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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2690

03/05/2012 Authored by Davids, Runbeck and Loon

The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; making technical, administrative, and clarifying changes to
1.3 individual income, corporate franchise, estate, property, sales and use, special,
1.4 mineral, and various taxes and tax-related provisions; amending Minnesota
1.5 Statutes 2010, sections 13.4965, subdivision 3; 16A.46; 270.41, subdivision
1.6 5; 270C.42, subdivision 2; 272.01, subdivision 2; 273.124, subdivision 13;
1.7 273.1315, subdivisions 1, 2; 273.19, subdivision 1; 273.39; 279.06, subdivision
1.8 1; 287.20, by adding a subdivision; 287.385, subdivision 7; 289A.02, by
1.9 adding a subdivision; 289A.10, by adding a subdivision; 289A.12, by adding
1.10 a subdivision; 289A.18, by adding a subdivision; 289A.20, subdivision 3, by
1.11 adding a subdivision; 289A.26, subdivisions 3, 4, 7, 9; 289A.38, subdivisions 7,
1.12 8, 9; 289A.42, subdivision 2; 289A.55, subdivision 9; 289A.60, subdivisions 4,
1.13 24; 290.01, subdivisions 6b, 19d; 290.0921, subdivision 3; 290.095, subdivision
1.14 3; 290.17, subdivision 4; 290A.25; 290B.04, subdivision 2; 296A.22; 297E.14,
1.15 subdivision 7; 297F.09, subdivision 9; 297F.18, subdivision 7; 297G.09,
1.16 subdivision 8; 297G.17, subdivision 7; 297I.05, subdivision 11; 297I.80,
1.17 subdivision 1; 298.018, subdivision 2; Minnesota Statutes 2011 Supplement,
1.18 sections 270C.34, subdivision 1; 272.02, subdivision 97; 273.13, subdivision
1.19 23; 290.01, subdivisions 19b, 19c; 291.03, subdivision 11; 298.01, subdivision
1.20 3; 373.01, subdivision 1; Laws 2011, First Special Session chapter 7, article
1.21 10, section 7; repealing Minnesota Statutes 2010, sections 272.69; 273.11,
1.22 subdivision 22.

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

1.24 **ARTICLE 1**

1.25 **INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES**

1.26 Section 1. Minnesota Statutes 2010, section 289A.02, is amended by adding a
1.27 subdivision to read:

1.28 Subd. 9. **Field audit.** "Field audit" means an audit that includes the physical
1.29 presence of examiners in the taxpayer's or taxpayer's representative's office conducting
1.30 an examination of the taxpayer with the intention of issuing an assessment or notice of
1.31 change in tax. The examination may include inspecting a taxpayer's place of business,

2.1 tangible personal property, equipment, computer systems and facilities, pertinent books,
 2.2 records, papers, vouchers, computer printouts, accounts, and documents. The field audit
 2.3 is completed at the later of an order issued under section 270C.33 or notification that
 2.4 no change will be made.

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

2.6 Sec. 2. Minnesota Statutes 2010, section 289A.26, subdivision 3, is amended to read:

2.7 Subd. 3. **Short taxable year.** (a) A corporation or an entity with a short taxable
 2.8 year of less than 12 months, but at least four months, must pay estimated tax in equal
 2.9 installments on or before the 15th day of the third, sixth, ninth, and final month of the
 2.10 short taxable year, to the extent applicable based on the number of months in the short
 2.11 taxable year.

2.12 (b) A corporation or an entity is not required to make estimated tax payments for a
 2.13 short taxable year unless its tax liability before the first day of the last month of the taxable
 2.14 year can reasonably be expected to exceed \$500.

2.15 (c) No payment is required for a short taxable year of less than four months.

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

2.17 Sec. 3. Minnesota Statutes 2010, section 289A.26, subdivision 4, is amended to read:

2.18 Subd. 4. **Underpayment of estimated tax.** If there is an underpayment of estimated
 2.19 tax by a corporation or an entity, there shall be added to the tax for the taxable year an
 2.20 amount determined at the rate in section 270C.40 on the amount of the underpayment,
 2.21 determined under subdivision 5, for the period of the underpayment determined under
 2.22 subdivision 6. This subdivision does not apply in the first taxable year that a corporation is
 2.23 subject to the tax imposed under section 290.02 or an entity is subject to the tax imposed
 2.24 under section 290.05, subdivision 3.

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

2.26 Sec. 4. Minnesota Statutes 2010, section 289A.26, subdivision 7, is amended to read:

2.27 Subd. 7. **Required installments.** (a) Except as otherwise provided in this
 2.28 subdivision, the amount of a required installment is 25 percent of the required annual
 2.29 payment.

2.30 (b) Except as otherwise provided in this subdivision, the term "required annual
 2.31 payment" means the lesser of:

3.1 (1) 100 percent of the tax shown on the return for the taxable year, or, if no return is
3.2 filed, 100 percent of the tax for that year; or

3.3 (2) 100 percent of the tax shown on the return of the corporation or entity for the
3.4 preceding taxable year provided the return was for a full 12-month period, showed a
3.5 liability, and was filed by the corporation or entity.

3.6 (c) Except for determining the first required installment for any taxable year,
3.7 paragraph (b), clause (2), does not apply in the case of a large corporation. The term
3.8 "large corporation" means a corporation or any predecessor corporation that had taxable
3.9 net income of \$1,000,000 or more for any taxable year during the testing period. The
3.10 term "testing period" means the three taxable years immediately preceding the taxable
3.11 year involved. A reduction allowed to a large corporation for the first installment that is
3.12 allowed by applying paragraph (b), clause (2), must be recaptured by increasing the next
3.13 required installment by the amount of the reduction.

3.14 (d) In the case of a required installment, if the corporation or entity establishes that
3.15 the annualized income installment is less than the amount determined in paragraph (a), the
3.16 amount of the required installment is the annualized income installment and the recapture
3.17 of previous quarters' reductions allowed by this paragraph must be recovered by increasing
3.18 later required installments to the extent the reductions have not previously been recovered.

3.19 (e) The "annualized income installment" is the excess, if any, of:

3.20 (1) an amount equal to the applicable percentage of the tax for the taxable year
3.21 computed by placing on an annualized basis the taxable income:

3.22 (i) for the first two months of the taxable year, in the case of the first required
3.23 installment;

3.24 (ii) for the first two months or for the first five months of the taxable year, in the
3.25 case of the second required installment;

3.26 (iii) for the first six months or for the first eight months of the taxable year, in the
3.27 case of the third required installment; and

3.28 (iv) for the first nine months or for the first 11 months of the taxable year, in the
3.29 case of the fourth required installment, over

3.30 (2) the aggregate amount of any prior required installments for the taxable year.

3.31 (3) For the purpose of this paragraph, the annualized income shall be computed
3.32 by placing on an annualized basis the taxable income for the year up to the end of the
3.33 month preceding the due date for the quarterly payment multiplied by 12 and dividing
3.34 the resulting amount by the number of months in the taxable year (2, 5, 6, 8, 9, or 11 as
3.35 the case may be) referred to in clause (1).

3.36 (4) The "applicable percentage" used in clause (1) is:

4.1	For the following	
4.2	required	The applicable
4.3	installments:	percentage is:
4.4	1st	25
4.5	2nd	50
4.6	3rd	75
4.7	4th	100

4.8 (f)(1) If this paragraph applies, the amount determined for any installment must
4.9 be determined in the following manner:

4.10 (i) take the taxable income for the months during the taxable year preceding the
4.11 filing month;

4.12 (ii) divide that amount by the base period percentage for the months during the
4.13 taxable year preceding the filing month;

4.14 (iii) determine the tax on the amount determined under item (ii); and

4.15 (iv) multiply the tax computed under item (iii) by the base period percentage for the
4.16 filing month and the months during the taxable year preceding the filing month.

4.17 (2) For purposes of this paragraph:

4.18 (i) the "base period percentage" for a period of months is the average percent that the
4.19 taxable income for the corresponding months in each of the three preceding taxable years
4.20 bears to the taxable income for the three preceding taxable years;

4.21 (ii) the term "filing month" means the month in which the installment is required
4.22 to be paid;

4.23 (iii) this paragraph only applies if the base period percentage for any six consecutive
4.24 months of the taxable year equals or exceeds 70 percent; and

4.25 (iv) the commissioner may provide by rule for the determination of the base period
4.26 percentage in the case of reorganizations, new corporations or entities, and other similar
4.27 circumstances.

4.28 (3) In the case of a required installment determined under this paragraph, if the
4.29 corporation or entity determines that the installment is less than the amount determined in
4.30 paragraph (a), the amount of the required installment is the amount determined under this
4.31 paragraph and the recapture of previous quarters' reductions allowed by this paragraph
4.32 must be recovered by increasing later required installments to the extent the reductions
4.33 have not previously been recovered.

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

4.35 Sec. 5. Minnesota Statutes 2010, section 289A.26, subdivision 9, is amended to read:

5.1 Subd. 9. **Failure to file an estimate.** In the case of a corporation or an entity
 5.2 that fails to file an estimated tax for a taxable year when one is required, the period of
 5.3 the underpayment runs from the four installment dates in subdivision 2 or 3, whichever
 5.4 applies, to the earlier of the periods in subdivision 6, clauses (1) and (2).

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

5.6 Sec. 6. Minnesota Statutes 2010, section 289A.38, subdivision 7, is amended to read:

5.7 Subd. 7. **Federal tax changes.** If the amount of income, items of tax preference,
 5.8 deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for
 5.9 any period, as reported to the Internal Revenue Service is changed or corrected by the
 5.10 commissioner of Internal Revenue or other officer of the United States or other competent
 5.11 authority, or where a renegotiation of a contract or subcontract with the United States
 5.12 results in a change in income, items of tax preference, deductions, credits, or withholding
 5.13 tax, or, in the case of estate tax, where there are adjustments to the taxable estate, the
 5.14 taxpayer shall report the change or correction or renegotiation results in writing to the
 5.15 commissioner of revenue. The report must be ~~submitted within 180 days after the~~
 5.16 ~~final determination and must be~~ in the form of either an amended Minnesota estate,
 5.17 withholding tax, corporate franchise tax, or income tax return conceding the accuracy of
 5.18 the federal determination or a letter detailing how the federal determination is incorrect
 5.19 or does not change the Minnesota tax. An amended Minnesota income tax return must
 5.20 be accompanied by an amended property tax refund return, if necessary. A taxpayer
 5.21 filing an amended federal tax return must also file a copy of the amended return with the
 5.22 commissioner of revenue ~~within 180 days~~ after filing the amended return.

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

5.24 Sec. 7. Minnesota Statutes 2010, section 289A.38, subdivision 8, is amended to read:

5.25 Subd. 8. ~~**Failure to report change or correction of federal return**~~ **Time**
 5.26 **requirement to report federal tax changes.** ~~If a taxpayer fails to make a report as~~
 5.27 ~~required by subdivision 7, the commissioner may recompute the tax, including a refund,~~
 5.28 ~~based on information available to the commissioner. The tax may be recomputed within~~
 5.29 ~~six years after the report should have been filed, notwithstanding any period of limitations~~
 5.30 ~~to the contrary.~~ A taxpayer must submit the report or file the amended return required by
 5.31 subdivision 7 within 180 days after the final determination by the commissioner of internal
 5.32 revenue or other officer of the United States or other competent authority of a change or
 5.33 correction of the person's federal tax return or the filing of an amended federal tax return.

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

6.2 Sec. 8. Minnesota Statutes 2010, section 289A.38, subdivision 9, is amended to read:

6.3 Subd. 9. ~~Report made of change or correction of federal return~~ Limitations
 6.4 on time for assessment for federal tax changes. (a) If a taxpayer is required to make a
 6.5 submits the report under or files the amended return as required by subdivision 7, and does
 6.6 report the change or files a copy of the amended return at any time within six years after
 6.7 the time period provided by subdivision 8, the commissioner may recompute and reassess
 6.8 the tax due, including a refund (1) within one year after the report or amended return is
 6.9 filed with the commissioner, notwithstanding any period of limitations to the contrary, or
 6.10 (2) within any other applicable period stated in this section, whichever period is longer.
 6.11 The period provided for the carryback of any amount of loss or credit is also extended as
 6.12 provided in this subdivision, notwithstanding any law to the contrary.

6.13 (b) If a taxpayer fails to submit the report or file the amended return as required by
 6.14 subdivision 7, the commissioner may recompute the tax, including a refund, based on
 6.15 information available to the commissioner. The tax may be recomputed within six years
 6.16 after the time period provided by subdivision 8, notwithstanding any period of limitations
 6.17 to the contrary.

6.18 (c) If the commissioner has completed a field audit of the taxpayer, and, but for this
 6.19 subdivision, the commissioner's time period to adjust the tax has expired, the additional
 6.20 tax due or refund is limited to only those changes that are required to be made to the
 6.21 return which relate to the changes made on the federal return. This subdivision does not
 6.22 apply to sales and use tax.

