

SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE **S.F. No. 27**

(SENATE AUTHORS: ORTMAN)

DATE	D-PG	OFFICIAL STATUS
01/13/2011	48	Introduction and first reading Referred to Taxes
03/28/2011	941a 1023	Comm report: To pass as amended Second reading
03/30/2011	1063	HF substituted on General Orders HF42 See HF1219, Art. 11, Sec. 5-6, 16-18 See HF20 (First Special Session)

A bill for an act

1.1 relating to the financing of state and local government; making technical, policy,
1.2 administrative, enforcement, and clarifying changes to taxes on individual
1.3 income, estates, sales and uses, property, minerals, local taxes, aids to local
1.4 governments; reducing and eliminating certain payments and credits; modifying
1.5 property tax refund payments; authorizing grants; modifying the rural preserve
1.6 program; reducing and eliminating the state general levy; modifying various
1.7 taxes and tax-related provisions; providing income tax, estate tax, sales tax,
1.8 and property tax exemptions; authorizing local sales taxes; permitting certain
1.9 appeals; modifying tax increment financing authorities; requiring studies; setting
1.10 the levels of the cash flow account and the budget reserve account; appropriating
1.11 money; amending Minnesota Statutes 2010, sections 97A.061, subdivisions
1.12 1, 3; 270A.03, subdivisions 2, 7; 270A.07, subdivision 1; 270B.12, by adding
1.13 a subdivision; 270C.13, subdivision 1; 272.02, subdivision 39, by adding a
1.14 subdivision; 273.111, by adding a subdivision; 273.114, subdivisions 2, 5, 6;
1.15 273.13, subdivisions 21b, 23, 25, 34; 273.1384, subdivisions 1, 3, 4, by adding
1.16 a subdivision; 273.1393; 273.1398, subdivisions 3, 4; 274.01, subdivision
1.17 1; 275.025, subdivisions 1, 4; 275.08, subdivision 1a; 276.04, subdivision
1.18 2; 289A.50, subdivision 1; 290.01, subdivisions 6, 19b; 290.05, subdivision
1.19 1; 290.0674, subdivision 1; 290.081; 290.091, subdivision 2; 290A.03,
1.20 subdivisions 11, 13; 290A.04, subdivisions 2, 4; 291.005, subdivision 1; 291.03,
1.21 subdivision 1, by adding subdivisions; 297A.67, subdivision 7, by adding
1.22 subdivisions; 297A.68, subdivision 4; 297A.70, subdivisions 1, 2, 3, 8; 297A.75,
1.23 subdivisions 1, 2, 3; 297A.82, subdivision 4; 297A.99, subdivisions 1, 3, by
1.24 adding subdivisions; 298.001, by adding a subdivision; 298.01, subdivisions 3,
1.25 3a; 298.015, subdivisions 1, 2; 298.016, subdivision 4; 298.225, subdivision 1;
1.26 298.24, subdivision 1; 298.28, subdivisions 3, 6, 7, 9, 9b; 469.176, subdivisions
1.27 4c, 4m; 477A.0124, by adding a subdivision; 477A.013, subdivision 9, by
1.28 adding a subdivision; 477A.03; 477A.11, subdivision 1; 477A.12, subdivision
1.29 1; 477A.14, subdivision 1; 477A.17; Laws 1996, chapter 471, article 2, section
1.30 29, subdivision 1, as amended; Laws 1998, chapter 389, article 8, section 43,
1.31 subdivisions 3, as amended, 4, as amended, 5, as amended; Laws 2008, chapter
1.32 366, article 7, section 19, subdivision 3; Laws 2010, chapter 389, article 7, section
1.33 22; proposing coding for new law in Minnesota Statutes, chapters 275; 290;
1.34 repealing Minnesota Statutes 2010, sections 10A.322, subdivision 4; 13.4967,
1.35 subdivision 2; 273.114, subdivision 1; 273.1384, subdivision 6; 273.1398,
1.36 subdivision 4; 275.025; 275.295; 290.06, subdivision 23; 290C.01; 290C.02;
1.37 290C.03; 290C.04; 290C.05; 290C.055; 290C.06; 290C.07; 290C.08; 290C.09;

2.1 290C.10; 290C.11; 290C.12; 290C.13; 298.017; 298.227; 298.28, subdivisions
2.2 8, 9a, 9c, 10; 298.285; 477A.145; Minnesota Rules, part 8130.0500, subpart 2.

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

2.4 **ARTICLE 1**

2.5 **INCOME AND ESTATE TAXES**

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

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

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

2.13 Sec. 2. Minnesota Statutes 2010, section 290.01, subdivision 19b, is amended to read:

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

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

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

2.22 (3) the amount paid to others, less the amount used to claim the credit allowed under
2.23 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten
2.24 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and
2.25 transportation of each qualifying child in attending an elementary or secondary school
2.26 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a
2.27 resident of this state may legally fulfill the state's compulsory attendance laws, which
2.28 is not operated for profit, and which adheres to the provisions of the Civil Rights Act
2.29 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or
2.30 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,
2.31 "textbooks" includes books and other instructional materials and equipment purchased
2.32 or leased for use in elementary and secondary schools in teaching only those subjects
2.33 legally and commonly taught in public elementary and secondary schools in this state.

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

3.1 Equipment expenses qualifying for deduction includes expenses as defined and limited in
3.2 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional
3.3 books and materials used in the teaching of religious tenets, doctrines, or worship, the
3.4 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books
3.5 or materials for, or transportation to, extracurricular activities including sporting events,
3.6 musical or dramatic events, speech activities, driver's education, or similar programs. No
3.7 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or
3.8 the qualifying child's vehicle to provide such transportation for a qualifying child. For
3.9 purposes of the subtraction provided by this clause, "qualifying child" has the meaning
3.10 given in section 32(c)(3) of the Internal Revenue Code;

3.11 (4) income as provided under section 290.0802;

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

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

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

4.2 (10) to the extent included in federal taxable income, the amount of compensation
4.3 paid to members of the Minnesota National Guard or other reserve components of the
4.4 United States military for active service performed in Minnesota, excluding compensation
4.5 for services performed under the Active Guard Reserve (AGR) program. For purposes of
4.6 this clause, "active service" means (i) state active service as defined in section 190.05,
4.7 subdivision 5a, clause (1); (ii) federally funded state active service as defined in section
4.8 190.05, subdivision 5b; or (iii) federal active service as defined in section 190.05,
4.9 subdivision 5c, but "active service" excludes service performed in accordance with section
4.10 190.08, subdivision 3;

4.11 (11) to the extent included in federal taxable income, the amount of compensation
4.12 paid to Minnesota residents who are members of the armed forces of the United States or
4.13 United Nations for active duty performed outside Minnesota under United States Code,
4.14 title 10, section 101(d); United States Code, title 32, section 101(12); or the authority of
4.15 the United Nations;

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

5.4 (15) international economic development zone income as provided under section
5.5 469.325;

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

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

5.15 (18) to the extent included in federal taxable income, a percentage of compensation
5.16 received from a pension or other retirement pay from the federal government for service in
5.17 the military, as computed under United States Code, title 10, sections 1401 to 1414, 1447
5.18 to 1455, and 12733, as follows:

5.19 (i) for taxable years beginning after December 31, 2010, and before January 1,
5.20 2012, the percentage is 20 percent;

5.21 (ii) for taxable years beginning after December 31, 2011, and before January 1,
5.22 2013, the percentage is 35 percent; and

5.23 (iii) for taxable years beginning after December 31, 2012, the percentage is 55
5.24 percent.

