1. **Tax compliance.** (a) $1,194,300 the first year and $2,350,200 the second year are appropriated from the general fund to the commissioner of revenue for additional activities to identify and collect tax liabilities from individuals and businesses that currently do not pay all taxes owed. This initiative is expected to result in new general fund revenues of $7,948,700 for the biennium ending June 30, 2011.

(b) The department must report to the chairs of the house of representatives Ways and Means and senate Finance Committees by March 1, 2010, and January 15, 2011, on the following performance indicators:

(1) the number of corporations noncompliant with the corporate tax system each year and the percentage and dollar amounts of valid tax liabilities collected;

(2) the number of businesses noncompliant with the sales and use tax system and the percentage and dollar amount of the valid tax liabilities collected; and
(3) the number of individual noncompliant cases resolved and the percentage and dollar amounts of valid tax liabilities collected.

Subd. 2. **Debt collection management.** $364,800 the first year and $750,700 the second year are appropriated from the general fund to the commissioner of revenue for additional activities to identify and collect tax liabilities from individuals and businesses that currently do not pay all taxes owed. This initiative is expected to result in new general fund revenues of $10,691,300 for the biennium ending June 30, 2011."

Delete the title and insert:

"A bill for an act relating to the financing of state and local government; making changes to income, sales and use, liquor, gross receipts, and other tax-related provisions; providing a surtax on certain interest income; modifying capital equipment exemption; providing an investment tax credit; creating tax compliance initiative; creating a property tax recognition shift; adjusting the education aid payment schedule; appropriating money; amending Minnesota Statutes 2008, sections 123B.54, as amended; 123B.75, subdivision 5, by adding a subdivision; 126C.48, subdivision 7; 127A.441; 127A.45, subdivisions 2, 3, 13, by adding a subdivision; 290.06, subdivisions 2c, 2d, by adding a subdivision; 295.75, subdivision 2; 297A.68, subdivision 5; 297A.75, subdivisions 1, as amended, 2, as amended, 3; 297G.03, subdivision 1; 297G.04; Laws 2009, chapter 96, article 1, section 24, subdivisions 2, 4, 5, 6, 7; article 2, section 67, subdivisions 2, 3, 4, 7, 9; article 3, section 21, subdivisions 2, 4, 5; article 4, section 12, subdivisions 2, 3, 4, 6; article 5, section 13, subdivisions 6, 7, 9; article 6, section 11, subdivisions 2, 3, 4, 8, 9, 12; proposing coding for new law in Minnesota Statutes, chapters 116J; 290."

Article3 Sec. 13. 34
We request the adoption of this report and repassage of the bill.

House Conferees: (Signed)

Ann Lenczewski

Paul Marquart

Lyle Koenen

Diane Loeffler

Marty Seifert

Senate Conferees: (Signed)

Thomas Bakk

Rod Skoe

D. Scott Dibble

Mee Moua

Debbie Johnson