6.23 ~~For purposes of this subdivision and section 289A.42, subdivision 2, a "field audit"~~
 6.24 ~~is the physical presence of examiners in the taxpayer's or taxpayer's representative's office~~
 6.25 ~~conducting an examination of the taxpayer with the intention of issuing an assessment or~~
 6.26 ~~notice of change in tax or which results in the issuing of an assessment or notice of change~~
 6.27 ~~in tax. The examination may include inspecting a taxpayer's place of business, tangible~~
 6.28 ~~personal property, equipment, computer systems and facilities, pertinent books, records,~~
 6.29 ~~papers, vouchers, computer printouts, accounts, and documents.~~

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

6.31 Sec. 9. Minnesota Statutes 2010, section 289A.42, subdivision 2, is amended to read:

6.32 Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time
 6.33 for the assessment of federal withholding or income taxes, the period in which the

7.1 commissioner may recompute the tax is also extended, notwithstanding any period of
7.2 limitations to the contrary, as follows:

7.3 (1) for the periods provided in section 289A.38, subdivisions 8 and 9;

7.4 (2) for six months following the expiration of the extended federal period of
7.5 limitations when no change is made by the federal authority. If no change is made by the
7.6 federal authority, and, but for this subdivision, the commissioner's time period to adjust
7.7 the tax has expired, and if the commissioner has completed a field audit of the taxpayer, no
7.8 additional changes resulting in additional tax due or a refund may be made. ~~For purposes~~
7.9 ~~of this subdivision, "field audit" has the meaning given it in section 289A.38, subdivision 9.~~

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

7.11 Sec. 10. Minnesota Statutes 2010, section 289A.60, subdivision 24, is amended to read:

7.12 Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to
7.13 report to the commissioner a change or correction of the person's federal return in the
7.14 manner prescribed by section 289A.38, subdivision 7, and within the 180-day time period
7.15 prescribed in section 289A.38, subdivision 7~~8~~, there must be added to the tax an amount
7.16 equal to ten percent of the amount of any underpayment of Minnesota tax attributable to
7.17 the federal change.

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

7.19 Sec. 11. Minnesota Statutes 2010, section 290.01, subdivision 6b, is amended to read:

7.20 Subd. 6b. **Foreign operating corporation.** The term "foreign operating
7.21 corporation," when applied to a corporation, means a domestic corporation with the
7.22 following characteristics:

7.23 (1) it is part of a unitary business at least one member of which is taxable in this state;

7.24 (2) it is not a foreign sales corporation under section 922 of the Internal Revenue
7.25 Code, as amended through December 31, 1999, for the taxable year;

7.26 (3) it is not an interest charge domestic international sales corporation under sections
7.27 992, 993, 994, and 995 of the Internal Revenue Code;

7.28 (4) ~~either (i) it has in effect a valid election under section 936 of the Internal Revenue~~
7.29 ~~Code; or (ii) at least 80 percent of the gross income from all sources of the corporation in~~
7.30 ~~the tax year is active foreign business income; and~~

7.31 (5) for purposes of this subdivision, active foreign business income means gross
7.32 income that is (i) derived from sources without the United States, as defined in subtitle A,

8.1 chapter 1, subchapter N, part 1, of the Internal Revenue Code; and (ii) attributable to the
8.2 active conduct of a trade or business in a foreign country.

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

8.5 Sec. 12. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19b,
8.6 is amended to read:

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

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

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

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

9.1 purposes of the subtraction provided by this clause, "qualifying child" has the meaning
9.2 given in section 32(c)(3) of the Internal Revenue Code;

9.3 (4) income as provided under section 290.0802;

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

9.6 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)
9.7 of the Internal Revenue Code in determining federal taxable income by an individual
9.8 who does not itemize deductions for federal income tax purposes for the taxable year, an
9.9 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable
9.10 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code,
9.11 under the provisions of Public Law 109-1 and Public Law 111-126;

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

9.20 (8) in each of the five tax years immediately following the tax year in which an
9.21 addition is required under subdivision 19a, clause (7), or 19c, clause ~~(15)~~ (14), in the case
9.22 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth
9.23 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means
9.24 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or
9.25 subdivision 19c, clause ~~(15)~~ (14), in the case of a shareholder of an S corporation, minus
9.26 the positive value of any net operating loss under section 172 of the Internal Revenue
9.27 Code generated for the tax year of the addition. The resulting delayed depreciation
9.28 cannot be less than zero;

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

9.30 (10) to the extent included in federal taxable income, the amount of compensation
9.31 paid to members of the Minnesota National Guard or other reserve components of the
9.32 United States military for active service, excluding compensation for services performed
9.33 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active
9.34 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause
9.35 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision

10.1 5b, but "active service" excludes service performed in accordance with section 190.08,
10.2 subdivision 3;

10.3 (11) to the extent included in federal taxable income, the amount of compensation
10.4 paid to Minnesota residents who are members of the armed forces of the United States
10.5 or United Nations for active duty performed under United States Code, title 10; or the
10.6 authority of the United Nations;

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

10.19 (13) in each of the five tax years immediately following the tax year in which an
10.20 addition is required under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case
10.21 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth
10.22 of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause
10.23 ~~(16)~~ (15), in the case of a shareholder of a corporation that is an S corporation, minus the
10.24 positive value of any net operating loss under section 172 of the Internal Revenue Code
10.25 generated for the tax year of the addition. If the net operating loss exceeds the addition for
10.26 the tax year, a subtraction is not allowed under this clause;

10.27 (14) to the extent included in the federal taxable income of a nonresident of
10.28 Minnesota, compensation paid to a service member as defined in United States Code, title
10.29 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief
10.30 Act, Public Law 108-189, section 101(2);

10.31 (15) international economic development zone income as provided under section
10.32 469.325;

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

11.1 (17) to the extent included in federal taxable income, discharge of indebtedness
11.2 income resulting from reacquisition of business indebtedness included in federal taxable
11.3 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
11.4 to the extent that the income was included in net income in a prior year as a result of the
11.5 addition under section 290.01, subdivision 19a, clause (16); and

11.6 (18) the amount of the net operating loss allowed under section 290.095, subdivision
11.7 11, paragraph (c).

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

11.10 Sec. 13. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19c,
11.11 is amended to read:

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

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

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

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

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

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

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

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

12.1 (8) the exempt foreign trade income of a foreign sales corporation under sections
12.2 921(a) and 291 of the Internal Revenue Code;

12.3 (9) the amount of percentage depletion deducted under sections 611 through 614 and
12.4 291 of the Internal Revenue Code;

12.5 (10) for certified pollution control facilities placed in service in a taxable year
12.6 beginning before December 31, 1986, and for which amortization deductions were elected
12.7 under section 169 of the Internal Revenue Code of 1954, as amended through December
12.8 31, 1985, the amount of the amortization deduction allowed in computing federal taxable
12.9 income for those facilities;

12.10 (11) the amount of any deemed dividend from a foreign operating corporation
12.11 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend
12.12 shall be reduced by the amount of the addition to income required by clauses (19), (20),
12.13 (21), and (22), ~~and (23)~~;

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

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

12.19 ~~(14)~~ (13) any increase in subpart F income, as defined in section 952(a) of the
12.20 Internal Revenue Code, for the taxable year when subpart F income is calculated without
12.21 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

12.22 ~~(15)~~ (14) 80 percent of the depreciation deduction allowed under section
12.23 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if
12.24 the taxpayer has an activity that in the taxable year generates a deduction for depreciation
12.25 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable
12.26 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation
12.27 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess
12.28 of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A)
12.29 over the amount of the loss from the activity that is not allowed in the taxable year. In
12.30 succeeding taxable years when the losses not allowed in the taxable year are allowed, the
12.31 depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

12.32 ~~(16)~~ (15) 80 percent of the amount by which the deduction allowed by section 179 of
12.33 the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal
12.34 Revenue Code of 1986, as amended through December 31, 2003;

12.35 ~~(17)~~ (16) to the extent deducted in computing federal taxable income, the amount of
12.36 the deduction allowable under section 199 of the Internal Revenue Code;

13.1 ~~(18)~~ (17) for taxable years beginning before January 1, 2013, the exclusion allowed
 13.2 under section 139A of the Internal Revenue Code for federal subsidies for prescription
 13.3 drug plans;

13.4 ~~(19)~~ (18) the amount of expenses disallowed under section 290.10, subdivision 2;

13.5 ~~(20)~~ (19) an amount equal to the interest and intangible expenses, losses, and
 13.6 costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for
 13.7 the benefit of a corporation that is a member of the taxpayer's unitary business group
 13.8 that qualifies as a foreign operating corporation. For purposes of this clause, intangible
 13.9 expenses and costs include:

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

13.13 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting
 13.14 transactions;

13.15 (iii) royalty, patent, technical, and copyright fees;

13.16 (iv) licensing fees; and

13.17 (v) other similar expenses and costs.

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

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

13.26 ~~(21)~~ (20) except as already included in the taxpayer's taxable income pursuant to
 13.27 clause ~~(20)~~ (19), any interest income and income generated from intangible property
 13.28 received or accrued by a foreign operating corporation that is a member of the taxpayer's
 13.29 unitary group. For purposes of this clause, income generated from intangible property
 13.30 includes:

13.31 (i) income related to the direct or indirect acquisition, use, maintenance or
 13.32 management, ownership, sale, exchange, or any other disposition of intangible property;

13.33 (ii) income from factoring transactions or discounting transactions;

13.34 (iii) royalty, patent, technical, and copyright fees;

13.35 (iv) licensing fees; and

13.36 (v) other similar income.

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

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

14.8 ~~(22)~~ (21) the dividends attributable to the income of a foreign operating corporation
 14.9 that is a member of the taxpayer's unitary group in an amount that is equal to the dividends
 14.10 paid deduction of a real estate investment trust under section 561(a) of the Internal
 14.11 Revenue Code for amounts paid or accrued by the real estate investment trust to the
 14.12 foreign operating corporation;

14.13 ~~(23)~~ (22) the income of a foreign operating corporation that is a member of the
 14.14 taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or
 14.15 personal property located in the United States;

14.16 ~~(24)~~ (23) for taxable years beginning before January 1, 2010, the additional amount
 14.17 allowed as a deduction for donation of computer technology and equipment under section
 14.18 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

14.19 ~~(25)~~ (24) discharge of indebtedness income resulting from reacquisition of business
 14.20 indebtedness and deferred under section 108(i) of the Internal Revenue Code.

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

14.23 Sec. 14. Minnesota Statutes 2010, section 290.01, subdivision 19d, is amended to read:

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

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

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

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

15.1 (4) amounts disallowed for intangible drilling costs due to differences between
15.2 this chapter and the Internal Revenue Code in taxable years beginning before January
15.3 1, 1987, as follows:

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

15.7 (ii) to the extent the disallowed costs are not represented by physical property, an
15.8 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section
15.9 290.09, subdivision 8;

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

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

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

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

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

15.24 (6) an amount for interest and expenses relating to income not taxable for federal
15.25 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and
15.26 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or
15.27 291 of the Internal Revenue Code in computing federal taxable income;

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

16.1 (8) for certified pollution control facilities placed in service in a taxable year
16.2 beginning before December 31, 1986, and for which amortization deductions were elected
16.3 under section 169 of the Internal Revenue Code of 1954, as amended through December
16.4 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes
16.5 1986, section 290.09, subdivision 7;

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

16.12 (10) 80 percent of royalties, fees, or other like income accrued or received from a
16.13 foreign operating corporation or a foreign corporation which is part of the same unitary
16.14 business as the receiving corporation, unless the income resulting from such payments or
16.15 accruals is income from sources within the United States as defined in subtitle A, chapter
16.16 1, subchapter N, part 1, of the Internal Revenue Code;

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

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

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

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

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

16.34 ~~(16)~~ (15) any decrease in subpart F income, as defined in section 952(a) of the
16.35 Internal Revenue Code, for the taxable year when subpart F income is calculated without
16.36 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

17.1 ~~(17)~~ (16) in each of the five tax years immediately following the tax year in which an
 17.2 addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth
 17.3 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the
 17.4 amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The
 17.5 resulting delayed depreciation cannot be less than zero;

17.6 ~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an
 17.7 addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth
 17.8 of the amount of the addition; and

17.9 ~~(19)~~ (18) to the extent included in federal taxable income, discharge of indebtedness
 17.10 income resulting from reacquisition of business indebtedness included in federal taxable
 17.11 income under section 108(i) of the Internal Revenue Code. This subtraction applies only
 17.12 to the extent that the income was included in net income in a prior year as a result of the
 17.13 addition under section 290.01, subdivision 19c, clause ~~(25)~~ (24).

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

17.16 Sec. 15. Minnesota Statutes 2010, section 290.0921, subdivision 3, is amended to read:

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

17.24 (1) For purposes of the depreciation adjustments under section 56(a)(1) and
 17.25 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in
 17.26 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal
 17.27 income tax purposes, including any modification made in a taxable year under section
 17.28 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,
 17.29 paragraph (c).

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

17.34 (2) The portion of the depreciation deduction allowed for federal income tax
 17.35 purposes under section 168(k) of the Internal Revenue Code that is required as an addition

18.1 under section 290.01, subdivision 19c, clause ~~(15)~~ (14), is disallowed in determining
18.2 alternative minimum taxable income.

18.3 (3) The subtraction for depreciation allowed under section 290.01, subdivision
18.4 19d, clause ~~(17)~~ (16), is allowed as a depreciation deduction in determining alternative
18.5 minimum taxable income.

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

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

18.10 ~~(6) The special rule for dividends from section 936 companies under section~~
18.11 ~~56(g)(4)(C)(iii) does not apply.~~

18.12 ~~(7)~~ (6) The tax preference for depletion under section 57(a)(1) of the Internal
18.13 Revenue Code does not apply.

18.14 ~~(8)~~ (7) The tax preference for intangible drilling costs under section 57(a)(2) of the
18.15 Internal Revenue Code must be calculated without regard to subparagraph (E) and the
18.16 subtraction under section 290.01, subdivision 19d, clause (4).

18.17 ~~(9)~~ (8) The tax preference for tax exempt interest under section 57(a)(5) of the
18.18 Internal Revenue Code does not apply.

18.19 ~~(10)~~ (9) The tax preference for charitable contributions of appreciated property
18.20 under section 57(a)(6) of the Internal Revenue Code does not apply.

18.21 ~~(11)~~ (10) For purposes of calculating the tax preference for accelerated depreciation
18.22 or amortization on certain property placed in service before January 1, 1987, under section
18.23 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the
18.24 deduction allowed under section 290.01, subdivision 19e.