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

5.27 Sec. 3. Minnesota Statutes 2010, section 290.0674, subdivision 1, is amended to read:

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

5.32 (1) fees or tuition for instruction by an instructor under section 120A.22, subdivision
5.33 10, clause (1), (2), (3), (4), or (5), or a member of the Minnesota Music Teachers
5.34 Association, and who is not a lineal ancestor or sibling of the dependent for instruction
5.35 outside the regular school day or school year, including tutoring, driver's education

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

6.1 offered as part of school curriculum, regardless of whether it is taken from a public or
6.2 private entity or summer camps, in grade or age appropriate curricula that supplement
6.3 curricula and instruction available during the regular school year, that assists a dependent
6.4 to improve knowledge of core curriculum areas or to expand knowledge and skills under
6.5 the required academic standards under section 120B.021, subdivision 1, and the elective
6.6 standard under section 120B.022, subdivision 1, clause (2), and that do not include the
6.7 teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such
6.8 tenets, doctrines, or worship;

6.9 (2) expenses for textbooks, including books and other instructional materials and
6.10 equipment purchased or leased for use in elementary and secondary schools in teaching
6.11 only those subjects legally and commonly taught in public elementary and secondary
6.12 schools in this state. "Textbooks" does not include instructional books and materials
6.13 used in the teaching of religious tenets, doctrines, or worship, the purpose of which is
6.14 to instill such tenets, doctrines, or worship, nor does it include books or materials for
6.15 extracurricular activities including sporting events, musical or dramatic events, speech
6.16 activities, driver's education, or similar programs;

6.17 (3) a maximum expense of \$200 per family for personal computer hardware,
6.18 excluding single purpose processors, and educational software that assists a dependent to
6.19 improve knowledge of core curriculum areas or to expand knowledge and skills under
6.20 the required academic standards under section 120B.021, subdivision 1, and the elective
6.21 standard under section 120B.022, subdivision 1, clause (2), purchased for use in the
6.22 taxpayer's home and not used in a trade or business regardless of whether the computer is
6.23 required by the dependent's school; and

6.24 (4) the amount paid to others for tuition and transportation of a qualifying child
6.25 attending an elementary or secondary school situated in Minnesota, North Dakota, South
6.26 Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's
6.27 compulsory attendance laws, which is not operated for profit, and which adheres to the
6.28 provisions of the Civil Rights Act of 1964 and chapter 363A.

6.29 For purposes of this section, "qualifying child" has the meaning given in section
6.30 32(c)(3) of the Internal Revenue Code.

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

6.33 Sec. 4. Minnesota Statutes 2010, section 290.081, is amended to read:

6.34 **290.081 INCOME OF NONRESIDENTS, RECIPROCITY.**

7.1 Subdivision 1. Reciprocity with other states. (a) The compensation received for
7.2 the performance of personal or professional services within this state by an individual
7.3 whose residence, place of abode, and place customarily returned to at least once a month
7.4 is in another state, shall be excluded from gross income to the extent such compensation is
7.5 subject to an income tax imposed by the state of residence; provided that such state allows
7.6 a similar exclusion of compensation received by residents of Minnesota for services
7.7 performed therein.

7.8 (b) When it is deemed to be in the best interests of the people of this state, the
7.9 commissioner may determine that the provisions of paragraph (a) shall not apply as they
7.10 relate to all states, except Wisconsin. The provisions of paragraph (a) apply with respect
7.11 to Wisconsin only for taxable years in which a reciprocity agreement with Wisconsin is
7.12 in effect as provided in this section. As long as the provisions of paragraph (a) apply
7.13 between Minnesota and Wisconsin, the provisions of paragraph (a) shall apply to any
7.14 individual who is domiciled in Wisconsin.

7.15 (c) For the purposes of paragraph (a), whenever the Wisconsin tax on Minnesota
7.16 residents which would have been paid Wisconsin without paragraph (a) exceeds the
7.17 Minnesota tax on Wisconsin residents which would have been paid Minnesota without
7.18 paragraph (a), or vice versa, then the state with the net revenue loss resulting from
7.19 paragraph (a) must be compensated by the other state as provided in the agreement under
7.20 paragraph (d). This provision shall be effective for all years beginning after December 31,
7.21 1972. The data used for computing the loss to either state shall be determined on or before
7.22 September 30 of the year following the close of the previous calendar year.

7.23 (d) Interest is payable on all amounts calculated under paragraph (c) relating to
7.24 taxable years beginning after December 31, 2000, and before January 1, 2010. Interest
7.25 accrues from July 1 of the taxable year.

7.26 (e) The commissioner of revenue is authorized to enter into agreements reciprocity
7.27 agreement with the state of Wisconsin specifying must specify the compensation required
7.28 under paragraph (b), the one or more reciprocity payment due date, dates for the revenue
7.29 loss relating to each taxable year, with one or more estimated payment due dates in the
7.30 same fiscal year in which the revenue loss occurred, and a final payment in the following
7.31 fiscal year, conditions constituting delinquency, interest rates, and a method for computing
7.32 interest due. Interest is payable from July 1 of the taxable year on final payments made in
7.33 the following fiscal year. Calculation of compensation under the agreement must specify
7.34 if the revenue loss is determined before or after the allowance of each state's credit for
7.35 taxes paid to the other state.

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

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

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

8.22 Subd. 2. New reciprocity agreement with Wisconsin. The commissioner may
8.23 not enter into an income tax reciprocity agreement with Wisconsin under this section
8.24 until after Wisconsin has paid in full, with interest, the amount due to Minnesota under
8.25 the income tax reciprocity agreement in full effect for taxable years beginning before
8.26 January 1, 2010. The commissioner of revenue is directed to initiate negotiations with
8.27 the secretary of revenue of Wisconsin, with the objective of entering into an income
8.28 tax reciprocity agreement effective for tax years beginning after December 31, 2011.
8.29 The agreement must satisfy the conditions of subdivision 1, with one or more estimated
8.30 payment due dates and a final payment due date specified so that the state with a net
8.31 revenue loss as a result of the agreement receives estimated payments from the other state,
8.32 in the same fiscal year as that in which the net revenue loss occurred and a final payment
8.33 with interest in the following fiscal year.

8.34 **EFFECTIVE DATE.** Subdivision 2 is effective the day following final enactment.
8.35 The changes to subdivision 1 are effective for taxable years beginning after December 31
8.36 of the year of the agreement, contingent upon agreement from the state of Wisconsin to a

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

9.1 reciprocity arrangement in which estimated payments are made in the same fiscal year in
9.2 which a change in revenue occurs, and a final payment is made in the following fiscal year.

9.3 Sec. 5. Minnesota Statutes 2010, section 290.091, subdivision 2, is amended to read:

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

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

9.8 (1) the taxpayer's federal alternative minimum taxable income as defined in section
9.9 55(b)(2) of the Internal Revenue Code;

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

9.12 (i) the charitable contribution deduction under section 170 of the Internal Revenue
9.13 Code;

9.14 (ii) the medical expense deduction;

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

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

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

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

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

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

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

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

9.32 (2) an overpayment of state income tax as provided by section 290.01, subdivision
9.33 19b, clause (2), to the extent included in federal alternative minimum taxable income;

9.34 (3) the amount of investment interest paid or accrued within the taxable year on
9.35 indebtedness to the extent that the amount does not exceed net investment income, as

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

10.1 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include
10.2 amounts deducted in computing federal adjusted gross income; and

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

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

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

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

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

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

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

10.17 **Sec. 6. [290.433] BUDGET RESERVE FUND CHECKOFF.**

10.18 (a) An individual who files an income tax return or property tax refund claim form
10.19 may designate on the original return that \$1 or more shall be added to the tax or deducted
10.20 from the refund that would otherwise be payable by or to that individual and paid into the
10.21 general fund.

10.22 (b) All amounts designated by individuals under paragraph (a) must be deposited in
10.23 the state treasury and credited to the budget reserve established under section 16A.152,
10.24 subdivision 1a.

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

10.27 **Sec. 7.** Minnesota Statutes 2010, section 291.005, subdivision 1, is amended to read:

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

11.4 (3) "Internal Revenue Code" means the United States Internal Revenue Code of
11.5 1986, as amended through March 18, 2010, but without regard to the provisions of
11.6 sections 501 and 901 of Public Law 107-16.

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

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

11.11 (ii) (A) the value of qualified small business property under section 291.03,
11.12 subdivision 9, and the value of qualified farm property under section 291.03, subdivision
11.13 10, or (B) \$4,000,000, whichever is less.

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

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

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

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

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

11.35 **EFFECTIVE DATE.** This section is effective for decedents dying after December
11.36 31, 2010.

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

12.1 Sec. 8. Minnesota Statutes 2010, section 291.03, subdivision 1, is amended to read:

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

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

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

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

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

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

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

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

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

12.24 **EFFECTIVE DATE.** This section is effective for decedents dying after December
12.25 31, 2010.

