

A bill for an act

relating to transportation; exempting certain unsubsidized providers of public transit service from vehicle property taxes, registration taxes, motor fuel taxes, and corporate income tax; permitting statewide use of freeway and expressway shoulders by transit buses and metro mobility buses; requiring Metropolitan Council to permit providers of transit service to use its bus stops; amending Minnesota Statutes 2006, sections 168.012, subdivision 1; 169.306; 272.02, by adding a subdivision; 290.01, subdivision 19d; 296A.07, subdivision 4; 296A.08, subdivision 3; 473.411, by adding a subdivision.

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

Section 1. Minnesota Statutes 2006, section 168.012, subdivision 1, is amended to read:

Subdivision 1. **Vehicles exempt from tax, fees, or plate display.** (a) The following vehicles are exempt from the provisions of this chapter requiring payment of tax and registration fees, except as provided in subdivision 1c:

(1) vehicles owned and used solely in the transaction of official business by the federal government, the state, or any political subdivision;

(2) vehicles owned and used exclusively by educational institutions and used solely in the transportation of pupils to and from those institutions;

(3) vehicles used solely in driver education programs at nonpublic high schools;

(4) vehicles owned by nonprofit charities and used exclusively to transport disabled persons for charitable, religious, or educational purposes;

(5) ambulances owned by ambulance services licensed under section 144E.10, the general appearance of which is unmistakable; ~~and~~

(6) vehicles owned by a commercial driving school licensed under section 171.34, or an employee of a commercial driving school licensed under section 171.34, and the vehicle is used exclusively for driver education and training; and

H.F. No. 2416, as introduced - 85th Legislative Session (2007-2008)

(7) until July 1, 2025, vehicles owned by a motor carrier of passengers registered under section 221.0252 and operated:

(i) primarily to provide regular route public transit, as defined in section 174.22, subdivision 8;

(ii) to provide service to an urban area having a population of at least 50,000; and

(iii) without financial operating assistance from the state or any political subdivision of the state.

(b) Vehicles owned by the federal government, municipal fire apparatuses including fire-suppression support vehicles, police patrols, and ambulances, the general appearance of which is unmistakable, are not required to register or display number plates.

(c) Unmarked vehicles used in general police work, liquor investigations, or arson investigations, and passenger automobiles, pickup trucks, and buses owned or operated by the Department of Corrections, must be registered and must display appropriate license number plates, furnished by the registrar at cost. Original and renewal applications for these license plates authorized for use in general police work and for use by the Department of Corrections must be accompanied by a certification signed by the appropriate chief of police if issued to a police vehicle, the appropriate sheriff if issued to a sheriff's vehicle, the commissioner of corrections if issued to a Department of Corrections vehicle, or the appropriate officer in charge if issued to a vehicle of any other law enforcement agency. The certification must be on a form prescribed by the commissioner and state that the vehicle will be used exclusively for a purpose authorized by this section.

(d) Unmarked vehicles used by the Departments of Revenue and Labor and Industry, fraud unit, in conducting seizures or criminal investigations must be registered and must display passenger vehicle classification license number plates, furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the commissioner of revenue or the commissioner of labor and industry. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the purposes authorized by this section.

(e) Unmarked vehicles used by the Division of Disease Prevention and Control of the Department of Health must be registered and must display passenger vehicle classification license number plates. These plates must be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the commissioner of health. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the official duties of the Division of Disease Prevention and Control.

(f) Unmarked vehicles used by staff of the Gambling Control Board in gambling investigations and reviews must be registered and must display passenger vehicle classification license number plates. These plates must be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the board chair. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the official duties of the Gambling Control Board.

(g) All other motor vehicles must be registered and display tax-exempt number plates, furnished by the registrar at cost, except as provided in subdivision 1c. All vehicles required to display tax-exempt number plates must have the name of the state department or political subdivision, nonpublic high school operating a driver education program, or licensed commercial driving school, plainly displayed on both sides of the vehicle; except that each state hospital and institution for persons who are mentally ill and developmentally disabled may have one vehicle without the required identification on the sides of the vehicle, and county social service agencies may have vehicles used for child and vulnerable adult protective services without the required identification on the sides of the vehicle. This identification must be in a color giving contrast with that of the part of the vehicle on which it is placed and must endure throughout the term of the registration. The identification must not be on a removable plate or placard and must be kept clean and visible at all times; except that a removable plate or placard may be utilized on vehicles leased or loaned to a political subdivision or to a nonpublic high school driver education program.

Sec. 2. Minnesota Statutes 2006, section 169.306, is amended to read:

169.306 USE OF FREEWAY SHOULDERS BY BUSES.

(a) The commissioner of transportation may permit the use by transit buses and metro mobility buses of a shoulder of a freeway or expressway, as defined in section 160.02, ~~in the seven-county metropolitan area.~~

(b) If the commissioner permits the use of a freeway or expressway shoulder by transit buses, the commissioner shall also permit the use on that shoulder of a bus with a seating capacity of 40 passengers or more operated by a motor carrier of passengers, as defined in section 221.011, subdivision 48, while operating in intrastate commerce.