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

18.28 ~~(12)~~ (11) For purposes of calculating the adjustment for adjusted current earnings
18.29 in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable
18.30 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative
18.31 minimum taxable income as defined in this subdivision, determined without regard to the
18.32 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

18.33 ~~(13)~~ (12) For purposes of determining the amount of adjusted current earnings
18.34 under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under
18.35 section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign
18.36 dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1),

19.1 (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in
 19.2 section 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other
 19.3 like income subtracted as provided in section 290.01, subdivision 19d, clause (10).

19.4 ~~(14)~~ (13) Alternative minimum taxable income excludes the income from operating
 19.5 in a job opportunity building zone as provided under section 469.317.

19.6 ~~(15)~~ (14) Alternative minimum taxable income excludes the income from operating
 19.7 in a biotechnology and health sciences industry zone as provided under section 469.337.

19.8 ~~(16)~~ (15) Alternative minimum taxable income excludes the income from operating
 19.9 in an international economic development zone as provided under section 469.326.

19.10 Items of tax preference must not be reduced below zero as a result of the
 19.11 modifications in this subdivision.

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

19.14 Sec. 16. Minnesota Statutes 2010, section 290.095, subdivision 3, is amended to read:

19.15 Subd. 3. **Carryover.** (a) A net operating loss incurred in a taxable year: (i)
 19.16 beginning after December 31, 1986, shall be a net operating loss carryover to each of the
 19.17 15 taxable years following the taxable year of such loss; (ii) beginning before January 1,
 19.18 1987, shall be a net operating loss carryover to each of the five taxable years following the
 19.19 taxable year of such loss subject to the provisions of Minnesota Statutes 1986, section
 19.20 290.095; and (iii) beginning before January 1, 1987, shall be a net operating loss carryback
 19.21 to each of the three taxable years preceding the loss year subject to the provisions of
 19.22 Minnesota Statutes 1986, section 290.095.

19.23 (b) The entire amount of the net operating loss for any taxable year shall be carried to
 19.24 the earliest of the taxable years to which such loss may be carried. The portion of such loss
 19.25 which shall be carried to each of the other taxable years shall be the excess, if any, of the
 19.26 amount of such loss over the sum of the taxable net income, adjusted by the modifications
 19.27 specified in subdivision 4, for each of the taxable years to which such loss may be carried.

19.28 (c) Where a corporation apportions its income under the provisions of section
 19.29 290.191, the net operating loss deduction incurred in any taxable year shall be allowed
 19.30 to the extent of the apportionment ratio of the loss year plus the excess loss assigned
 19.31 by section 290.17, subdivision 2. The loss carryover is applied to income allocated to
 19.32 Minnesota in the carryover year.

19.33 (d) The provisions of sections 381, 382, and 384 of the Internal Revenue Code apply
 19.34 to carryovers in certain corporate acquisitions and special limitations on net operating loss

20.1 carryovers. The limitation amount determined under section 382 shall be applied to net
 20.2 income, before apportionment, in each post change year to which a loss is carried.

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

20.4 Sec. 17. Minnesota Statutes 2010, section 290.17, subdivision 4, is amended to read:

20.5 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly
 20.6 within this state or partly within and partly without this state is part of a unitary business,
 20.7 the entire income of the unitary business is subject to apportionment pursuant to section
 20.8 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary
 20.9 business is considered to be derived from any particular source and none may be allocated
 20.10 to a particular place except as provided by the applicable apportionment formula. The
 20.11 provisions of this subdivision do not apply to business income subject to subdivision 5,
 20.12 income of an insurance company, or income of an investment company determined under
 20.13 section 290.36.

20.14 (b) The term "unitary business" means business activities or operations which
 20.15 result in a flow of value between them. The term may be applied within a single legal
 20.16 entity or between multiple entities and without regard to whether each entity is a sole
 20.17 proprietorship, a corporation, a partnership or a trust.

20.18 (c) Unity is presumed whenever there is unity of ownership, operation, and use,
 20.19 evidenced by centralized management or executive force, centralized purchasing,
 20.20 advertising, accounting, or other controlled interaction, but the absence of these
 20.21 centralized activities will not necessarily evidence a nonunitary business. Unity is also
 20.22 presumed when business activities or operations are of mutual benefit, dependent upon or
 20.23 contributory to one another, either individually or as a group.

20.24 (d) Where a business operation conducted in Minnesota is owned by a business
 20.25 entity that carries on business activity outside the state different in kind from that
 20.26 conducted within this state, and the other business is conducted entirely outside the state, it
 20.27 is presumed that the two business operations are unitary in nature, interrelated, connected,
 20.28 and interdependent unless it can be shown to the contrary.

20.29 (e) Unity of ownership ~~is~~ does not deemed to exist when a corporation is two or
 20.30 more corporations are involved unless that corporation is a member of a group of two or
 20.31 ~~more business entities and~~ more than 50 percent of the voting stock of each member of
 20.32 the group corporation is directly or indirectly owned by a common owner or by common
 20.33 owners, either corporate or noncorporate, or by one or more of the member corporations
 20.34 of the group. For this purpose, the term "voting stock" shall include membership interests
 20.35 of mutual insurance holding companies formed under section 66A.40.

21.1 (f) The net income and apportionment factors under section 290.191 or 290.20 of
21.2 foreign corporations and other foreign entities which are part of a unitary business shall
21.3 not be included in the net income or the apportionment factors of the unitary business.
21.4 A foreign corporation or other foreign entity which is required to file a return under this
21.5 chapter shall file on a separate return basis. The net income and apportionment factors
21.6 under section 290.191 or 290.20 of foreign operating corporations shall not be included in
21.7 the net income or the apportionment factors of the unitary business except as provided in
21.8 paragraph (g).

21.9 (g) The adjusted net income of a foreign operating corporation shall be deemed to
21.10 be paid as a dividend on the last day of its taxable year to each shareholder thereof, in
21.11 proportion to each shareholder's ownership, with which such corporation is engaged in
21.12 a unitary business. Such deemed dividend shall be treated as a dividend under section
21.13 290.21, subdivision 4.

21.14 Dividends actually paid by a foreign operating corporation to a corporate shareholder
21.15 which is a member of the same unitary business as the foreign operating corporation shall
21.16 be eliminated from the net income of the unitary business in preparing a combined report
21.17 for the unitary business. The adjusted net income of a foreign operating corporation
21.18 shall be its net income adjusted as follows:

21.19 (1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto
21.20 Rico, or a United States possession or political subdivision of any of the foregoing shall
21.21 be a deduction; and

21.22 (2) the subtraction from federal taxable income for payments received from foreign
21.23 corporations or foreign operating corporations under section 290.01, subdivision 19d,
21.24 clause (10), shall not be allowed.

21.25 If a foreign operating corporation incurs a net loss, neither income nor deduction
21.26 from that corporation shall be included in determining the net income of the unitary
21.27 business.

21.28 (h) For purposes of determining the net income of a unitary business and the factors
21.29 to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there
21.30 must be included only the income and apportionment factors of domestic corporations or
21.31 other domestic entities other than foreign operating corporations that are determined to
21.32 be part of the unitary business pursuant to this subdivision, notwithstanding that foreign
21.33 corporations or other foreign entities might be included in the unitary business.

21.34 (i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter
21.35 that are connected with or allocable against dividends, deemed dividends described

22.1 in paragraph (g), or royalties, fees, or other like income described in section 290.01,
 22.2 subdivision 19d, clause (10), shall not be disallowed.

22.3 (j) Each corporation or other entity, except a sole proprietorship, that is part of a
 22.4 unitary business must file combined reports as the commissioner determines. On the
 22.5 reports, all intercompany transactions between entities included pursuant to paragraph
 22.6 (h) must be eliminated and the entire net income of the unitary business determined in
 22.7 accordance with this subdivision is apportioned among the entities by using each entity's
 22.8 Minnesota factors for apportionment purposes in the numerators of the apportionment
 22.9 formula and the total factors for apportionment purposes of all entities included pursuant
 22.10 to paragraph (h) in the denominators of the apportionment formula.

22.11 (k) If a corporation has been divested from a unitary business and is included in a
 22.12 combined report for a fractional part of the common accounting period of the combined
 22.13 report:

22.14 (1) its income includable in the combined report is its income incurred for that part
 22.15 of the year determined by proration or separate accounting; and

22.16 (2) its sales, property, and payroll included in the apportionment formula must
 22.17 be prorated or accounted for separately.

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

22.19 ARTICLE 2

22.20 ESTATE TAXES

22.21 Section 1. Minnesota Statutes 2010, section 289A.10, is amended by adding a
 22.22 subdivision to read:

22.23 **Subd. 1a. Recapture tax return required.** If a disposition or cessation as provided
 22.24 by section 291.03, subdivision 11, paragraph (a), has occurred, the qualified heir, as
 22.25 defined under section 291.03, subdivision 8, paragraph (c), or personal representative of
 22.26 the decedent's estate must submit a recapture tax return to the commissioner.

22.27 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after
 22.28 June 30, 2011.

22.29 Sec. 2. Minnesota Statutes 2010, section 289A.12, is amended by adding a subdivision
 22.30 to read:

22.31 **Subd. 18. Returns by qualified heirs.** Within 24 months and within 36 months
 22.32 after a decedent's death, a qualified heir, as defined under section 291.03, subdivision 8,

23.1 paragraph (c), must file a return with the commissioner relating to the qualified property
 23.2 received from the decedent.

23.3 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after
 23.4 June 30, 2011.

23.5 Sec. 3. Minnesota Statutes 2010, section 289A.18, is amended by adding a subdivision
 23.6 to read:

23.7 Subd. 3a. **Recapture tax return.** A recapture tax return is due within six months
 23.8 after the date of the disposition or cessation as provided by section 291.03, subdivision
 23.9 11, paragraph (a).

23.10 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after
 23.11 June 30, 2011.

23.12 Sec. 4. Minnesota Statutes 2010, section 289A.20, subdivision 3, is amended to read:

23.13 Subd. 3. **Estate tax.** Taxes imposed by ~~chapter 291~~ section 291.03, subdivision 1,
 23.14 take effect at and upon the death of the person whose estate is subject to taxation and are
 23.15 due and payable on or before the expiration of nine months from that death.

23.16 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after
 23.17 June 30, 2011.

23.18 Sec. 5. Minnesota Statutes 2010, section 289A.20, is amended by adding a subdivision
 23.19 to read:

23.20 Subd. 3a. **Recapture tax.** Taxes imposed by section 291.03, subdivision 11,
 23.21 paragraph (b), are due and payable on or before the expiration of six months from the date
 23.22 of disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a).

23.23 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after
 23.24 June 30, 2011.

23.25 Sec. 6. Minnesota Statutes 2011 Supplement, section 291.03, subdivision 11, is
 23.26 amended to read:

23.27 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and
 23.28 before the death of the qualified heir, the qualified heir disposes of any interest in the
 23.29 qualified property, other than by a disposition to a family member, or a family member

24.1 ceases to use the qualified property which was acquired or passed from the decedent, an
 24.2 additional estate tax is imposed on the property.

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

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

24.7 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after
 24.8 June 30, 2011.

24.9 **ARTICLE 3**

24.10 **PROPERTY TAX**

24.11 Section 1. Minnesota Statutes 2010, section 13.4965, subdivision 3, is amended to read:

24.12 Subd. 3. **Homestead and other applications.** The classification and disclosure of
 24.13 certain information collected to determine eligibility of property for a homestead or other
 24.14 classification or benefit under section 273.13 are governed by ~~section~~ sections 273.124,
 24.15 ~~subdivision~~ subdivisions 13, 13a, 13c, and 13d, and 273.1315.

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

24.17 Sec. 2. Minnesota Statutes 2010, section 270.41, subdivision 5, is amended to read:

24.18 Subd. 5. **Prohibited activity.** A licensed assessor or other person employed by an
 24.19 assessment jurisdiction or contracting with an assessment jurisdiction for the purpose
 24.20 of valuing or classifying property for property tax purposes is prohibited from making
 24.21 appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report
 24.22 as defined in section 82B.021, subdivisions 2, 4, 6, and 7, on any property within the
 24.23 assessment jurisdiction where the individual is employed or performing the duties of the
 24.24 assessor under contract. Violation of this prohibition shall result in immediate revocation
 24.25 of the individual's license to assess property for property tax purposes. This prohibition
 24.26 must not be construed to prohibit an individual from carrying out any duties required
 24.27 for the proper assessment of property for property tax purposes or performing duties
 24.28 enumerated in section 273.061, subdivision 7 or 8. If a formal resolution has been adopted
 24.29 by the governing body of a governmental unit, which specifies the purposes for which
 24.30 such work will be done, this prohibition does not apply to appraisal activities undertaken
 24.31 on behalf of and at the request of the governmental unit that has employed or contracted
 24.32 with the individual. The resolution may only allow appraisal activities which are related to
 24.33 condemnations, right-of-way acquisitions, land exchanges, or special assessments.

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

25.2 Sec. 3. Minnesota Statutes 2011 Supplement, section 270C.34, subdivision 1, is
25.3 amended to read:

25.4 Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any
25.5 penalty or interest that is imposed by a law administered by the commissioner, or imposed
25.6 by section 270.0725, subdivision 1 or 2, or 270.075, as a result of the late payment of tax
25.7 or late filing of a return, or any part of an additional tax charge under section 289A.25,
25.8 subdivision 2, or 289A.26, subdivision 4, if the failure to timely pay the tax or failure
25.9 to timely file the return is due to reasonable cause, or if the taxpayer is located in a
25.10 presidentially declared disaster or in a presidentially declared state of emergency area or
25.11 in an area declared to be in a state of emergency by the governor under section 12.31.

25.12 (b) The commissioner shall abate any part of a penalty or additional tax charge
25.13 under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous
25.14 advice given to the taxpayer in writing by an employee of the department acting in
25.15 an official capacity, if the advice:

25.16 (1) was reasonably relied on and was in response to a specific written request of the
25.17 taxpayer; and

25.18 (2) was not the result of failure by the taxpayer to provide adequate or accurate
25.19 information.