12.26 Sec. 9. Minnesota Statutes 2010, section 291.03, is amended by adding a subdivision
12.27 to read:

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

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

12.32 (c) "Qualified heir" means a family member who acquired qualified property from
12.33 the decedent and satisfies the requirement under subdivision 9, clause (6), or subdivision
12.34 10, clause (4), for the property.

13.1 (d) "Qualified property" means qualified small business property under subdivision
13.2 9 and qualified farm property under subdivision 10.

13.3 **EFFECTIVE DATE.** This section is effective for decedents dying after December
13.4 31, 2010.

13.5 Sec. 10. Minnesota Statutes 2010, section 291.03, is amended by adding a subdivision
13.6 to read:

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

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

13.10 (2) The property consists of the assets of a trade or business or shares of stock or
13.11 other ownership interests in a corporation or other entity engaged in a trade or business.

13.12 The decedent or the decedent's spouse must have materially participated in the trade or
13.13 business within the meaning of section 469 of the Internal Revenue Code during the

13.14 taxable year that ended before the date of the decedent's death. Shares of stock in a

13.15 corporation or an ownership interest in another type of entity do not qualify under this

13.16 subdivision if the shares or ownership interests are traded on a public stock exchange at

13.17 any time during the three-year period ending on the decedent's date of death.

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

13.20 (4) The property does not consist of cash or cash equivalents. For property consisting
13.21 of shares of stock or other ownership interests in an entity, the amount of cash or cash

13.22 equivalents held by the corporation or other entity must be deducted from the value of

13.23 the property qualifying under this subdivision in proportion to the decedent's share of

13.24 ownership of the entity on the date of death.

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

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

13.29 (7) The estate and the qualified heir elect to treat the property as qualified small
13.30 business property and agree, in the form prescribed by the commissioner, to pay the

13.31 recapture tax under subdivision 11, if applicable.

13.32 **EFFECTIVE DATE.** This section is effective for decedents dying after December
13.33 31, 2010.

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

14.1 Sec. 11. Minnesota Statutes 2010, section 291.03, is amended by adding a subdivision
14.2 to read:

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

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

14.6 (2) The property consists of a farm meeting the requirements of section 500.24,
14.7 and was classified for property tax purposes as the homestead of the decedent or the
14.8 decedent's spouse or both under section 273.124, and as class 2a property under section
14.9 273.13, subdivision 23.

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

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

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

14.17 **EFFECTIVE DATE.** This section is effective for decedents dying after December
14.18 31, 2010.

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

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

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

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

14.30 **EFFECTIVE DATE.** This section is effective for decedents dying after December
14.31 31, 2010.

14.32 Sec. 13. **INCOME TAX RECIPROCITY BENCHMARK STUDY.**

16.1 (2) single-use finger-pricking devices for the extraction of blood and other single-use
16.2 devices and single-use diagnostic agents used in diagnosing, monitoring, or treating
16.3 diabetes;

16.4 (3) insulin and medical oxygen for human use, regardless of whether prescribed
16.5 or sold over the counter;

16.6 (4) prosthetic devices;

16.7 (5) durable medical equipment for home use only;

16.8 (6) mobility enhancing equipment;

16.9 (7) prescription corrective eyeglasses; and

16.10 (8) kidney dialysis equipment, including repair and replacement parts.

16.11 (b) Items purchased in transactions covered by:

16.12 (1) Medicare as defined under title XVIII of the Social Security Act, United States
16.13 Code, title 42, sections 1395, et seq.; or

16.14 (2) Medicaid as defined under title XIX of the Social Security Act, United States
16.15 Code, title 42, sections 1396, et seq.

16.16 (c) For purposes of this subdivision:

16.17 (1) "Drug" means a compound, substance, or preparation, and any component of
16.18 a compound, substance, or preparation, other than food and food ingredients, dietary
16.19 supplements, or alcoholic beverages that is:

16.20 (i) recognized in the official United States Pharmacopoeia, official Homeopathic
16.21 Pharmacopoeia of the United States, or official National Formulary, and supplement
16.22 to any of them;

16.23 (ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention
16.24 of disease; or

16.25 (iii) intended to affect the structure or any function of the body.

16.26 (2) "Durable medical equipment" means equipment, including repair and
16.27 replacement parts, including single patient use items, but not including mobility enhancing
16.28 equipment, that:

16.29 (i) can withstand repeated use;

16.30 (ii) is primarily and customarily used to serve a medical purpose;

16.31 (iii) generally is not useful to a person in the absence of illness or injury; and

16.32 (iv) is not worn in or on the body.

16.33 For purposes of this clause, "repair and replacement parts" includes all components
16.34 or attachments used in conjunction with the durable medical equipment, ~~but does not~~
16.35 ~~include~~ including repair and replacement parts which are for single patient use only.

17.1 (3) "Mobility enhancing equipment" means equipment, including repair and
17.2 replacement parts, but not including durable medical equipment, that:

17.3 (i) is primarily and customarily used to provide or increase the ability to move from
17.4 one place to another and that is appropriate for use either in a home or a motor vehicle;

17.5 (ii) is not generally used by persons with normal mobility; and

17.6 (iii) does not include any motor vehicle or equipment on a motor vehicle normally
17.7 provided by a motor vehicle manufacturer.

17.8 (4) "Over-the-counter drug" means a drug that contains a label that identifies the
17.9 product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The
17.10 label must include a "drug facts" panel or a statement of the active ingredients with a list of
17.11 those ingredients contained in the compound, substance, or preparation. Over-the-counter
17.12 drugs do not include grooming and hygiene products, regardless of whether they otherwise
17.13 meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions,
17.14 shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.

17.15 (5) "Prescribed" and "prescription" means a direction in the form of an order,
17.16 formula, or recipe issued in any form of oral, written, electronic, or other means of
17.17 transmission by a duly licensed health care professional.

17.18 (6) "Prosthetic device" means a replacement, corrective, or supportive device,
17.19 including repair and replacement parts, worn on or in the body to:

17.20 (i) artificially replace a missing portion of the body;

17.21 (ii) prevent or correct physical deformity or malfunction; or

17.22 (iii) support a weak or deformed portion of the body.

17.23 Prosthetic device does not include corrective eyeglasses.

17.24 (7) "Kidney dialysis equipment" means equipment that:

17.25 (i) is used to remove waste products that build up in the blood when the kidneys are
17.26 not able to do so on their own; and

17.27 (ii) can withstand repeated use, including multiple use by a single patient,
17.28 notwithstanding the provisions of clause (2).

17.29 (8) A transaction is covered by Medicare or Medicaid if any portion of the cost of
17.30 the item purchased in the transaction is paid for or reimbursed by the federal government
17.31 or the state of Minnesota pursuant to the Medicare or Medicaid program, by a private
17.32 insurance company administering the Medicare or Medicaid program on behalf of the
17.33 federal government or the state of Minnesota, or by a managed care organization for the
17.34 benefit of a patient enrolled in a prepaid program that furnishes medical services in lieu
17.35 of conventional Medicare or Medicaid coverage pursuant to agreement with the federal
17.36 government or the state of Minnesota.

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

18.3 Sec. 2. Minnesota Statutes 2010, section 297A.67, is amended by adding a subdivision
18.4 to read:

18.5 Subd. 7a. **Accessories and supplies.** Accessories and supplies required for the
18.6 effective use of durable medical equipment for home use only or purchased in a transaction
18.7 covered by Medicare or Medicaid, that are not already exempt under subdivision 7 are
18.8 exempt. Accessories and supplies for the effective use of a prosthetic device that are
18.9 not already exempt under subdivision 7 are exempt. For purposes of this subdivision
18.10 "durable medical equipment," "prosthetic device," "Medicare," and "Medicaid" have the
18.11 definitions given in subdivision 7.

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

18.14 Sec. 3. Minnesota Statutes 2010, section 297A.67, is amended by adding a subdivision
18.15 to read:

18.16 Subd. 33. **Resale ticket purchases.** For resale purchases made subsequent to the
18.17 purchase of a ticket from the initial seller, as defined under section 609.807, paragraph
18.18 (a), the original face value of a ticket, as defined under section 609.807, paragraph (a),
18.19 is exempt.