(c) Buses authorized to use the shoulder under this section may be operated on the shoulder only when main line traffic speeds are less than 35 miles per hour. Drivers of buses being operated on the shoulder may not exceed the speed of main line traffic by more than 15 miles per hour and may never exceed 35 miles per hour. Drivers of buses

H.F. No. 2416, as introduced - 85th Legislative Session (2007-2008)

being operated on the shoulder must yield to merging, entering, and exiting traffic and must yield to other vehicles on the shoulder. Buses operated on the shoulder must be registered with the Department of Transportation.

(d) For the purposes of this section, the term "metro mobility bus" means a motor vehicle of not less than 20 feet in length engaged in providing special transportation services under section 473.386 that is:

(1) operated by the Metropolitan Council, or operated by a public or private entity receiving financial assistance from the Metropolitan Council; and

(2) authorized by the council to use freeway or expressway shoulders.

Sec. 3. Minnesota Statutes 2006, section 272.02, is amended by adding a subdivision to read:

Subd. 85. **Passenger motor carrier maintenance facility.** If approved by the governing body of the municipality in which the property is located, a passenger motor carrier maintenance facility constructed on or after January 1, 2007, is exempt from property tax. The property must be owned and operated by a motor carrier of passengers that is registered under section 221.0252. Vehicles serviced in the facility must be operated:

(1) primarily to provide regular route public transit, as defined in section 174.22, subdivision 8;

(2) to provide service to an urban area having a population of at least 50,000; and

(3) without financial operating assistance from the state or any political subdivision of the state.

Sec. 4. Minnesota Statutes 2006, section 290.01, subdivision 19d, is amended to read:

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

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

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

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

H.F. No. 2416, as introduced - 85th Legislative Session (2007-2008)

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

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

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

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

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

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

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

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

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

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

H.F. No. 2416, as introduced - 85th Legislative Session (2007-2008)

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

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

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;

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

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

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

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

(15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;

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

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

H.F. No. 2416, as introduced - 85th Legislative Session (2007-2008)

(18) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law 107-147;

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

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

(21) for taxable years ending before January 1, 2026, income earned by a registered motor carrier of passengers from providing regular route public transit, as defined in section 174.22, subdivision 8, when provided:

(i) to serve an urban area having a population of at least 50,000;

(ii) without financial operating assistance from the state or any political subdivision of the state; and

(iii) in vehicles exempt from taxation under section 168.012, subdivision 1, paragraph (a), clause (7).

Sec. 5. Minnesota Statutes 2006, section 296A.07, subdivision 4, is amended to read:

Subd. 4. **Exemptions.** The provisions of subdivision 1 do not apply to gasoline purchased by:

(1) a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384; ~~or~~

(2) an ambulance service licensed under chapter 144E; or

(3) until July 1, 2025, a registered motor carrier of passengers for use exclusively in vehicles that:

(i) are exempt from taxation under section 168.012, subdivision 1, paragraph (a), clause (7);

(ii) primarily provide regular route public transit, as defined in section 174.22, subdivision 8; and

(iii) are operated without financial operating assistance from the state or any political subdivision of the state.

Sec. 6. Minnesota Statutes 2006, section 296A.08, subdivision 3, is amended to read:

H.F. No. 2416, as introduced - 85th Legislative Session (2007-2008)

Subd. 3. **Exemptions.** The provisions of subdivisions 1 and 2 do not apply to special fuel or alternative fuels purchased by:

(1) a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384; ~~or~~

(2) an ambulance service licensed under chapter 144E; or

(3) until July 1, 2025, a registered motor carrier of passengers for use exclusively in vehicles that:

(i) are exempt from taxation under section 168.012, subdivision 1, paragraph (a), clause (7);

(ii) primarily provide regular route public transit, as defined in section 174.22, subdivision 8;

(iii) are operated to serve any urban area having a population of at least 50,000; and

(iv) are operated without financial operating assistance from the state or any political subdivision of the state.

Sec. 7. Minnesota Statutes 2006, section 473.411, is amended by adding a subdivision to read:

Subd. 6. Use of bus stops. The council shall take all necessary steps to permit providers of regular route transit in vehicles exempt from taxation under section 168.012, subdivision 1, paragraph (a), clause (7), to use bus stops and bus shelters that the council uses in providing regular route transit service, unless use by those vehicles unreasonably interferes with the safety and reliability of the council's transit operations. This subdivision applies only to vehicles that:

(1) provide transit service originating outside the metropolitan area as defined in section 473.121, subdivision 2;

(2) while inbound to the metropolitan area, do not pick up passengers within the metropolitan area; and

(3) while outbound from the metropolitan area, do not drop off passengers within the metropolitan area.