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

25.21 Sec. 4. Minnesota Statutes 2010, section 272.01, subdivision 2, is amended to read:

25.22 Subd. 2. **Exempt property used by private entity for profit.** (a) When any real or
25.23 personal property which is exempt from ad valorem taxes, and taxes in lieu thereof, is
25.24 leased, loaned, or otherwise made available and used by a private individual, association,
25.25 or corporation in connection with a business conducted for profit, there shall be imposed a
25.26 tax, for the privilege of so using or possessing such real or personal property, in the same
25.27 amount and to the same extent as though the lessee or user was the owner of such property.

25.28 (b) The tax imposed by this subdivision shall not apply to:

25.29 (1) property leased or used as a concession in or relative to the use in whole
25.30 or part of a public park, market, fairgrounds, port authority, economic development
25.31 authority established under chapter 469, municipal auditorium, municipal parking facility,
25.32 municipal museum, or municipal stadium;

25.33 (2) property of an airport owned by a city, town, county, or group thereof which is:

25.34 (i) leased to or used by any person or entity including a fixed base operator; and

26.1 (ii) used as a hangar for the storage or repair of aircraft or to provide aviation goods,
26.2 services, or facilities to the airport or general public;

26.3 the exception from taxation provided in this clause does not apply to:

26.4 (i) property located at an airport owned or operated by the Metropolitan Airports
26.5 Commission or by a city of over 50,000 population according to the most recent federal
26.6 census or such a city's airport authority; or

26.7 (ii) hangars leased by a private individual, association, or corporation in connection
26.8 with a business conducted for profit other than an aviation-related business;

26.9 (3) property constituting or used as a public pedestrian ramp or concourse in
26.10 connection with a public airport;

26.11 (4) property constituting or used as a passenger check-in area or ticket sale counter,
26.12 boarding area, or luggage claim area in connection with a public airport but not the
26.13 airports owned or operated by the Metropolitan Airports Commission or cities of over
26.14 50,000 population or an airport authority therein. Real estate owned by a municipality
26.15 in connection with the operation of a public airport and leased or used for agricultural
26.16 purposes is not exempt;

26.17 (5) property leased, loaned, or otherwise made available to a private individual,
26.18 corporation, or association under a cooperative farming agreement made pursuant to
26.19 section 97A.135; or

26.20 (6) property leased, loaned, or otherwise made available to a private individual,
26.21 corporation, or association under section 272.68, subdivision 4.

26.22 (c) Taxes imposed by this subdivision are payable as in the case of personal property
26.23 taxes and shall be assessed to the lessees or users of real or personal property in the same
26.24 manner as taxes assessed to owners of real or personal property, except that such taxes
26.25 shall not become a lien against the property. When due, the taxes shall constitute a debt
26.26 due from the lessee or user to the state, township, city, county, and school district for
26.27 which the taxes were assessed and shall be collected in the same manner as personal
26.28 property taxes. If property subject to the tax imposed by this subdivision is leased or used
26.29 jointly by two or more persons, each lessee or user shall be jointly and severally liable for
26.30 payment of the tax.

26.31 (d) The tax on real property of the federal government, the state or any of its political
26.32 subdivisions that is leased by a private individual, association, or corporation and becomes
26.33 taxable under this subdivision or other provision of law must be assessed and collected as
26.34 a personal property assessment. The taxes do not become a lien against the real property.

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

27.1 Sec. 5. Minnesota Statutes 2010, section 273.124, subdivision 13, is amended to read:

27.2 Subd. 13. **Homestead application.** (a) A person who meets the homestead
27.3 requirements under subdivision 1 must file a homestead application with the county
27.4 assessor to initially obtain homestead classification.

27.5 (b) The format and contents of a uniform homestead application shall be prescribed
27.6 by the commissioner of revenue. The application must clearly inform the taxpayer that
27.7 this application must be signed by all owners who occupy the property or by the qualifying
27.8 relative and returned to the county assessor in order for the property to receive homestead
27.9 treatment.

27.10 (c) Every property owner applying for homestead classification must furnish to the
27.11 county assessor the Social Security number of each occupant who is listed as an owner
27.12 of the property on the deed of record, the name and address of each owner who does not
27.13 occupy the property, and the name and Social Security number of each owner's spouse who
27.14 occupies the property. The application must be signed by each owner who occupies the
27.15 property and by each owner's spouse who occupies the property, or, in the case of property
27.16 that qualifies as a homestead under subdivision 1, paragraph (c), by the qualifying relative.

27.17 If a property owner occupies a homestead, the property owner's spouse may not
27.18 claim another property as a homestead unless the property owner and the property owner's
27.19 spouse file with the assessor an affidavit or other proof required by the assessor stating that
27.20 the property qualifies as a homestead under subdivision 1, paragraph (e).

27.21 Owners or spouses occupying residences owned by their spouses and previously
27.22 occupied with the other spouse, either of whom fail to include the other spouse's name
27.23 and Social Security number on the homestead application or provide the affidavits or
27.24 other proof requested, will be deemed to have elected to receive only partial homestead
27.25 treatment of their residence. The remainder of the residence will be classified as
27.26 nonhomestead residential. When an owner or spouse's name and Social Security number
27.27 appear on homestead applications for two separate residences and only one application is
27.28 signed, the owner or spouse will be deemed to have elected to homestead the residence for
27.29 which the application was signed.

27.30 The Social Security numbers, state or federal tax returns or tax return information,
27.31 including the federal income tax schedule F₂ required by this section; or section 273.13,
27.32 and affidavits or other proofs of the property owners and spouses submitted under this
27.33 or another section to support a claim for a property tax homestead classification or other
27.34 classification or benefit under section 273.13, are private data on individuals as defined by
27.35 section 13.02, subdivision 12, or nonpublic data as defined in section 13.02, subdivision 9,
27.36 but, notwithstanding that section, the private and nonpublic data may be disclosed to the

28.1 commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture
28.2 Act to recover personal property taxes owing, to the county treasurer.

28.3 (d) If residential real estate is occupied and used for purposes of a homestead by a
28.4 relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in
28.5 order for the property to receive homestead status, a homestead application must be filed
28.6 with the assessor. The Social Security number of each relative and spouse of a relative
28.7 occupying the property shall be required on the homestead application filed under this
28.8 subdivision. If a different relative of the owner subsequently occupies the property, the
28.9 owner of the property must notify the assessor within 30 days of the change in occupancy.
28.10 The Social Security number of a relative or relative's spouse occupying the property
28.11 is private data on individuals as defined by section 13.02, subdivision 12, but may be
28.12 disclosed to the commissioner of revenue, or, for the purposes of proceeding under the
28.13 Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

28.14 (e) The homestead application shall also notify the property owners that ~~the~~
28.15 ~~application filed under this section will not be mailed annually and that~~ if the property
28.16 is granted homestead status for any assessment year, that same property shall remain
28.17 classified as homestead until the property is sold or transferred to another person, or
28.18 the owners, the spouse of the owner, or the relatives no longer use the property as their
28.19 homestead. Upon the sale or transfer of the homestead property, a certificate of value must
28.20 be timely filed with the county auditor as provided under section 272.115. Failure to
28.21 notify the assessor within 30 days that the property has been sold, transferred, or that the
28.22 owner, the spouse of the owner, or the relative is no longer occupying the property as a
28.23 homestead, shall result in the penalty provided under this subdivision and the property
28.24 will lose its current homestead status.

28.25 ~~(f) If the homestead application is not returned within 30 days, the county will send a~~
28.26 ~~second application to the present owners of record. The notice of proposed property taxes~~
28.27 ~~prepared under section 275.065, subdivision 3, shall reflect the property's classification. If~~
28.28 a homestead application has not been filed with the county by December 15, the assessor
28.29 shall classify the property as nonhomestead for the current assessment year for taxes
28.30 payable in the following year, provided that the owner may be entitled to receive the
28.31 homestead classification by proper application under section 375.192.

28.32 Subd. 13a. Occupant list. ~~(g)~~ At the request of the commissioner, each county
28.33 must give the commissioner a list that includes the name and Social Security number
28.34 of each occupant of homestead property who is the property owner, property owner's
28.35 spouse, qualifying relative of a property owner, or a spouse of a qualifying relative. The
28.36 commissioner shall use the information provided on the lists as appropriate under the law,

29.1 including for the detection of improper claims by owners, or relatives of owners, under
29.2 chapter 290A.

29.3 Subd. 13b. **Improper homestead.** ~~(h)~~ (a) If the commissioner finds that a
29.4 property owner may be claiming a fraudulent homestead, the commissioner shall notify
29.5 the appropriate counties. Within 90 days of the notification, the county assessor shall
29.6 investigate to determine if the homestead classification was properly claimed. If the
29.7 property owner does not qualify, the county assessor shall notify the county auditor who
29.8 will determine the amount of homestead benefits that had been improperly allowed. For the
29.9 purpose of this ~~section~~ subdivision, "homestead benefits" means the tax reduction resulting
29.10 from the classification as a homestead under section 273.13, the taconite homestead credit
29.11 under section 273.135, the residential homestead and agricultural homestead credits under
29.12 section 273.1384, and the supplemental homestead credit under section 273.1391.

29.13 The county auditor shall send a notice to the person who owned the affected property
29.14 at the time the homestead application related to the improper homestead was filed,
29.15 demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent
29.16 of the homestead benefits. The person notified may appeal the county's determination
29.17 by serving copies of a petition for review with county officials as provided in section
29.18 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax
29.19 Court within 60 days of the date of the notice from the county. Procedurally, the appeal
29.20 is governed by the provisions in chapter 271 which apply to the appeal of a property tax
29.21 assessment or levy, but without requiring any prepayment of the amount in controversy. If
29.22 the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal
29.23 has been filed, the county auditor shall certify the amount of taxes and penalty to the county
29.24 treasurer. The county treasurer will add interest to the unpaid homestead benefits and
29.25 penalty amounts at the rate provided in section 279.03 for real property taxes becoming
29.26 delinquent in the calendar year during which the amount remains unpaid. Interest may be
29.27 assessed for the period beginning 60 days after demand for payment was made.

29.28 If the person notified is the current owner of the property, the treasurer may add the
29.29 total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes
29.30 otherwise payable on the property by including the amounts on the property tax statements
29.31 under section 276.04, subdivision 3. The amounts added under this paragraph to the ad
29.32 valorem taxes shall include interest accrued through December 31 of the year preceding
29.33 the taxes payable year for which the amounts are first added. These amounts, when added
29.34 to the property tax statement, become subject to all the laws for the enforcement of real or
29.35 personal property taxes for that year, and for any subsequent year.

30.1 If the person notified is not the current owner of the property, the treasurer may
 30.2 collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of
 30.3 the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment
 30.4 of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent
 30.5 tax obligations of the person who owned the property at the time the application related
 30.6 to the improperly allowed homestead was filed. The treasurer may relieve a prior owner
 30.7 of personal liability for the homestead benefits, penalty, interest, and costs, and instead
 30.8 extend those amounts on the tax lists against the property as provided in this paragraph
 30.9 to the extent that the current owner agrees in writing. On all demands, billings, property
 30.10 tax statements, and related correspondence, the county must list and state separately the
 30.11 amounts of homestead benefits, penalty, interest and costs being demanded, billed or
 30.12 assessed.

30.13 ~~(b)~~ (b) Any amount of homestead benefits recovered by the county from the property
 30.14 owner shall be distributed to the county, city or town, and school district where the
 30.15 property is located in the same proportion that each taxing district's levy was to the total
 30.16 of the three taxing districts' levy for the current year. Any amount recovered attributable
 30.17 to taconite homestead credit shall be transmitted to the St. Louis County auditor to be
 30.18 deposited in the taconite property tax relief account. Any amount recovered that is
 30.19 attributable to supplemental homestead credit is to be transmitted to the commissioner of
 30.20 revenue for deposit in the general fund of the state treasury. The total amount of penalty
 30.21 collected must be deposited in the county general fund.

30.22 ~~(c)~~ (c) If a property owner has applied for more than one homestead and the county
 30.23 assessors cannot determine which property should be classified as homestead, the county
 30.24 assessors will refer the information to the commissioner. The commissioner shall make
 30.25 the determination and notify the counties within 60 days.

30.26 Subd. 13c. Property lists. ~~(k)~~ In addition to lists of homestead properties, the
 30.27 commissioner may ask the counties to furnish lists of all properties and the record owners.
 30.28 The Social Security numbers and federal identification numbers that are maintained by
 30.29 a county or city assessor for property tax administration purposes, and that may appear
 30.30 on the lists retain their classification as private or nonpublic data; but may be viewed,
 30.31 accessed, and used by the county auditor or treasurer of the same county for the limited
 30.32 purpose of assisting the commissioner in the preparation of microdata samples under
 30.33 section 270C.12. The commissioner shall use the information provided on the lists as
 30.34 appropriate under the law, including for the detection of improper claims by owners, or
 30.35 relatives of owners, under chapter 290A.