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

18.22 Sec. 4. Minnesota Statutes 2010, section 297A.70, subdivision 1, is amended to read:

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

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

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

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

19.3 Sec. 5. Minnesota Statutes 2010, section 297A.70, subdivision 2, is amended to read:

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

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

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

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

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

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

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

19.23 (7) towns.

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

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

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

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

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

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

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

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

20.19 Sec. 6. Minnesota Statutes 2010, section 297A.70, subdivision 3, is amended to read:

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

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

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

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

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

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

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

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

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

21.17 ~~(11)~~ (10) purchases by the Metropolitan Council or the Department of Transportation
21.18 of vehicles and repair parts to equip operations provided for in section 174.90, including,
21.19 but not limited to, the Northstar Corridor Rail project.

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

21.26 (c) For purchases of items listed in paragraph (a), clause (11), the tax must be
21.27 imposed and collected as if the rate under section 297A.62, subdivision 1, applied and
21.28 then refunded in the manner provided in section 297A.75.

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

21.31 Sec. 7. Minnesota Statutes 2010, section 297A.70, subdivision 8, is amended to read:

21.32 Subd. 8. **Regionwide Public safety radio communication system systems;**
21.33 **products and services.** Products and services including, but not limited to, end user
21.34 equipment used for construction, ownership, operation, maintenance, and enhancement
21.35 of ~~the backbone system of the regionwide public safety radio communication system~~

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

22.1 ~~established under sections 403.21 to 403.40~~ systems, including public safety radio
22.2 dispatch centers, are exempt. For purposes of this subdivision, backbone system is defined
22.3 in section 403.21, subdivision 9. This subdivision is effective for purchases, sales, storage,
22.4 use, or consumption for use in the first and second phases of the system, as defined in
22.5 section 403.21, subdivisions 3, 10, and 11, that portion of the third phase of the system that
22.6 is located in the southeast district of the State Patrol and the counties of Benton, Sherburne,
22.7 Stearns, and Wright, and that portion of the system that is located in Itasca County.

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

22.12 Sec. 8. Minnesota Statutes 2010, section 297A.75, subdivision 1, is amended to read:

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

22.16 (1) capital equipment exempt under section 297A.68, subdivision 5;

22.17 (2) building materials for an agricultural processing facility exempt under section
22.18 297A.71, subdivision 13;

22.19 (3) building materials for mineral production facilities exempt under section
22.20 297A.71, subdivision 14;

22.21 (4) building materials for correctional facilities under section 297A.71, subdivision
22.22 3;

22.23 (5) building materials used in a residence for disabled veterans exempt under section
22.24 297A.71, subdivision 11;

22.25 (6) elevators and building materials exempt under section 297A.71, subdivision 12;

22.26 (7) building materials for the Long Lake Conservation Center exempt under section
22.27 297A.71, subdivision 17;

22.28 (8) materials and supplies for qualified low-income housing under section 297A.71,
22.29 subdivision 23;

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

23.3 (12) commuter rail vehicle and repair parts under section 297A.70, subdivision
23.4 3, clause (11);

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

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

23.9 (15) materials, supplies, and equipment for construction, improvement, or expansion
23.10 of an aerospace defense manufacturing facility exempt under section 297A.71, subdivision
23.11 42; and

23.12 (16) products and services for a regionwide public safety radio communication
23.13 system exempt under section 297A.70, subdivision 8, purchased after December 31,
23.14 2009, and before January 1, 2013.

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

23.19 Sec. 9. Minnesota Statutes 2010, section 297A.75, subdivision 2, is amended to read:

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

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

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

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

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

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

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

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

24.7 Sec. 10. Minnesota Statutes 2010, section 297A.75, subdivision 3, is amended to read:

24.8 Subd. 3. **Application.** (a) The application must include sufficient information
24.9 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,
24.10 subcontractor, or builder, under subdivision 1, clause (4), (5), (6), (7), (8), (9), (10), (11),
24.11 (12), (13), (14), ~~or~~ (15), or (16), the contractor, subcontractor, or builder must furnish to
24.12 the refund applicant a statement including the cost of the exempt items and the taxes paid
24.13 on the items unless otherwise specifically provided by this subdivision. The provisions of
24.14 sections 289A.40 and 289A.50 apply to refunds under this section.

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

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

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

24.25 Sec. 11. Minnesota Statutes 2010, section 297A.82, subdivision 4, is amended to read:

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

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

24.31 (c) The sale to or purchase, storage, use, or consumption by a licensed aircraft dealer
24.32 of an aircraft for which a commercial use permit has been issued pursuant to section
24.33 360.654 is exempt, if the aircraft is resold while the permit is in effect.

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

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

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

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

25.23 Sec. 12. Minnesota Statutes 2010, section 297A.99, subdivision 1, is amended to read:

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

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

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

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

26.5 Sec. 13. Minnesota Statutes 2010, section 297A.99, is amended by adding a
26.6 subdivision to read:

26.7 Subd. 1a. **General authority; certain cities.** (a) A city, or a group of cities acting
26.8 under a joint powers agreement, may impose a local sales and use tax of one-half of one
26.9 percent without authorization under a special law provided that:

26.10 (1) imposition of the tax is approved by the voters of each city at a general election
26.11 pursuant to subdivision 3, paragraph (a); and

26.12 (2) all the conditions for adoption, use, and termination of the tax contained in this
26.13 subdivision and subdivisions 3 to 12 are met.

26.14 The authority under this section is in addition to any local sales tax authority
26.15 permitted under special law.

26.16 (b) The proceeds of a tax imposed under this subdivision must be dedicated
26.17 exclusively to pay for specific capital projects approved by the voters in the authorizing
26.18 referendum. No proceeds may be used for normal maintenance or operating costs of a
26.19 facility or properties owned by a city or group of cities. The proceeds may be used to
26.20 pay for collecting and administering the tax, to pay all or part of the capital costs of the
26.21 development, acquisition, construction, expansion, and improvement, and to secure and
26.22 pay debt service on bonds or other obligations issued to finance capital costs of a regional
26.23 project, including the following:

26.24 (1) convention or civic center;

26.25 (2) public libraries;

26.26 (3) parks, trails, and recreational centers;

26.27 (4) overpasses, arterial and collector roads, or bridges, on, adjacent to, or connecting
26.28 to a Minnesota state highway;

26.29 (5) railroad overpasses or crossing safety improvements;

26.30 (6) flood control and protection;

26.31 (7) water quality projects to address groundwater and drinking water pollution
26.32 problems;

26.33 (8) court facilities;

26.34 (9) fire, law enforcement, or public safety facilities; or

26.35 (10) municipal buildings.

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

27.1 (c) At least three months prior to holding a referendum to impose the tax, a city must
27.2 provide to the commissioner of revenue a resolution approved by the city that shows that
27.3 the tax will fund a project that meets the requirements of paragraphs (a) to (c), the date on
27.4 which the referendum will be held, the maximum amount raised by the tax that may be
27.5 used for the specified project, excluding issuance and interest costs for any related bonds,
27.6 and the maximum time that the tax may be imposed. The commissioner shall certify that
27.7 the requirements under this subdivision are met and the city shall provide any additional
27.8 information on the commissioner's requests in order to make that determination. The
27.9 commissioner's decision is final.

27.10 (d) The question put to the voters at the referendum authorizing the vote must
27.11 include information on the specific project or projects to be funded by the proceeds of the
27.12 tax, the maximum amount of sales tax revenues that will be used to fund each project, not
27.13 including any issuance and interest costs for related bonds, and the maximum length of
27.14 time that the tax will be imposed, which must not exceed ten years from the date the initial
27.15 tax was imposed without regard to an increase in the rate. If the referendum is not held on
27.16 the date contained in the resolution, the authority for imposing the tax expires.

27.17 (e) A city may issue general obligation bonds to pay the costs of projects specified
27.18 in the referendum authorizing imposition of the tax. The approval of the question under
27.19 paragraph (d) meets the requirement for elector approval for issuance of bonds under
27.20 section 475.58, subdivision 1. The debt represented by the bonds must not be included in
27.21 computing any debt limitations applicable to the city, and the levy of taxes required by
27.22 section 475.61 to pay the principal or any interest on the bonds must not be subject to any
27.23 levy limitations or be included in computing or applying any levy limitation to the city.