31.1 Subd. 13d. Homestead data. ~~(†)~~ On or before April 30 each year beginning in 2007,
 31.2 each county must provide the commissioner with the following data for each parcel of
 31.3 homestead property by electronic means as defined in section 289A.02, subdivision 8:

31.4 ~~(†)~~ (1) the property identification number assigned to the parcel for purposes of
 31.5 taxes payable in the current year;

31.6 ~~(††)~~ (2) the name and Social Security number of each occupant of homestead property
 31.7 who is the property owner, property owner's spouse, qualifying relative of a property
 31.8 owner, or spouse of a qualifying relative;

31.9 ~~(†††)~~ (3) the classification of the property under section 273.13 for taxes payable
 31.10 in the current year and in the prior year;

31.11 ~~(††††)~~ (4) an indication of whether the property was classified as a homestead for
 31.12 taxes payable in the current year because of occupancy by a relative of the owner or
 31.13 by a spouse of a relative;

31.14 ~~(†††††)~~ (5) the property taxes payable as defined in section 290A.03, subdivision 13, for
 31.15 the current year and the prior year;

31.16 ~~(††††††)~~ (6) the market value of improvements to the property first assessed for tax
 31.17 purposes for taxes payable in the current year;

31.18 ~~(†††††††)~~ (7) the assessor's estimated market value assigned to the property for taxes
 31.19 payable in the current year and the prior year;

31.20 ~~(††††††††)~~ (8) the taxable market value assigned to the property for taxes payable in the
 31.21 current year and the prior year;

31.22 ~~(†††††††††)~~ (9) whether there are delinquent property taxes owing on the homestead;

31.23 ~~(††††††††††)~~ (10) the unique taxing district in which the property is located; and

31.24 ~~(†††††††††††)~~ (11) such other information as the commissioner decides is necessary.

31.25 The commissioner shall use the information provided on the lists as appropriate
 31.26 under the law, including for the detection of improper claims by owners, or relatives
 31.27 of owners, under chapter 290A.

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

31.29 Sec. 6. Minnesota Statutes 2011 Supplement, section 273.13, subdivision 23, is
 31.30 amended to read:

31.31 Subd. 23. Class 2. (a) An agricultural homestead consists of class 2a agricultural
 31.32 land that is homesteaded, along with any class 2b rural vacant land that is contiguous to
 31.33 the class 2a land under the same ownership. The market value of the house and garage
 31.34 and immediately surrounding one acre of land has the same class rates as class 1a or 1b
 31.35 property under subdivision 22. The value of the remaining land including improvements

32.1 up to the first tier valuation limit of agricultural homestead property has a net class rate
32.2 of 0.5 percent of market value. The remaining property over the first tier has a class rate
32.3 of one percent of market value. For purposes of this subdivision, the "first tier valuation
32.4 limit of agricultural homestead property" and "first tier" means the limit certified under
32.5 section 273.11, subdivision 23.

32.6 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that
32.7 are agricultural land and buildings. Class 2a property has a net class rate of one percent of
32.8 market value, unless it is part of an agricultural homestead under paragraph (a). Class
32.9 2a property must also include any property that would otherwise be classified as 2b,
32.10 but is interspersed with class 2a property, including but not limited to sloughs, wooded
32.11 wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback
32.12 requirement, and other similar land that is impractical for the assessor to value separately
32.13 from the rest of the property or that is unlikely to be able to be sold separately from
32.14 the rest of the property.

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

32.17 (c) Class 2b rural vacant land consists of parcels of property, or portions thereof,
32.18 that are unplatted real estate, rural in character and not used for agricultural purposes,
32.19 including land used for growing trees for timber, lumber, and wood and wood products,
32.20 that is not improved with a structure. The presence of a minor, ancillary nonresidential
32.21 structure as defined by the commissioner of revenue does not disqualify the property from
32.22 classification under this paragraph. Any parcel of 20 acres or more improved with a
32.23 structure that is not a minor, ancillary nonresidential structure must be split-classified, and
32.24 ten acres must be assigned to the split parcel containing the structure. Class 2b property
32.25 has a net class rate of one percent of market value unless it is part of an agricultural
32.26 homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

32.27 (d) Class 2c managed forest land consists of no less than 20 and no more than 1,920
32.28 acres statewide per taxpayer that is being managed under a forest management plan that
32.29 meets the requirements of chapter 290C, but is not enrolled in the sustainable forest
32.30 resource management incentive program. It has a class rate of .65 percent, provided that
32.31 the owner of the property must apply to the assessor in order for the property to initially
32.32 qualify for the reduced rate and provide the information required by the assessor to verify
32.33 that the property qualifies for the reduced rate. If the assessor receives the application
32.34 and information before May 1 in an assessment year, the property qualifies beginning
32.35 with that assessment year. If the assessor receives the application and information after
32.36 April 30 in an assessment year, the property may not qualify until the next assessment

33.1 year. The commissioner of natural resources must concur that the land is qualified. The
33.2 commissioner of natural resources shall annually provide county assessors verification
33.3 information on a timely basis. The presence of a minor, ancillary nonresidential structure
33.4 as defined by the commissioner of revenue does not disqualify the property from
33.5 classification under this paragraph.

33.6 (e) Agricultural land as used in this section means contiguous acreage of ten acres or
33.7 more, used during the preceding year for agricultural purposes.

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

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

33.24 (i) for drying or storage of grain or storage of machinery or equipment used to
33.25 support agricultural activities on other parcels of property owned and operated by the
33.26 same farming entity that owns the property with the residential structure;

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

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

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

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

34.1 Classification under this subdivision is not determinative for qualifying under
34.2 section 273.111.

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

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

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

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

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

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

34.18 (5) game birds and waterfowl bred and raised (i) on a game farm licensed under
34.19 section 97A.105, provided that the annual licensing report to the Department of Natural
34.20 Resources, which must be submitted annually by March 30 to the assessor, indicates
34.21 that at least 500 birds were raised or used for breeding stock on the property during the
34.22 preceding year and that the owner provides a copy of the owner's most recent schedule F;
34.23 or (ii) for use on a shooting preserve licensed under section 97A.115;

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

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

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

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

34.31 (1) wholesale and retail sales;

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

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

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

35.1 the assessor shall classify the part of the parcel used for agricultural purposes as class
35.2 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its
35.3 use. The grading, sorting, and packaging of raw agricultural products for first sale is
35.4 considered an agricultural purpose. A greenhouse or other building where horticultural
35.5 or nursery products are grown that is also used for the conduct of retail sales must be
35.6 classified as agricultural if it is primarily used for the growing of horticultural or nursery
35.7 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
35.8 those products. Use of a greenhouse or building only for the display of already grown
35.9 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

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

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

35.34 (m) Class 2e consists of land with a commercial aggregate deposit that is not actively
35.35 being mined and is not otherwise classified as class 2a or 2b, provided that the land is not
35.36 located in a county that has elected to opt-out of the aggregate preservation program as

36.1 provided in section 273.1115, subdivision 6. It has a class rate of one percent of market
36.2 value. To qualify for classification under this paragraph, the property must be at least
36.3 ten contiguous acres in size and the owner of the property must record with the county
36.4 recorder of the county in which the property is located an affidavit containing:

36.5 (1) a legal description of the property;

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

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

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

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

36.18 (n) When any portion of the property under this subdivision or subdivision 22 begins
36.19 to be actively mined, the owner must file a supplemental affidavit within 60 days from
36.20 the day any aggregate is removed stating the number of acres of the property that is
36.21 actively being mined. The acres actively being mined must be (1) valued and classified
36.22 under subdivision 24 in the next subsequent assessment year, and (2) removed from the
36.23 aggregate resource preservation property tax program under section 273.1115, if the
36.24 land was enrolled in that program. Copies of the original affidavit and all supplemental
36.25 affidavits must be filed with the county assessor, the local zoning administrator, and the
36.26 Department of Natural Resources, Division of Land and Minerals. A supplemental
36.27 affidavit must be filed each time a subsequent portion of the property is actively mined,
36.28 provided that the minimum acreage change is five acres, even if the actual mining activity
36.29 constitutes less than five acres.

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

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

36.34 Sec. 7. Minnesota Statutes 2010, section 273.1315, subdivision 1, is amended to read:

37.1 Subdivision 1. **Class 1b homestead declaration before 2009.** Any property owner
 37.2 seeking classification and assessment of the owner's homestead as class 1b property
 37.3 pursuant to section 273.13, subdivision 22, paragraph (b), on or before October 1, 2008,
 37.4 shall file with the commissioner of revenue a 1b homestead declaration, on a form
 37.5 prescribed by the commissioner. The declaration shall contain the following information:

37.6 ~~(a)~~ (1) the information necessary to verify that on or before June 30 of the filing year,
 37.7 the property owner or the owner's spouse satisfies the requirements of section 273.13,
 37.8 subdivision 22, paragraph (b), for 1b classification; and

37.9 ~~(b)~~ (2) any additional information prescribed by the commissioner.

37.10 The declaration must be filed on or before October 1 to be effective for property
 37.11 taxes payable during the succeeding calendar year. The declaration and any supplementary
 37.12 information received from the property owner pursuant to this subdivision shall be subject
 37.13 to chapter 270B. If approved by the commissioner, the declaration remains in effect until
 37.14 the property no longer qualifies under section 273.13, subdivision 22, paragraph (b).
 37.15 Failure to notify the commissioner within 30 days that the property no longer qualifies
 37.16 under that paragraph because of a sale, change in occupancy, or change in the status
 37.17 or condition of an occupant shall result in the penalty provided in section 273.124,
 37.18 subdivision ~~13~~ 13b, computed on the basis of the class 1b benefits for the property, and
 37.19 the property shall lose its current class 1b classification.

37.20 The commissioner shall provide to the assessor on or before November 1 a listing
 37.21 of the parcels of property qualifying for 1b classification.

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

37.23 Sec. 8. Minnesota Statutes 2010, section 273.1315, subdivision 2, is amended to read:

37.24 Subd. 2. **Class 1b homestead declaration 2009 and thereafter.** (a) Any property
 37.25 owner seeking classification and assessment of the owner's homestead as class 1b property
 37.26 pursuant to section 273.13, subdivision 22, paragraph (b), after October 1, 2008, shall file
 37.27 with the county assessor a class 1b homestead declaration, on a form prescribed by the
 37.28 commissioner of revenue. The declaration must contain the following information:

37.29 (1) the information necessary to verify that, on or before June 30 of the filing year,
 37.30 the property owner or the owner's spouse satisfies the requirements of section 273.13,
 37.31 subdivision 22, paragraph (b), for class 1b classification; and

37.32 (2) any additional information prescribed by the commissioner.

37.33 (b) The declaration must be filed on or before October 1 to be effective for property
 37.34 taxes payable during the succeeding calendar year. The Social Security numbers and
 37.35 income and medical information received from the property owner pursuant to this

38.1 subdivision are private data on individuals as defined in section 13.02. If approved by
 38.2 the assessor, the declaration remains in effect until the property no longer qualifies under
 38.3 section 273.13, subdivision 22, paragraph (b). Failure to notify the assessor within 30
 38.4 days that the property no longer qualifies under that paragraph because of a sale, change in
 38.5 occupancy, or change in the status or condition of an occupant shall result in the penalty
 38.6 provided in section 273.124, subdivision ~~13~~ 13b, computed on the basis of the class 1b
 38.7 benefits for the property, and the property shall lose its current class 1b classification.

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

38.9 Sec. 9. Minnesota Statutes 2010, section 273.19, subdivision 1, is amended to read:

38.10 Subdivision 1. **Tax-exempt property; lease.** Except as provided in subdivision 3 or
 38.11 4, tax-exempt property held under a lease for a term of at least one year, and not taxable
 38.12 under section 272.01, subdivision 2, or under a contract for the purchase thereof, shall
 38.13 be considered, for all purposes of taxation, as the property of the person holding it. In
 38.14 this subdivision, "tax-exempt property" means property owned by the United States, the
 38.15 state or any of its political subdivisions, a school, or any religious, scientific, or benevolent
 38.16 society or institution, incorporated or unincorporated, or any corporation whose property
 38.17 is not taxed in the same manner as other property. This subdivision does not apply to
 38.18 property exempt from taxation under section 272.01, subdivision 2, paragraph (b), clauses
 38.19 (2), (3), and (4), or to property exempt from taxation under section 272.0213.

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

38.21 Sec. 10. Minnesota Statutes 2010, section 273.39, is amended to read:

38.22 **273.39 RURAL AREA.**

38.23 As used in sections 273.39 to 273.41, the term "rural area" shall be deemed to mean
 38.24 any area of the state not included within the boundaries of any ~~incorporated~~ statutory
 38.25 city or home rule charter city, and such term shall be deemed to include both farm and
 38.26 nonfarm population thereof.

38.27 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2012.

38.28 Sec. 11. Minnesota Statutes 2010, section 279.06, subdivision 1, is amended to read:

38.29 Subdivision 1. **List and notice.** Within five days after the filing of such list, the
 38.30 court administrator shall return a copy thereof to the county auditor, with a notice prepared

39.1 and signed by the court administrator, and attached thereto, which may be substantially in
39.2 the following form:

39.3 State of Minnesota)

39.4) ss.

39.5 County of)

39.6 District Court
39.7 Judicial District.

39.8 The state of Minnesota, to all persons, companies, or corporations who have or claim
39.9 any estate, right, title, or interest in, claim to, or lien upon, any of the several parcels of
39.10 land described in the list hereto attached:

39.11 The list of taxes and penalties on real property for the county of
39.12 remaining delinquent on the first Monday in January,, has been filed in the office of
39.13 the court administrator of the district court of said county, of which that hereto attached is a
39.14 copy. Therefore, you, and each of you, are hereby required to file in the office of said court
39.15 administrator, on or before the 20th day after the publication of this notice and list, your
39.16 answer, in writing, setting forth any objection or defense you may have to the taxes, or any
39.17 part thereof, upon any parcel of land described in the list, in, to, or on which you have or
39.18 claim any estate, right, title, interest, claim, or lien, and, in default thereof, judgment will
39.19 be entered against such parcel of land for the taxes on such list appearing against it, and
39.20 for all penalties, interest, and costs. Based upon said judgment, the land shall be sold to
39.21 the state of Minnesota on the second Monday in May, ~~The period of redemption for~~
39.22 ~~all lands sold to the state at a tax judgment sale shall be three years from the date of sale to~~
39.23 ~~the state of Minnesota if the land is within an incorporated area unless it is:~~

39.24 ~~(a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22;~~

39.25 ~~(b) homesteaded agricultural land as defined in section 273.13, subdivision 23,~~
39.26 ~~paragraph (a);~~

39.27 ~~(c) seasonal residential recreational land as defined in section 273.13, subdivisions~~
39.28 ~~22, paragraph (c), and 25, paragraph (d), clause (1), in which event the period of~~
39.29 ~~redemption is five years from the date of sale to the state of Minnesota;~~

39.30 ~~(d) abandoned property and pursuant to section 281.173 a court order has been~~
39.31 ~~entered shortening the redemption period to five weeks; or~~

39.32 ~~(e) vacant property as described under section 281.174, subdivision 2, and for which~~
39.33 ~~a court order is entered shortening the redemption period under section 281.174.~~

39.34 ~~The period of redemption for all other lands sold to the state at a tax judgment sale~~
39.35 ~~shall be five years from the date of sale.~~

39.36 Inquiries as to the proceedings set forth above can be made to the county auditor of
39.37 county whose address is

40.1 (Signed) ,
 40.2 Court Administrator of the District Court of the
 40.3 County of
 40.4 (Here insert list.)