27.24 (f) The tax, if enacted, expires when the specified revenue has been raised or the
27.25 maximum time in which the tax is in effect under the resolution is reached, whichever is
27.26 sooner. Any tax imposed under this subdivision must expire no later than ten years after
27.27 imposition from the date the initial tax was imposed without regard to an increase in the
27.28 rate. The governing board of the city may, by ordinance, terminate the tax at an earlier
27.29 date. A city must not impose a new local option sales and use tax until a previously
27.30 authorized one has been terminated.

27.31 **EFFECTIVE DATE.** This section is effective for local sales taxes for which the
27.32 authorizing referendum is held after June 30, 2011.

27.33 Sec. 14. Minnesota Statutes 2010, section 297A.99, subdivision 3, is amended to read:

27.34 Subd. 3. **Requirements for adoption, use, termination.** (a) Imposition of a local
27.35 sales tax is subject to approval by voters of the political subdivision at a general election.

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

28.1 The election must be conducted before the governing body of the political subdivision
28.2 requests legislative approval of the tax. A referendum on the issuance of bonds to be paid
28.3 from the proceeds of a local sales tax is not subject to sections 275.60 and 275.61.

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

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

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

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

28.14 Sec. 15. Minnesota Statutes 2010, section 297A.99, is amended by adding a
28.15 subdivision to read:

28.16 **Subd. 14. Local government aid offset.** A home rule charter or statutory city that
28.17 imposes a tax under subdivision 1a after June 30, 2011, is subject to a reduction in the
28.18 amount of aid the city is otherwise eligible to receive under section 477A.013, as provided
28.19 in this subdivision.

28.20 The amount of the sales tax collected for the calendar year is deducted from the aid
28.21 the home rule charter or statutory city would otherwise receive under section 477A.013
28.22 in the following year, but only to the extent of the amount of aid paid to that city that is
28.23 attributable to the sum of: (1) any aid base increase under section 477A.011, subdivision
28.24 36, paragraph (k); and (2) any aid increase due to its city jobs base under section 477.013,
28.25 subdivision 8.

28.26 **EFFECTIVE DATE.** This section is effective for aids payable in 2012 and
28.27 thereafter.

28.28 Sec. 16. Minnesota Statutes 2010, section 477A.013, subdivision 9, is amended to read:

28.29 **Subd. 9. City aid distribution.** (a) In calendar year 2009 and thereafter, each
28.30 city shall receive an aid distribution equal to the sum of (1) the city formula aid under
28.31 subdivision 8, and (2) its city aid base.

28.32 (b) For aids payable in 2011 only, the total aid in the previous year for any city shall
28.33 mean the amount of aid it was certified to receive for aids payable in 2010 under this

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

29.1 section minus the amount of its aid reduction under section 477A.0134. For aids payable
29.2 in 2012 and thereafter, the total aid in the previous year for any city means the amount of
29.3 aid it was certified to receive under this section in the previous payable year.

29.4 (c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed
29.5 the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution
29.6 plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total
29.7 aid for any city with a population of 2,500 or more may not be less than its total aid under
29.8 this section in the previous year minus the lesser of \$10 multiplied by its population, or ten
29.9 percent of its net levy in the year prior to the aid distribution.

29.10 (d) For aids payable in 2010 and thereafter, the total aid for a city with a population
29.11 less than 2,500 must not be less than the amount it was certified to receive in the
29.12 previous year minus the lesser of \$10 multiplied by its population, or five percent of its
29.13 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a
29.14 population less than 2,500 must not be less than what it received under this section in the
29.15 previous year unless its total aid in calendar year 2008 was aid under section 477A.011,
29.16 subdivision 36, paragraph (s), in which case its minimum aid is zero.

29.17 (e) A city's aid loss under this section may not exceed \$300,000 in any year in
29.18 which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or
29.19 greater than the appropriation under that subdivision in the previous year, unless the
29.20 city has an adjustment in its city net tax capacity under the process described in section
29.21 469.174, subdivision 28.

29.22 (f) If a city's net tax capacity used in calculating aid under this section has decreased
29.23 in any year by more than 25 percent from its net tax capacity in the previous year due to
29.24 property becoming tax-exempt Indian land, the city's maximum allowed aid increase
29.25 under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the
29.26 year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease
29.27 resulting from the property becoming tax exempt.

29.28 (g) In calendar year 2012 and thereafter, the aid that would otherwise be distributed
29.29 to a city under paragraphs (a) to (f) will be reduced or eliminated if the city is subject to an
29.30 aid offset under section 297A.99, subdivision 14.

29.31 Sec. 17. Minnesota Statutes 2010, section 477A.03, subdivision 2a, is amended to read:

29.32 Subd. 2a. **Cities.** For aids payable in 2011 and thereafter, the total aid paid under
29.33 section 477A.013, subdivision 9, is \$527,100,646, reduced by the cumulative amount of
29.34 all aid offsets for that year under section 297A.99, subdivision 14.

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

30.1 Sec. 18. Laws 1996, chapter 471, article 2, section 29, subdivision 1, as amended by
30.2 Laws 2006, chapter 259, article 3, section 3, is amended to read:

30.3 Subdivision 1. **Sales tax authorized.** (a) Notwithstanding Minnesota Statutes,
30.4 section 477A.016, or any other contrary provision of law, ordinance, or city charter, the
30.5 city of Hermantown may, by ordinance, impose an additional sales tax of up to one
30.6 percent on sales transactions taxable pursuant to Minnesota Statutes, chapter 297A, that
30.7 occur within the city. The proceeds of the tax imposed under this section must be used to
30.8 meet the costs of:

30.9 (1) extending a sewer interceptor line;

30.10 (2) construction of a booster pump station, reservoirs, and related improvements
30.11 to the water system; and

30.12 (3) construction of a building containing a police and fire station and an
30.13 administrative services facility.

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

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

30.19 Sec. 19. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by
30.20 Laws 2005, First Special Session chapter 3, article 5, section 28, is amended to read:

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

30.24 (1) transportation infrastructure improvements including regional highway and
30.25 airport improvements;

30.26 (2) improvements to the civic center complex;

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

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

31.5 (1) \$47,000,000 for capital expenditures and bonds for transportation infrastructure
31.6 improvements including regional highway and airport improvements, but excluding any
31.7 transportation improvements related to a railroad bypass that would divert rail traffic
31.8 from the city of Rochester;

31.9 (2) \$26,500,000 for capital expenditures and bonds for higher education facilities in
31.10 the city;

31.11 (3) \$40,500,000 for capital expenditures and bonds for improvements to regional
31.12 youth and elder community facilities;

31.13 (4) \$8,000,000 for capital expenditures and bonds for construction of regional public
31.14 safety facilities; and

31.15 (5) \$38,000,000 for project expenditures and bonds for any economic development
31.16 purposes authorized under Minnesota Statutes, chapter 469.

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

31.18 Sec. 20. Laws 1998, chapter 389, article 8, section 43, subdivision 4, as amended by
31.19 Laws 2005, First Special Session chapter 3, article 5, section 29, is amended to read:

31.20 Subd. 4. **Bonding authority.** (a) The city may issue bonds under Minnesota
31.21 Statutes, chapter 475, to finance the capital expenditure and improvement projects.
31.22 An election to approve up to \$71,500,000 in bonds under Minnesota Statutes, section
31.23 475.58, may be held in combination with the election to authorize imposition of the tax
31.24 under subdivision 1. Whether to permit imposition of the tax and issuance of bonds
31.25 may be posed to the voters as a single question. The question must state that the sales
31.26 tax revenues are pledged to pay the bonds, but that the bonds are general obligations
31.27 and will be guaranteed by the city's property taxes. An election to approve up to an
31.28 additional \$40,000,000 of bonds under Minnesota Statutes, section 475.58, may be held
31.29 in combination with the election to authorize extension of the tax under subdivision 5,
31.30 paragraph (b). An election to approve bonds under Minnesota Statutes, section 475.58,
31.31 in an amount not to exceed \$160,000,000 plus an amount equal to the costs of issuance
31.32 of the bonds, may be held in combination with the election to authorize the extension of
31.33 the tax under subdivision 5, paragraph (c).

31.34 (b) The city ~~may~~ shall enter into an agreement with Olmsted County under which the
31.35 city and the county agree to jointly undertake and finance certain roadway infrastructure

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

32.1 improvements. The agreement ~~may~~ shall provide that the city will make available to the
32.2 county a portion of the sales tax revenues collected pursuant to the authority granted in
32.3 this section and the bonding authority provided in this subdivision. The county may,
32.4 pursuant to the agreement, issue its general obligation bonds in a principal amount not
32.5 exceeding the amount authorized by its agreement with the city payable primarily from
32.6 the sales tax revenues from the city under the agreement. The county's bonds must be
32.7 issued in accordance with the provisions of Minnesota Statutes, chapter 475, except that
32.8 no election is required for the issuance of the bonds and the bonds are not included in
32.9 the net debt of the county.

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

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

32.15 (e) The aggregate principal amount of bonds, plus the aggregate of the taxes used
32.16 directly to pay eligible capital expenditures and improvements for projects listed in
32.17 subdivision 3, paragraph (a), may not exceed \$111,500,000, plus an amount equal to the
32.18 costs related to issuance of the bonds. The aggregate principal amount of bonds plus the
32.19 aggregate of the taxes used directly to pay the costs of eligible projects under subdivision
32.20 3, paragraph (c), may not exceed \$160,000,000 plus an amount equal to the costs of
32.21 issuance of the bonds.

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

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

32.26 Sec. 21. Laws 1998, chapter 389, article 8, section 43, subdivision 5, as amended by
32.27 Laws 2005, First Special Session chapter 3, article 5, section 30, is amended to read:

32.28 Subd. 5. **Termination of taxes.** (a) The taxes imposed under subdivisions 1 and
32.29 2 expire at the later of (1) December 31, 2009, or (2) when the city council determines
32.30 that sufficient funds have been received from the taxes to finance the first \$71,500,000
32.31 of capital expenditures and bonds for the projects authorized in subdivision 3, including
32.32 the amount to prepay or retire at maturity the principal, interest, and premium due on any
32.33 bonds issued for the projects under subdivision 4, unless the taxes are extended as allowed
32.34 in paragraph (b). Any funds remaining after completion of the project and retirement or
32.35 redemption of the bonds shall also be used to fund the projects under subdivision 3. The

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

33.1 taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so
33.2 determines by ordinance.

33.3 (b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any
33.4 other contrary provision of law, ordinance, or city charter, the city of Rochester may, by
33.5 ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond December 31, 2009,
33.6 if approved by the voters of the city at a special election in 2005 or the general election in
33.7 2006. The question put to the voters must indicate that an affirmative vote would allow
33.8 up to an additional \$40,000,000 of sales tax revenues be raised and up to \$40,000,000
33.9 of bonds to be issued above the amount authorized in the June 23, 1998, referendum for
33.10 the projects specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are
33.11 extended under this paragraph, the taxes expire when the city council determines that
33.12 sufficient funds have been received from the taxes to finance the projects and to prepay
33.13 or retire at maturity the principal, interest, and premium due on any bonds issued for the
33.14 projects under subdivision 4. Any funds remaining after completion of the project and
33.15 retirement or redemption of the bonds may be placed in the general fund of the city.

33.16 (c) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any
33.17 other contrary provision of law, ordinance, or city charter, the city of Rochester may, by
33.18 ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond the date the city
33.19 council determines that sufficient funds have been received from the taxes to finance
33.20 \$111,500,000 of expenditures and bonds for the projects authorized in subdivision 3,
33.21 paragraph (a), plus an amount equal to the costs of issuance of the bonds and including
33.22 the amount to prepay or retire at maturity the principal, interest, and premiums due on
33.23 any bonds issued for the projects under subdivision 4, paragraph (a), if approved by the
33.24 voters of the city at the general election in 2012. If the election to authorize the additional
33.25 \$160,000,000 of bonds plus an amount equal to the costs of the issuance of the bonds is
33.26 placed on the general election ballot in 2012, the city may continue to collect the taxes
33.27 authorized in subdivisions 1 and 2 until December 31, 2012. The question put to the
33.28 voters must indicate that an affirmative vote would allow sales tax revenues be raised for
33.29 an extended period of time and an additional \$160,000,000 of bonds plus an amount
33.30 equal to the costs of issuance of the bonds, to be issued above the amount authorized in
33.31 the previous elections required under paragraphs (a) and (b) for the projects and amounts
33.32 specified in subdivision 3. The issuance of bonds under this subdivision is not subject to
33.33 Minnesota Statutes, sections 275.60 and 275.61. If the taxes authorized in subdivisions 1
33.34 and 2 are extended under this paragraph, the taxes expire when the city council determines
33.35 that \$160,000,000 has been received from the taxes to finance the projects plus an amount
33.36 sufficient to prepay or retire at maturity the principal, interest, and premium due on any

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

34.1 bonds issued for the projects under subdivision 4, including any bonds issued to refund the
34.2 bonds. Any funds remaining after completion of the projects and retirement or redemption
34.3 of the bonds may be placed in the general fund of the city.

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

34.7 Sec. 22. Laws 2008, chapter 366, article 7, section 19, subdivision 3, is amended to
34.8 read:

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

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

34.20 Sec. 23. **CITY OF FERGUS FALLS; SALES AND USE TAX AUTHORIZED.**

34.21 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section
34.22 297A.99, subdivision 1, or 477A.016, or any other provision of law, ordinance, or city
34.23 charter, as approved by the voters at the November 2, 2010, general election, the city
34.24 of Fergus Falls may impose by ordinance a sales and use tax of up to one-half of one
34.25 percent for the purposes specified in subdivision 2. Except as provided in this section, the
34.26 provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration,
34.27 collection, and enforcement of the tax authorized under this subdivision.

34.28 Subd. 2. **Use of revenues.** Revenues received from taxes authorized by subdivision
34.29 1 must be used by the city of Fergus Falls to pay the cost of collecting the tax and to pay
34.30 for all or part of the costs of the acquisition and betterment of a regional community ice
34.31 arena facility. Authorized expenses include, but are not limited to, acquiring property,
34.32 predesign, design, and paying construction, furnishing, and equipment costs related to

35.1 the facility and paying debt service on bonds or other obligations issued by the Fergus
35.2 Falls Port Authority to finance the facility.

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

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

35.14 **Sec. 24. CITY OF LANESBORO; SALES TAX AUTHORIZED.**

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

35.21 Subd. 2. **Use of revenues.** Revenues received from the tax authorized under
35.22 subdivision 1 must be used by the city of Lanesboro to pay the costs of collecting the tax
35.23 and to pay for all or a part of the improvements to city streets and utility systems, and the
35.24 betterment of city municipal buildings consisting of (i) street and utility improvements to
35.25 Calhoun Avenue, Fillmore Avenue, Kenilworth Avenue, Pleasant Street, Kirkwood Street,
35.26 Auburn Avenue, and Zenith Street, and street light replacement on State Highways 250
35.27 and 16; (ii) improvements to utility systems consisting of wastewater treatment facility
35.28 improvements and electric utility improvements to the Lanesboro High Hazard Dam; and
35.29 (iii) improvements to the Lanesboro community center, library, and city hall, including
35.30 paying debt service on bonds or other obligations issued to fund these projects under
35.31 subdivision 3. The total amount of revenues from the taxes in subdivision 1 that may be
35.32 used to fund these projects is \$800,000 plus any associated bond costs.

35.33 Subd. 3. **Bonding authority.** The city of Lanesboro may issue bonds under
35.34 Minnesota Statutes, chapter 475, to pay capital and administrative expenses related to the
35.35 projects authorized in subdivision 2. An election to approve the bonds under Minnesota

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

36.1 Statutes, section 475.58, is not required. The issuance of bonds under this subdivision
36.2 is not subject to Minnesota Statutes, sections 275.60 and 275.61. The bonds are not
36.3 included in computing any debt limitation applicable to the city and the levy of taxes
36.4 under Minnesota Statutes, section 475.61, to pay principal and interest on the bonds is
36.5 not subject to any levy limitation.