40.5 The notice must contain a narrative description of the various periods to redeem
 40.6 specified in sections 281.17, 281.173, and 281.174, in the manner prescribed by the
 40.7 commissioner of revenue under subdivision 2.

40.8 The list referred to in the notice shall be substantially in the following form:

40.9 List of real property for the county of, on which taxes remain
 40.10 delinquent on the first Monday in January,

40.11 Town of (Fairfield),
 40.12 Township (40), Range (20),

40.13 Names (and Current
 40.14 Filed Addresses) for
 40.15 the Taxpayers and Fee
 40.16 Owners and in Addition
 40.17 Those Parties Who Have
 40.18 Filed Their Addresses

40.19 Pursuant to section	Subdivision of		Tax Parcel	Total Tax
40.20 276.041	Section	Section	Number	and Penalty
				\$ cts.

40.22 John Jones (825 Fremont 40.23 Fairfield, MN 55000)	S.E. 1/4 of S.W. 1/4	10	23101	2.20
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40.24 Bruce Smith (2059 Hand 40.25 Fairfield, MN 55000) 40.26 and Fairfield State 40.27 Bank (100 Main Street 40.28 Fairfield, MN 55000)	That part of N.E. 1/4 of S.W. 1/4 desc. as follows: Beg. at the S.E. corner of said N.E. 1/4 of S.W. 1/4; thence N. along the E. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence W. parallel with the S. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence S. parallel with said E. line a distance of 600 ft. to S. line of said N.E. 1/4 of S.W. 1/4; thence E. along said S. line a distance of 600 ft. to the point of beg.	21	33211	3.15
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40.43 As to platted property, the form of heading shall conform to circumstances and be
 40.44 substantially in the following form:

40.45 City of (Smithtown)
 40.46 Brown's Addition, or Subdivision

41.1 41.2 41.3 41.4 41.5 41.6 41.7 41.8	Names (and Current Filed Addresses) for the Taxpayers and Fee Owners and in Addition Those Parties Who Have Filed Their Addresses Pursuant to section 276.041	Lot	Block	Tax Parcel Number	Total Tax and Penalty \$ cts.
41.10 41.11	John Jones (825 Fremont Fairfield, MN 55000)	15	9	58243	2.20
41.12 41.13 41.14 41.15 41.16	Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000)	16	9	58244	3.15

41.17 The names, descriptions, and figures employed in parentheses in the above forms are
41.18 merely for purposes of illustration.

41.19 The name of the town, township, range or city, and addition or subdivision, as the
41.20 case may be, shall be repeated at the head of each column of the printed lists as brought
41.21 forward from the preceding column.

41.22 Errors in the list shall not be deemed to be a material defect to affect the validity
41.23 of the judgment and sale.

41.24 **EFFECTIVE DATE.** This section is effective for lists and notices required after
41.25 December 31, 2012.

41.26 Sec. 12. Minnesota Statutes 2010, section 290A.25, is amended to read:

41.27 **290A.25 VERIFICATION OF SOCIAL SECURITY NUMBERS.**

41.28 Annually, the commissioner of revenue shall furnish a list to the county assessor
41.29 containing the names and Social Security numbers of persons who have applied for both
41.30 homestead classification under section 273.13 and a property tax refund as a renter
41.31 under this chapter.

41.32 Within 90 days of the notification, the county assessor shall investigate to determine
41.33 if the homestead classification was improperly claimed. If the property owner does
41.34 not qualify, the county assessor shall notify the county auditor who will determine the
41.35 amount of homestead benefits that has been improperly allowed. For the purpose of this
41.36 section, "homestead benefits" has the meaning given in section 273.124, subdivision
41.37 ~~13, paragraph (h)~~ 13b. The county auditor shall send a notice to persons who owned the
41.38 affected property at the time the homestead application related to the improper homestead
41.39 was filed, demanding reimbursement of the homestead benefits plus a penalty equal to

42.1 100 percent of the homestead benefits. The person notified may appeal the county's
 42.2 determination with the Minnesota Tax Court within 60 days of the date of the notice from
 42.3 the county as provided in section 273.124, subdivision 13, ~~paragraph (h)~~ 13b.

42.4 If the amount of homestead benefits and penalty is not paid within 60 days, and if
 42.5 no appeal has been filed, the county auditor shall certify the amount of taxes and penalty
 42.6 to the county treasurer. The county treasurer will add interest to the unpaid homestead
 42.7 benefits and penalty amounts at the rate provided for delinquent personal property taxes
 42.8 for the period beginning 60 days after demand for payment was made until payment. If
 42.9 the person notified is the current owner of the property, the treasurer may add the total
 42.10 amount of benefits, penalty, interest, and costs to the real estate taxes otherwise payable on
 42.11 the property in the following year. If the person notified is not the current owner of the
 42.12 property, the treasurer may collect the amounts due under the Revenue Recapture Act in
 42.13 chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without
 42.14 exclusion, to enforce payment of the benefits, penalty, interest, and costs, as if those
 42.15 amounts were delinquent tax obligations of the person who owned the property at the time
 42.16 the application related to the improperly allowed homestead was filed. The treasurer may
 42.17 relieve a prior owner of personal liability for the benefits, penalty, interest, and costs, and
 42.18 instead extend those amounts on the tax lists against the property for taxes payable in the
 42.19 following year to the extent that the current owner agrees in writing.

42.20 Any amount of homestead benefits recovered by the county from the property owner
 42.21 shall be distributed to the county, city or town, and school district where the property is
 42.22 located in the same proportion that each taxing district's levy was to the total of the three
 42.23 taxing districts' levy for the current year. Any amount recovered attributable to taconite
 42.24 homestead credit shall be transmitted to the St. Louis County auditor to be deposited in
 42.25 the taconite property tax relief account. Any amount recovered that is attributable to
 42.26 supplemental homestead credit is to be transmitted to the commissioner of revenue for
 42.27 deposit in the general fund of the state treasury. The total amount of penalty collected
 42.28 must be deposited in the county general fund.

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

42.30 Sec. 13. Minnesota Statutes 2010, section 290B.04, subdivision 2, is amended to read:

42.31 Subd. 2. **Approval; recording.** The commissioner shall approve all initial
 42.32 applications that qualify under this chapter and shall notify qualifying homeowners on or
 42.33 before December 1. The commissioner may investigate the facts or require confirmation
 42.34 in regard to an application. The commissioner shall record or file a notice of qualification
 42.35 for deferral, including the names of the qualifying homeowners and a legal description

43.1 of the property, in the office of the county recorder, or registrar of titles, whichever is
 43.2 applicable, in the county where the qualifying property is located. The notice must state
 43.3 that it serves as a notice of lien and that it includes deferrals under this section for future
 43.4 years. The commissioner shall prescribe the form of the notice. Execution of the notice
 43.5 by the original or facsimile signature of the commissioner or a delegate entitles them to
 43.6 be recorded, and no other attestation, certification, or acknowledgment is necessary. The
 43.7 homeowner shall pay the recording or filing fees for the notice, which, notwithstanding
 43.8 section 357.18, shall be paid by the homeowner at the time of satisfaction of the lien.

43.9 **EFFECTIVE DATE.** This section is effective for notices that are both executed
 43.10 and recorded after June 30, 2012.

43.11 Sec. 14. Minnesota Statutes 2011 Supplement, section 373.01, subdivision 1, is
 43.12 amended to read:

43.13 Subdivision 1. **Public corporation; listed powers.** (a) Each county is a body politic
 43.14 and corporate and may:

43.15 (1) Sue and be sued.

43.16 (2) Acquire and hold real and personal property for the use of the county, and lands
 43.17 sold for taxes as provided by law.

43.18 (3) Purchase and hold for the benefit of the county real estate sold by virtue of
 43.19 judicial proceedings, to which the county is a party.

43.20 (4) Sell, lease, and convey real or personal estate owned by the county, and give
 43.21 contracts or options to sell, lease, or convey it, and make orders respecting it as deemed
 43.22 conducive to the interests of the county's inhabitants.

43.23 (5) Make all contracts and do all other acts in relation to the property and concerns
 43.24 of the county necessary to the exercise of its corporate powers.

43.25 (b) No sale, lease, or conveyance of real estate owned by the county, except the lease
 43.26 of a residence acquired for the furtherance of an approved capital improvement project, nor
 43.27 any contract or option for it, shall be valid, without first advertising for bids or proposals in
 43.28 the official newspaper of the county for three consecutive weeks and once in a newspaper
 43.29 of general circulation in the area where the property is located. The notice shall state the
 43.30 time and place of considering the proposals, contain a legal description of any real estate,
 43.31 and a brief description of any personal property. Leases that do not exceed \$15,000 for any
 43.32 one year may be negotiated and are not subject to the competitive bid procedures of this
 43.33 section. All proposals estimated to exceed \$15,000 in any one year shall be considered at
 43.34 the time set for the bid opening, and the one most favorable to the county accepted, but the
 43.35 county board may, in the interest of the county, reject any or all proposals.

44.1 (c) Sales of personal property the value of which is estimated to be \$15,000 or
44.2 more shall be made only after advertising for bids or proposals in the county's official
44.3 newspaper, on the county's Web site, or in a recognized industry trade journal. At the same
44.4 time it posts on its Web site or publishes in a trade journal, the county must publish in the
44.5 official newspaper, either as part of the minutes of a regular meeting of the county board
44.6 or in a separate notice, a summary of all requests for bids or proposals that the county
44.7 advertises on its Web site or in a trade journal. After publication in the official newspaper,
44.8 on the Web site, or in a trade journal, bids or proposals may be solicited and accepted by
44.9 the electronic selling process authorized in section 471.345, subdivision 17. Sales of
44.10 personal property the value of which is estimated to be less than \$15,000 may be made
44.11 either on competitive bids or in the open market, in the discretion of the county board.
44.12 "Web site" means a specific, addressable location provided on a server connected to the
44.13 Internet and hosting World Wide Web pages and other files that are generally accessible
44.14 on the Internet all or most of a day.

44.15 (d) Notwithstanding anything to the contrary herein, the county may, when acquiring
44.16 real property for county highway right-of-way, exchange parcels of real property of
44.17 substantially similar or equal value without advertising for bids. The estimated values for
44.18 these parcels shall be determined by the county assessor.

44.19 (e) Notwithstanding anything in this section to the contrary, the county may, when
44.20 acquiring real property for purposes other than county highway right-of-way, exchange
44.21 parcels of real property of substantially similar or equal value without advertising for bids.
44.22 The estimated values for these parcels must be determined by the county assessor or a
44.23 private appraisal performed by a licensed Minnesota real estate appraiser. For the purpose
44.24 of making these estimates, the county assessor need not be licensed under chapter 82B.
44.25 Before giving final approval to any exchange of land, the county board shall hold a public
44.26 hearing on the exchange. At least two weeks before the hearing, the county auditor shall
44.27 post a notice in the auditor's office and the official newspaper of the county of the hearing
44.28 that contains a description of the lands affected.

44.29 (f) If real estate or personal property remains unsold after advertising for and
44.30 consideration of bids or proposals the county may employ a broker to sell the property.
44.31 The broker may sell the property for not less than 90 percent of its appraised market value
44.32 as determined by the county. The broker's fee shall be set by agreement with the county but
44.33 may not exceed ten percent of the sale price and must be paid from the proceeds of the sale.

44.34 (g) A county or its agent may rent a county-owned residence acquired for the
44.35 furtherance of an approved capital improvement project subject to the conditions set

45.1 by the county board and not subject to the conditions for lease otherwise provided by
 45.2 paragraph (a), clause (4), and paragraphs (b), (c), (d), (f), and (h).

45.3 (h) In no case shall lands be disposed of without there being reserved to the county
 45.4 all iron ore and other valuable minerals in and upon the lands, with right to explore for,
 45.5 mine and remove the iron ore and other valuable minerals, nor shall the minerals and
 45.6 mineral rights be disposed of, either before or after disposition of the surface rights,
 45.7 otherwise than by mining lease, in similar general form to that provided by section 93.20
 45.8 for mining leases affecting state lands. The lease shall be for a term not exceeding 50
 45.9 years, and be issued on a royalty basis, the royalty to be not less than 25 cents per ton of
 45.10 2,240 pounds, and fix a minimum amount of royalty payable during each year, whether
 45.11 mineral is removed or not. Prospecting options for mining leases may be granted for
 45.12 periods not exceeding one year. The options shall require, among other things, periodical
 45.13 showings to the county board of the results of exploration work done.

45.14 (i) Notwithstanding anything in this subdivision to the contrary, the county may,
 45.15 when selling real property owned in fee simple that cannot be improved because of
 45.16 noncompliance with local ordinances regarding minimum area, shape, frontage, or access,
 45.17 proceed to sell the nonconforming parcel without advertising for bid. At the county's
 45.18 discretion, the real property may be restricted to sale to adjoining landowners or may be
 45.19 sold to any other interested party. The property shall be sold to the highest bidder, but
 45.20 in no case shall the property be sold for less than 90 percent of its fair market value as
 45.21 determined by the county assessor. All owners of land adjoining the land to be sold shall
 45.22 be given a written notice at least 30 days before the sale. This paragraph shall be liberally
 45.23 construed to encourage the sale of nonconforming real property and promote its return to
 45.24 the tax roles.

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

45.26 Sec. 15. **REPEALER.**

45.27 (a) Minnesota Statutes 2010, section 272.69, is repealed.

45.28 (b) Minnesota Statutes 2010, section 273.11, subdivision 22, is repealed.

45.29 **EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.

45.30 Paragraph (b) is effective for taxes payable in 2013 and thereafter.

ARTICLE 4

SALES AND USE TAXES; SPECIAL TAXES

Section 1. Minnesota Statutes 2010, section 287.20, is amended by adding a subdivision to read:

Subd. 11. **Partition.** "Partition" means the division by conveyance of real property that is held jointly or in common by two or more persons into individually owned interests. If one of the co-owners gives consideration for all or a part of the individually owned interest conveyed to them, that portion of the conveyance is not a part of the partition.

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

Sec. 2. Minnesota Statutes 2010, section 2971.05, subdivision 11, is amended to read:

Subd. 11. **Retaliatory provisions.** (a) If any other state or country imposes any taxes, fines, deposits, penalties, licenses, or fees upon any insurance companies of this state and their agents doing business in another state or country that are in addition to or in excess of those imposed by the laws of this state upon foreign insurance companies and their agents doing business in this state, the same taxes, fines, deposits, penalties, licenses, and fees are imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in this state.

(b) If any conditions precedent to the right to do business in any other state or country are imposed by the laws of that state or country, beyond those imposed upon foreign companies by the laws of this state, the same conditions precedent are imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in that state.

(c) For purposes of this subdivision, "taxes, fines, deposits, penalties, licenses, or fees" means an amount of money that is deposited in the general revenue fund of the state or other similar fund in another state or country and is not dedicated to a special purpose or use or money deposited in the general revenue fund of the state or other similar fund in another state or country and appropriated to the commissioner of commerce or insurance for the operation of the Department of Commerce or other similar agency with jurisdiction over insurance. Taxes, fines, deposits, penalties, licenses, or fees do not include:

(1) special purpose obligations or assessments imposed in connection with particular kinds of insurance, including but not limited to assessments imposed in connection with residual market mechanisms; or

(2) assessments made by the insurance guaranty association, life and health guarantee association, or similar association.

47.1 (d) This subdivision applies to taxes imposed under subdivisions 1~~2~~, 3~~2~~, 4~~5~~, 6~~and~~, and 12,
47.2 paragraph (a), clauses (1) and (2); and 14.

47.3 (e) This subdivision does not apply to insurance companies organized or domiciled
47.4 in a state or country, the laws of which do not impose retaliatory taxes, fines, deposits,
47.5 penalties, licenses, or fees or which grant, on a reciprocal basis, exemptions from
47.6 retaliatory taxes, fines, deposits, penalties, licenses, or fees to insurance companies
47.7 domiciled in this state.

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

47.9 Sec. 3. Laws 2011, First Special Session chapter 7, article 10, section 7, is amended to
47.10 read:

47.11 Sec. 7. **PURPOSE STATEMENTS; TAX EXPENDITURES.**

47.12 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under
47.13 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax
47.14 expenditure provide a purpose for the tax expenditure and a standard or goal against
47.15 which its effectiveness may be measured.

47.16 Subd. 2. **Estate tax exclusion for qualified farm and small business property.**
47.17 The provisions of article 1, sections 3 through 8, providing an estate tax subtraction of
47.18 the combined value of qualified farm property and qualified small business property up
47.19 to \$4,000,000 from the federal adjusted taxable estate, are intended to provide estate tax
47.20 reductions to owner-operators of family farms and small businesses to allow retention and
47.21 continued operation of those farms and businesses by the families.

47.22 Subd. 3. **Federal update.** The provisions of article 2, conforming Minnesota
47.23 individual income, corporate franchise, and estate taxes to changes in federal law, are
47.24 intended to simplify compliance with and administration of those taxes.

47.25 Subd. 4. **Sales tax exemption for ring tones.** The provisions of article 3, section 1,
47.26 exempting ring tones from sales taxation are intended (1) to bring the state of Minnesota
47.27 into compliance with the requirements of the streamlined sales tax agreement and (2) to
47.28 simplify the tax and to make compliance with the sales tax by remote sellers easier to
47.29 encourage congress to enact federal legislation allowing state and local governments to
47.30 require remote sellers to collect use tax on behalf of the state and its local governments.

47.31 Subd. 5. **Materials used in minerals processing equipment.** The provisions of
47.32 article 3, section 6, extending the sales tax exemption for certain ~~equipment~~ milling and
47.33 grinding materials used in processing ~~of~~ minerals is intended to provide sales tax treatment
47.34 for the nonferrous mining industry equivalent to that provided to the taconite mining

48.1 industry. Because these purchases are intermediate inputs to production, the legislature
48.2 does not consider this allowance to be a tax expenditure.

48.3 Subd. 6. **Sales tax exemption for on resold admission tickets.** The provisions
48.4 of article 3, section 8, ~~providing an exemption for resold admission tickets by~~ allowing
48.5 resale ticket sellers (ticket resellers) to claim a refund or provide a credit to the purchaser
48.6 of resold tickets for the value of sales tax paid on the original ticket, is intended to reduce
48.7 the competitive advantage of ticket resellers that do not have nexus in Minnesota ~~requiring~~
48.8 ~~them to collect Minnesota sales tax and to ensure~~ while ensuring that resold the overall
48.9 sales tax remitted on admission tickets that are subject to sold to individuals or ticket
48.10 resellers, and then finally resold by ticket resellers, equals or exceeds sales tax only on the
48.11 ~~full, sales price on the final retail price sale~~ of the tickets. As a result, the legislature does
48.12 not consider this to be a tax expenditure.

48.13 Subd. 7. **Sales tax exemption for sales to townships.** The provisions of article 3,
48.14 sections 10 and 11, exempting goods and services purchased by townships, is intended
48.15 to provide state assistance for the functions of Minnesota townships not exempted under
48.16 current law.

48.17 Subd. 8. **Sales tax exemption; water purchases.** The provisions of article 3,
48.18 section 11, exempting water purchases by fire departments, fire protection districts, and
48.19 fire companies is intended to provide state assistance for this public safety function
48.20 of Minnesota local governments.

48.21 Subd. 9. **Emergency vehicles.** The provisions of article 3, section 12, extending
48.22 the sales tax exemption for lease of ambulances to other emergency vehicles are intended
48.23 to clarify the exemption and to provide consistent treatment of emergency vehicles. The
48.24 underlying purpose of the exemption is to provide state assistance to local governments
48.25 and other organizations that provide emergency response services.

48.26 **EFFECTIVE DATE.** This section is effective retroactively from July 21, 2011.

48.27 **ARTICLE 5**

48.28 **MINERALS**

48.29 Section 1. Minnesota Statutes 2011 Supplement, section 272.02, subdivision 97,
48.30 is amended to read:

48.31 Subd. 97. **Property used in business of mining subject to net proceeds tax.** The
48.32 following property used in the business of mining that is subject to the net proceeds tax
48.33 under section 298.015 is exempt:

48.34 (1) deposits of ores, metals, and minerals and the lands in which they are contained;

49.1 (2) all real and personal property used in mining, quarrying, producing, or refining
 49.2 ores, minerals, or metals, including lands occupied by or used in connection with the
 49.3 mining, quarrying, production, or ore refining facilities; and

49.4 (3) concentrate ~~or direct reduced ore.~~

49.5 This exemption applies for each year that a person subject to tax under section
 49.6 298.015 uses the property for mining, quarrying, producing, or refining ores, metals, or
 49.7 minerals.

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

49.9 Sec. 2. Minnesota Statutes 2011 Supplement, section 298.01, subdivision 3, is
 49.10 amended to read:

49.11 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of
 49.12 mining, refining, or producing ores, metals, or minerals in this state, except iron ore or
 49.13 taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided
 49.14 in this subdivision. For purposes of this subdivision, mining includes the application of
 49.15 hydrometallurgical processes. Hydrometallurgical processes are processes that extract
 49.16 the ores, metals, or minerals, by use of aqueous solutions that leach, concentrate, and
 49.17 recover the ore, metal, or mineral. The tax is determined in the same manner as the tax
 49.18 imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17,
 49.19 subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must
 49.20 be computed by applying to taxable income the rate of 2.45 percent. A person subject
 49.21 to occupation tax under this section shall apportion its net income on the basis of the
 49.22 percentage obtained by taking the sum of:

49.23 (1) 75 percent of the percentage which the sales made within this state in connection
 49.24 with the trade or business during the tax period are of the total sales wherever made in
 49.25 connection with the trade or business during the tax period;

49.26 (2) 12.5 percent of the percentage which the total tangible property used by the
 49.27 taxpayer in this state in connection with the trade or business during the tax period is of
 49.28 the total tangible property, wherever located, used by the taxpayer in connection with the
 49.29 trade or business during the tax period; and

49.30 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred
 49.31 in this state or paid in respect to labor performed in this state in connection with the trade
 49.32 or business during the tax period are of the taxpayer's total payrolls paid or incurred in
 49.33 connection with the trade or business during the tax period.

49.34 The tax is in addition to all other taxes.

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

50.2 Sec. 3. Minnesota Statutes 2010, section 298.018, subdivision 2, is amended to read:

50.3 Subd. 2. **Outside taconite assistance area.** The proceeds of the tax paid under
 50.4 sections 298.015 to 298.017 on ores, metals, or minerals ~~and energy resources~~ mined
 50.5 or extracted outside of the taconite assistance area defined in section 273.1341, shall
 50.6 be deposited in the general fund.

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

50.8 **ARTICLE 6**

50.9 **MISCELLANEOUS**

50.10 Section 1. Minnesota Statutes 2010, section 16A.46, is amended to read:

50.11 **16A.46 LOST OR DESTROYED WARRANT DUPLICATE; INDEMNITY.**

50.12 Subdivision 1. **Duplicate warrant.** The commissioner may issue a duplicate
 50.13 of an unpaid warrant to an owner if the owner certifies that the original was lost or
 50.14 destroyed. The commissioner may require certification be documented by affidavit.
 50.15 The commissioner may refuse to issue a duplicate of an unpaid state warrant. If the
 50.16 commissioner acts in good faith the commissioner is not liable, whether the application is
 50.17 granted or denied.

50.18 Subd. 2. **Original warrant is void.** When the duplicate is issued, the original is
 50.19 void. The commissioner may require an indemnity bond from the applicant to the state for
 50.20 double the amount of the warrant for anyone damaged by the issuance of the duplicate.
 50.21 The commissioner ~~may refuse to issue a duplicate of an unpaid state warrant. If the~~
 50.22 ~~commissioner acts in good faith the commissioner is not liable, whether the application is~~
 50.23 ~~granted or denied~~ is not liable to any holder who took the void original warrant for value,
 50.24 whether the commissioner required an indemnity bond from the applicant or not.

50.25 Subd. 3. **Unpaid refund or rebate.** For an unpaid refund or rebate issued under a
 50.26 tax law administered by the commissioner of revenue that has been lost or destroyed, an
 50.27 affidavit is not required for the commissioner to issue a duplicate if the duplicate is issued
 50.28 to the same name and Social Security number as the original warrant and that information
 50.29 is verified on a tax return filed by the recipient.

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

50.31 Sec. 2. Minnesota Statutes 2010, section 270C.42, subdivision 2, is amended to read:

51.1 Subd. 2. **Penalty for failure to pay electronically.** In addition to other applicable
 51.2 penalties imposed by law, after notification from the commissioner to the taxpayer that
 51.3 payments for a tax payable to the commissioner are required to be made by electronic
 51.4 means, and the payments are remitted by some other means, there is a penalty in the
 51.5 amount of five percent of each payment that should have been remitted electronically.
 51.6 After the commissioner's initial notification to the taxpayer that payments are required to
 51.7 be made by electronic means, the commissioner is not required to notify the taxpayer in
 51.8 subsequent periods if the initial notification specified the amount of tax liability at which a
 51.9 taxpayer is required to remit payments by electronic means. The penalty can be abated
 51.10 under the abatement procedures prescribed in section 270C.34 if the failure to remit the
 51.11 payment electronically is due to reasonable cause. The penalty bears interest at the rate
 51.12 specified in section 270C.40 from the ~~due date of the payment of the tax~~ provided in
 51.13 section 270C.40, subdivision 3, to the date of payment of the penalty.

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

51.15 Sec. 3. Minnesota Statutes 2010, section 287.385, subdivision 7, is amended to read:

51.16 Subd. 7. **Interest on penalties.** A penalty imposed under this chapter bears interest
 51.17 from the date ~~payment was required to be paid, including any extensions,~~ provided in
 51.18 section 270C.40, subdivision 3, to the date of payment of the penalty.

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

51.20 Sec. 4. Minnesota Statutes 2010, section 289A.55, subdivision 9, is amended to read:

51.21 Subd. 9. **Interest on penalties.** (a) A penalty imposed under section 289A.60,
 51.22 subdivision 1, 2, 2a, 4, 5, 6, or 21 bears interest from the date ~~the return or payment~~
 51.23 ~~was required to be filed or paid, including any extensions~~ provided in section 270C.40,
 51.24 subdivision 3, to the date of payment of the penalty.

51.25 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within
 51.26 60 days from the date of notice. In that case interest is imposed from the date of notice
 51.27 to the date of payment.