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

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

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

36.19 **EFFECTIVE DATE.** This section is effective the day after the governing body of
36.20 the city of Lanesboro and its chief clerical officer comply with Minnesota Statutes, section
36.21 645.021, subdivisions 2 and 3.

36.22 Sec. 25. **CITY OF HUTCHINSON; TAXES AUTHORIZED.**

36.23 Subdivision 1. **Sales and use tax.** Notwithstanding Minnesota Statutes, section
36.24 477A.016, or any other provision of law, ordinance, or city charter, as approved by
36.25 the voters at a referendum held at the 2010 general election, the city of Hutchinson
36.26 may impose by ordinance a sales and use tax of up to one-half of one percent for the
36.27 purposes specified in subdivision 3. Except as otherwise provided in this section,
36.28 Minnesota Statutes, section 297A.99, governs the imposition, administration, collection,
36.29 and enforcement of the tax authorized under this subdivision. Minnesota Statutes, section
36.30 297A.99, subdivision 1, paragraph (d), does not apply to this section.

36.31 Subd. 2. **Excise tax authorized.** Notwithstanding Minnesota Statutes, section
36.32 477A.016, or any other provision of law, ordinance, or city charter, the city of Hutchinson
36.33 may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up
36.34 to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person
36.35 engaged within the city in the business of selling motor vehicles at retail.

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

37.6 Subd. 4. Termination of tax. The taxes authorized under subdivisions 1 and 2
37.7 terminate at the earlier of: (1) 18 years after the date of initial imposition of the tax; or
37.8 (2) when the Hutchinson City Council determines that the amount of revenues raised is
37.9 sufficient to pay for the projects under subdivision 3, plus the amount needed to finance
37.10 the capital and administrative costs for the projects specified in subdivision 3, and to repay
37.11 or retire at maturity the principal, interest, and premium due on any bonds issued for the
37.12 projects. Any funds remaining after completion of the projects specified in subdivision
37.13 3 and retirement or redemption of the associated bonds may be placed in the general
37.14 fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier
37.15 time if the city so determines by ordinance.

37.16 EFFECTIVE DATE. This section is effective the day after compliance by the
37.17 governing body of the city of Hutchinson with Minnesota Statutes, section 645.021,
37.18 subdivisions 2 and 3.

37.19 Sec. 26. REPEALER.

37.20 Minnesota Rules, part 8130.0500, subpart 2, is repealed.

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

ARTICLE 3

TAX AIDS AND CREDITS

37.25 Section 1. Minnesota Statutes 2010, section 97A.061, subdivision 1, is amended to
37.26 read:

37.27 Subdivision 1. **Applicability; amount.** (a) The commissioner shall annually make a
37.28 payment to each county having public hunting areas and game refuges. Money to make
37.29 the payments is annually appropriated for that purpose from the general fund. Except as
37.30 provided in paragraph (b), this section does not apply to state trust fund land and other
37.31 state land not purchased for game refuge or public hunting purposes. Except as provided
37.32 in paragraph (b), the payment shall be the greatest of:

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

38.1 (1) ~~35~~ 29.75 percent of the gross receipts from all special use permits and leases of
38.2 land acquired for public hunting and game refuges;

38.3 (2) ~~50~~ 42.5 cents per acre on land purchased actually used for public hunting or
38.4 game refuges; or

38.5 (3) ~~three-fourths of one~~ .6375 percent of the appraised value of purchased land
38.6 actually used for public hunting and game refuges.

38.7 (b) The payment shall be 50 percent of the dollar amount ~~adjusted for inflation~~ as
38.8 determined under section 477A.12, subdivision 1, paragraph (a), clause (1), multiplied
38.9 by the number of acres of land in the county that are owned by another state agency for
38.10 military purposes and designated as a game refuge under section 97A.085.

38.11 (c) The payment must be reduced by the amount paid under subdivision 3 for
38.12 croplands managed for wild geese.

38.13 (d) The appraised value is the purchase price for five years after acquisition.

38.14 The appraised value shall be determined by the county assessor every five years after
38.15 acquisition.

38.16 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
38.17 2011 and thereafter.

38.18 Sec. 2. Minnesota Statutes 2010, section 97A.061, subdivision 3, is amended to read:

38.19 Subd. 3. **Goose management croplands.** (a) The commissioner shall make a
38.20 payment on July 1 of each year to each county where the state owns more than 1,000 acres
38.21 of crop land, for wild goose management purposes. The payment shall be equal to 85
38.22 percent of the taxes assessed on comparable, privately owned, adjacent land. Money to
38.23 make the payments is annually appropriated for that purpose from the general fund. The
38.24 county treasurer shall allocate and distribute the payment as provided in subdivision 2.

38.25 (b) The land used for goose management under this subdivision is exempt from
38.26 taxation as provided in sections 272.01 and 273.19.

38.27 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
38.28 2011 and thereafter.

38.29 Sec. 3. Minnesota Statutes 2010, section 270A.03, subdivision 7, is amended to read:

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

39.5 In the case of a joint property tax refund payable to spouses under chapter 290A,
39.6 the refund shall be considered as belonging to each spouse in the proportion of the total
39.7 refund that equals each spouse's proportion of the total income determined under section
39.8 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the
39.9 refund shall be considered as belonging to each spouse in the proportion of the total
39.10 refund that equals each spouse's proportion of the total taxable income determined under
39.11 section 290.01, subdivision 29. The commissioner shall remit the entire refund to the
39.12 claimant agency, which shall, upon the request of the spouse who does not owe the debt,
39.13 determine the amount of the refund belonging to that spouse and refund the amount to
39.14 that spouse. For court fines, fees, and surcharges and court-ordered restitution under
39.15 section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under
39.16 section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice
39.17 to the spouse who does not owe the debt.

39.18 **EFFECTIVE DATE.** This section is effective for refund claims based on
39.19 contributions made after June 30, 2011.

39.20 Sec. 4. Minnesota Statutes 2010, section 273.13, subdivision 21b, is amended to read:

39.21 Subd. 21b. **Tax capacity.** ~~(a) Gross tax capacity means the product of the~~
39.22 ~~appropriate gross class rates in this section and market values.~~

39.23 ~~(b)~~ Net tax capacity means the product of the appropriate net class rates in this
39.24 section and market values, minus the property's tax capacity reduction determined under
39.25 section 273.1384, subdivision 1, if applicable.

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

39.28 Sec. 5. Minnesota Statutes 2010, section 273.13, subdivision 23, is amended to read:

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

40.1 up to the first tier valuation limit of agricultural homestead property has a net class rate
40.2 of 0.5 percent of market value. The remaining property over the first tier has a class rate
40.3 of one percent of market value. For purposes of this subdivision, the "first tier valuation
40.4 limit of agricultural homestead property" and "first tier" means the limit certified under
40.5 section 273.11, subdivision 23.

40.6 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that
40.7 are agricultural land and buildings. Class 2a property has a net class rate of one percent of
40.8 market value, unless it is part of an agricultural homestead under paragraph (a). Class
40.9 2a property must also include any property that would otherwise be classified as 2b,
40.10 but is interspersed with class 2a property, including but not limited to sloughs, wooded
40.11 wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback
40.12 requirement, and other similar land that is impractical for the assessor to value separately
40.13 from the rest of the property or that is unlikely to be able to be sold separately from
40.14 the rest of the property.