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

51.29 Sec. 5. Minnesota Statutes 2010, section 289A.60, subdivision 4, is amended to read:

51.30 Subd. 4. **Substantial understatement of liability; penalty.** (a) The commissioner
 51.31 of revenue shall impose a penalty for substantial understatement of any tax payable to the
 51.32 commissioner, except a tax imposed under chapter 297A.

52.1 (b) There must be added to the tax an amount equal to 20 percent of the amount of any
52.2 underpayment attributable to the understatement. There is a substantial understatement of
52.3 tax for the period if the amount of the understatement for the period exceeds the greater of:

52.4 (1) ten percent of the tax required to be shown on the return for the period; or

52.5 (2)(i) \$10,000 in the case of a mining company or a corporation, other than an S
52.6 corporation as defined in section 290.9725, when the tax is imposed by chapter 290 or
52.7 section 298.01 or 298.015, or

52.8 (ii) \$5,000 in the case of any other taxpayer, and in the case of a mining company or
52.9 a corporation any tax not imposed by chapter 290 or section 298.01 or 298.015.

52.10 (c) For a corporation, other than an S corporation, there is also a substantial
52.11 understatement of tax for any taxable year if the amount of the understatement for the
52.12 taxable year exceeds the lesser of:

52.13 (1) ten percent of the tax required to be shown on the return for the taxable year
52.14 (or, if greater, \$10,000); or

52.15 (2) \$10,000,000.

52.16 (d) The term "understatement" means the excess of the amount of the tax required
52.17 to be shown on the return for the period, over the amount of the tax imposed that is
52.18 shown on the return. The excess must be determined without regard to items to which
52.19 subdivision 27 applies. The amount of the understatement shall be reduced by that part of
52.20 the understatement that is attributable to the tax treatment of any item by the taxpayer if
52.21 (1) there is or was substantial authority for the treatment, or (2)(i) any item with respect to
52.22 which the relevant facts affecting the item's tax treatment are adequately disclosed in the
52.23 return or in a statement attached to the return and (ii) there is a reasonable basis for the tax
52.24 treatment of the item. The exception for substantial authority under clause (1) does not
52.25 apply to positions listed by the Secretary of the Treasury under section 6662(d)(3) of the
52.26 Internal Revenue Code. A corporation does not have a reasonable basis for its tax treatment
52.27 of an item attributable to a multiple-party financing transaction if the treatment does not
52.28 clearly reflect the income of the corporation within the meaning of section 6662(d)(2)(B)
52.29 of the Internal Revenue Code. The special rules in cases involving tax shelters provided in
52.30 section 6662(d)(2)(C) of the Internal Revenue Code shall apply and shall apply to a tax
52.31 shelter the principal purpose of which is the avoidance or evasion of state taxes.

52.32 (e) The commissioner may abate all or any part of the addition to the tax provided
52.33 by this section on a showing by the taxpayer that there was reasonable cause for the
52.34 understatement, or part of it, and that the taxpayer acted in good faith. The additional tax
52.35 and penalty shall bear interest ~~at the rate as specified in section 270C.40 from the time~~
52.36 ~~the tax should have been paid~~ until paid.

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

53.2 Sec. 6. Minnesota Statutes 2010, section 296A.22, is amended to read:

53.3 **296A.22 NONPAYMENT OF TAX; CIVIL PENALTIES.**

53.4 Subdivision 1. **Penalty for failure to pay tax, general rule.** Upon the failure of
53.5 any person to pay any tax or fee when due, a penalty of one percent per day for the first
53.6 ten days of delinquency shall accrue, and thereafter the tax, fees, and penalty shall bear
53.7 interest at the rate specified in section 270C.40 until paid.

53.8 Subd. 2. **Collection authority.** Upon such a failure to pay any tax or fees within the
53.9 time provided by this chapter, all taxes and fees imposed by this chapter shall become
53.10 immediately due and payable, and may be collected as provided in chapter 270C.

53.11 Subd. 3. **Operating without license.** If any person operates as a distributor, special
53.12 fuel dealer, bulk purchaser, or motor carrier without first securing the license required
53.13 under this chapter, any tax or fee imposed by this chapter shall become immediately due
53.14 and payable. A penalty of 25 percent is imposed upon the tax and fee due. The tax, and
53.15 ~~fees, and penalty~~ shall bear interest at the rate specified in section 270C.40. The penalty
53.16 imposed in this subdivision shall bear interest from the date provided in section 270C.40,
53.17 subdivision 3, to the date of payment of the penalty.

53.18 Subd. 4. **Unlawful use of dyed fuel.** (a) If any dyed fuel is sold or held for sale by a
53.19 person for any use which the person knows or has reason to know is not a nontaxable use
53.20 of the fuel; or if any dyed fuel is held for use or used in a licensed motor vehicle or for any
53.21 other use by a person for a use other than a nontaxable use and the person knew, or had
53.22 reason to know, that the fuel was so dyed; or if a person willfully alters, or attempts to
53.23 alter, the strength or composition of any dye or marking in any dyed fuel, then the person
53.24 shall pay a penalty in addition to the tax, if any.

53.25 (b) Except as provided in paragraph (c), the amount of penalty under paragraph (a)
53.26 for each act is the greater of \$1,000, or \$10 for each gallon of dyed fuel involved.

53.27 (c) With regard to a multiple violation under paragraph (a), the penalty shall be
53.28 applied by increasing the amount in paragraph (b) by the product of (1) such amount, and
53.29 (2) the number of prior penalties, if any, imposed by this section on the person, or a related
53.30 person, or any predecessor of the person or related person.

53.31 (d) If a penalty is imposed under this subdivision on a business entity, each officer,
53.32 employee, or agent of the entity who willfully participated in any act giving rise to the
53.33 penalty is jointly and severally liable with the entity for the penalty.

53.34 Subd. 5. **Receiver appointed.** In the event a suit is instituted as provided in
53.35 subdivision 2, the court shall, upon application, appoint a receiver of the property and

54.1 business of the delinquent defendant for the purpose of impounding the same as security
54.2 for any judgment which has been or may be recovered.

54.3 Subd. 6. **Sale prohibited under certain conditions.** No petroleum product shall
54.4 be unloaded or sold by any person or distributor whose tax and fees are the basis for
54.5 collection action under subdivision 2.

54.6 Subd. 7. **Payment of penalties.** The penalties imposed by this section are collected
54.7 and paid in the same manner as taxes.

54.8 Subd. 8. **Penalties are additional.** The civil penalties imposed by this section are in
54.9 addition to the criminal penalties imposed by this chapter.

54.10 Subd. 9. **Abatement of penalty.** (a) The commissioner may by written order
54.11 abate any penalty imposed under this section, if in the commissioner's opinion there is
54.12 reasonable cause to do so.

54.13 (b) A request for abatement of penalty must be filed with the commissioner within
54.14 60 days of the date the notice stating that a penalty has been imposed was mailed to
54.15 the taxpayer's last known address.

54.16 (c) If the commissioner issues an order denying a request for abatement of penalty,
54.17 the taxpayer may file an administrative appeal as provided in section 270C.35 or appeal to
54.18 Tax Court as provided in section 271.06. If the commissioner does not issue an order on
54.19 the abatement request within 60 days from the date the request is received, the taxpayer
54.20 may appeal to Tax Court as provided in section 271.06.

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

54.22 Sec. 7. Minnesota Statutes 2010, section 297E.14, subdivision 7, is amended to read:

54.23 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297E.12,
54.24 subdivision 1, 2, 3, 4, or 5, bears interest from the date ~~the return or payment was required~~
54.25 ~~to be filed or paid, including any extensions provided in section 270C.40, subdivision 3,~~ to
54.26 the date of payment of the penalty.

54.27 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within
54.28 ten days from the date of notice. In that case interest is imposed from the date of notice
54.29 to the date of payment.

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

54.31 Sec. 8. Minnesota Statutes 2010, section 297F.09, subdivision 9, is amended to read:

54.32 Subd. 9. **Interest.** The amount of tax not timely paid, ~~together with any penalty~~
54.33 ~~imposed in this section,~~ bears interest at the rate specified in section 270C.40 from the

55.1 time such tax should have been paid until paid. The penalty imposed in this section bears
55.2 interest from the date provided in section 270C.40, subdivision 3, to the date of payment
55.3 of the penalty. Any interest and penalty is added to the tax and collected as a part of it.

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

55.5 Sec. 9. Minnesota Statutes 2010, section 297F.18, subdivision 7, is amended to read:

55.6 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297F.19,
55.7 subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be~~
55.8 ~~filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the
55.9 date of payment of the penalty.

55.10 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within
55.11 ten days from the date of the notice. In that case interest is imposed from the date of notice
55.12 to the date of payment.

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

55.14 Sec. 10. Minnesota Statutes 2010, section 297G.09, subdivision 8, is amended to read:

55.15 Subd. 8. **Interest.** The amount of tax not timely paid, ~~together with any penalty~~
55.16 ~~imposed by this chapter,~~ bears interest at the rate specified in section 270C.40 from the
55.17 time the tax should have been paid until paid. Any penalty imposed by this chapter bears
55.18 interest from the date provided in section 270C.40, subdivision 3, to the date of payment
55.19 of the penalty. Any interest and penalty is added to the tax and collected as a part of it.

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

55.21 Sec. 11. Minnesota Statutes 2010, section 297G.17, subdivision 7, is amended to read:

55.22 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297G.18,
55.23 subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be~~
55.24 ~~filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the
55.25 date of payment of the penalty.

55.26 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within
55.27 ten days from the date of the notice. In that case interest is imposed from the date of notice
55.28 to the date of payment.

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

55.30 Sec. 12. Minnesota Statutes 2010, section 297I.80, subdivision 1, is amended to read:

56.1 Subdivision 1. **Payable to commissioner.** (a) When interest is required under this
56.2 section, interest is computed at the rate specified in section 270C.40.

56.3 (b) If a tax or surcharge is not paid within the time named by law for payment, the
56.4 unpaid tax or surcharge bears interest from the date the tax or surcharge should have been
56.5 paid until the date the tax or surcharge is paid.

56.6 (c) Whenever a taxpayer is liable for additional tax or surcharge because of a
56.7 redetermination by the commissioner or other reason, the additional tax or surcharge
56.8 bears interest from the time the tax or surcharge should have been paid until the date the
56.9 tax or surcharge is paid.

56.10 (d) A penalty bears interest from the date ~~the return or payment was required to be~~
56.11 ~~filed or paid~~ provided in section 270C.40, subdivision 3, to the date of payment of the
56.12 penalty.

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

APPENDIX
Article locations in 12-3790

ARTICLE 1	INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES	Page.Ln 1.24
ARTICLE 2	ESTATE TAXES	Page.Ln 22.19
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272.69 LISTING LEASED PERSONAL PROPERTY; PENALTY.

Subdivision 1. **Filing of list with commissioner.** Any person, firm, or corporation engaged in the business of leasing items of tangible personal property which are subject to personal property taxation shall file with the commissioner of revenue not later than February 15 of each year a listing of all items of personal property owned by the lessor and in possession of a lessee under a lease, rental purchase option, or similar type of agreement as of the January 2 immediately preceding. The listing shall be made on forms provided by the commissioner and shall contain a brief description of each item including the serial number, if any, the location thereof, the date of manufacture, and the manufacturer's list selling price. The commissioner may grant an extension of the filing date herein prescribed for good cause shown.

Subd. 2. **List to county assessor.** Upon receipt of the listings required by subdivision 1, the commissioner of revenue shall compile a listing of all property thus located in each county and shall forward a copy of the listing together with other pertinent data to the county assessor of the county in which the property is, or was as of January 2, located in order to aid in the proper listing and assessment thereof.

Subd. 3. **Intent; agreements between lessors and lessees.** It is the intent of this section that leased personal property which is subject to personal property taxation be assessed to and the tax paid by the lessor, notwithstanding any agreement between lessor and lessee to the contrary. Any such agreement may, however, be construed as an agreement by the lessee to indemnify the lessor for the amount of personal property taxes paid. The listing required by this section shall be in lieu of any other property tax listing required by law for property required to be listed.

Subd. 4. **Penalty.** Any person, firm, or corporation, or agent, officer, or employee thereof required by this section to file a listing of personal property who shall willfully fail to file such listing or who shall willfully or knowingly omit therefrom any item or items of personal property required to be listed is guilty of a gross misdemeanor. In addition, items omitted from a listing shall be treated as omitted property subject to the provisions of section 273.02.

273.11 VALUATION OF PROPERTY.

Subd. 22. **Lead hazard market value reduction.** Owners of property classified as class 1a, 1b, 1c, 2a, 4b, 4bb, or 4d under section 273.13 may apply for a lead hazard valuation reduction, provided that the property is located in a city which has authorized valuation reductions under this subdivision. A city that authorizes reductions under this subdivision must establish guidelines for qualifying lead hazard reduction projects and must designate an agency within the city to issue certificates of completion of qualifying projects. For purposes of this subdivision, "lead hazard reduction" has the same meaning as in section 144.9501, subdivision 17.

The property owner must obtain a certificate from the agency stating (1) that the project has been completed and (2) the total cost incurred by the owner, which must be at least \$3,000. Only projects originating after July 1, 2005, and completed before July 1, 2010, qualify for a reduction under this subdivision. The property owner shall apply for the valuation reduction to the assessor on a form prescribed by the assessor accompanied by a copy of the certificate of completion from the agency.

A qualifying property is eligible for a one-year valuation reduction equal to the actual cost incurred, to a maximum of \$20,000. If a property owner applies to the assessor for the valuation reduction under this subdivision between January 1 and June 30 of any year, the reduction applies for taxes payable in the following year. If a property owner applies to the assessor for the valuation reduction under this subdivision between July 1 and December 31, the reduction applies for taxes payable in the second following year. For purposes of subdivision 1a, any additional market value resulting from the lead hazard removal must be considered an increase in value due to new construction.