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

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

40.27 (d) Class 2c managed forest land consists of no less than 20 and no more than
40.28 1,920 acres statewide per taxpayer that is being managed under a forest management
40.29 plan ~~that meets the requirements of chapter 290C, but is not enrolled in the sustainable~~
40.30 ~~forest resource management incentive program.~~ It has a class rate of .65 percent,
40.31 provided that the owner of the property must apply to the assessor in order for the
40.32 property to initially qualify for the reduced rate and provide the information required
40.33 by the assessor to verify that the property qualifies for the reduced rate. If the assessor
40.34 receives the application and information before May 1 in an assessment year, the property
40.35 qualifies beginning with that assessment year. If the assessor receives the application
40.36 and information after April 30 in an assessment year, the property may not qualify until

41.1 the next assessment year. The commissioner of natural resources must concur that the
41.2 land is qualified. The commissioner of natural resources shall annually provide county
41.3 assessors verification information on a timely basis. The presence of a minor, ancillary
41.4 nonresidential structure as defined by the commissioner of revenue does not disqualify
41.5 the property from classification under this paragraph. For purposes of this paragraph,
41.6 a "forest management plan" means a written document providing a framework for
41.7 site-specific healthy, productive, and sustainable forest resources. A forest management
41.8 plan must include at least the following: (i) forest management goals for the land; (ii) a
41.9 reliable field inventory of the individual forest cover types, their age, and density; (iii) a
41.10 description of the soil type and quality; (iv) an aerial photo and/or map of the vegetation
41.11 and other natural features of the land clearly indicating the boundaries of the land and of
41.12 the forest land; (v) the proposed future conditions of the land; (vi) prescriptions to meet
41.13 proposed future conditions of the land; (vii) a recommended timetable for implementing
41.14 the prescribed activities; and (viii) a legal description of the land encompassing the
41.15 parcels included in the plan. All management activities prescribed in a plan must be in
41.16 accordance with the recommended timber harvesting and forest management guidelines.
41.17 The commissioner of natural resources shall provide a framework for plan content and
41.18 updating and revising plans.

41.19 (e) Agricultural land as used in this section means contiguous acreage of ten
41.20 acres or more, used during the preceding year for agricultural purposes. "Agricultural
41.21 purposes" as used in this section means the raising, cultivation, drying, or storage of
41.22 agricultural products for sale, or the storage of machinery or equipment used in support
41.23 of agricultural production by the same farm entity. For a property to be classified as
41.24 agricultural based only on the drying or storage of agricultural products, the products
41.25 being dried or stored must have been produced by the same farm entity as the entity
41.26 operating the drying or storage facility. "Agricultural purposes" also includes enrollment
41.27 in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal
41.28 Conservation Reserve Program as contained in Public Law 99-198 or a similar state
41.29 or federal conservation program if the property was classified as agricultural (i) under
41.30 this subdivision for the assessment year 2002 or (ii) in the year prior to its enrollment.
41.31 Agricultural classification shall not be based upon the market value of any residential
41.32 structures on the parcel or contiguous parcels under the same ownership.

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

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

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

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

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

42.14 Classification under this subdivision is not determinative for qualifying under
42.15 section 273.111.

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

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

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

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

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

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

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

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

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

43.5 (1) wholesale and retail sales;

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

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

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

43.10 the assessor shall classify the part of the parcel used for agricultural purposes as class
43.11 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its
43.12 use. The grading, sorting, and packaging of raw agricultural products for first sale is
43.13 considered an agricultural purpose. A greenhouse or other building where horticultural
43.14 or nursery products are grown that is also used for the conduct of retail sales must be
43.15 classified as agricultural if it is primarily used for the growing of horticultural or nursery
43.16 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of
43.17 those products. Use of a greenhouse or building only for the display of already grown
43.18 horticultural or nursery products does not qualify as an agricultural purpose.

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

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

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

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

44.7 (m) Class 2e consists of land with a commercial aggregate deposit that is not actively
44.8 being mined and is not otherwise classified as class 2a or 2b, provided that the land is not
44.9 located in a county that has elected to opt-out of the aggregate preservation program as
44.10 provided in section 273.1115, subdivision 6. It has a class rate of one percent of market
44.11 value. To qualify for classification under this paragraph, the property must be at least
44.12 ten contiguous acres in size and the owner of the property must record with the county
44.13 recorder of the county in which the property is located an affidavit containing:

44.14 (1) a legal description of the property;

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

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

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

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

44.27 (n) When any portion of the property under this subdivision or subdivision 22 begins
44.28 to be actively mined, the owner must file a supplemental affidavit within 60 days from
44.29 the day any aggregate is removed stating the number of acres of the property that is
44.30 actively being mined. The acres actively being mined must be (1) valued and classified
44.31 under subdivision 24 in the next subsequent assessment year, and (2) removed from the
44.32 aggregate resource preservation property tax program under section 273.1115, if the
44.33 land was enrolled in that program. Copies of the original affidavit and all supplemental
44.34 affidavits must be filed with the county assessor, the local zoning administrator, and the
44.35 Department of Natural Resources, Division of Land and Minerals. A supplemental
44.36 affidavit must be filed each time a subsequent portion of the property is actively mined,

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

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

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

45.8 Sec. 6. Minnesota Statutes 2010, section 273.1384, subdivision 1, is amended to read:

45.9 Subdivision 1. **Residential homestead market value credit tax capacity**
45.10 **reduction.** Each county auditor shall determine a homestead ~~credit tax capacity~~ reduction
45.11 for each class 1a, 1b, and 2a homestead property within the county equal to 0.4 percent of
45.12 the first \$76,000 of market value of the property minus .09 percent of the market value
45.13 in excess of \$76,000. The ~~credit tax capacity~~ reduction amount may not be less than
45.14 zero. In the case of an agricultural or resort homestead, only the market value of the
45.15 house, garage, and immediately surrounding one acre of land is eligible in determining
45.16 the property's homestead ~~credit tax capacity~~ reduction. In the case of a property that is
45.17 classified as part homestead and part nonhomestead, (i) the ~~credit tax capacity~~ reduction
45.18 shall apply only to the homestead portion of the property, but (ii) if a portion of a property
45.19 is classified as nonhomestead solely because not all the owners occupy the property, not
45.20 all the owners have qualifying relatives occupying the property, or solely because not all
45.21 the spouses of owners occupy the property, the ~~credit tax capacity~~ reduction amount shall
45.22 be initially computed as if that nonhomestead portion were also in the homestead class and
45.23 then prorated to the owner-occupant's percentage of ownership. For the purpose of this
45.24 section, when an owner-occupant's spouse does not occupy the property, the percentage of
45.25 ownership for the owner-occupant spouse is one-half of the couple's ownership percentage.

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

45.28 Sec. 7. Minnesota Statutes 2010, section 273.1384, subdivision 3, is amended to read:

45.29 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax
45.30 reductions allowed under ~~this section~~ subdivision 2 within the county for each taxes
45.31 payable year and shall certify that amount to the commissioner of revenue as a part of the
45.32 abstracts of tax lists submitted by the county auditors under section 275.29. Any prior
45.33 year adjustments shall also be certified on the abstracts of tax lists. The commissioner

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

46.1 shall review the certifications for accuracy, and may make such changes as are deemed
46.2 necessary, or return the certification to the county auditor for correction. The ~~credits~~
46.3 credit under this section must be used to proportionately reduce the net tax capacity-based
46.4 property tax payable to each local taxing jurisdiction as provided in section 273.1393.

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

46.7 Sec. 8. Minnesota Statutes 2010, section 273.1384, subdivision 4, is amended to read:

46.8 Subd. 4. **Payment.** (a) The commissioner of revenue shall reimburse each local
46.9 taxing jurisdiction, other than school districts, for the tax reductions granted under ~~this~~
46.10 ~~section~~ subdivision 2 in two equal installments on October 31 and December 26 of the
46.11 taxes payable year for which the reductions are granted, including in each payment
46.12 the prior year adjustments certified on the abstracts for that taxes payable year. The
46.13 reimbursements related to tax increments shall be issued in one installment each year on
46.14 December 26.

46.15 (b) The commissioner of revenue shall certify the total of the tax reductions granted
46.16 under ~~this section~~ subdivision 2 for each taxes payable year within each school district to
46.17 the commissioner of the Department of Education and the commissioner of education shall
46.18 pay the reimbursement amounts to each school district as provided in section 273.1392.

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

46.21 Sec. 9. Minnesota Statutes 2010, section 273.1384, is amended by adding a subdivision
46.22 to read:

46.23 Subd. 7. **Credit reductions and limitation; counties and cities.** In 2011, the
46.24 market value credit reimbursement payment to each county and city authorized under
46.25 subdivision 4 may not exceed the reimbursement payment received by the county or city
46.26 for taxes payable in 2010.

46.27 **EFFECTIVE DATE.** This section is effective for credit reimbursements in 2011.

46.28 Sec. 10. Minnesota Statutes 2010, section 273.1393, is amended to read:

46.29 **273.1393 COMPUTATION OF NET PROPERTY TAXES.**

46.30 Notwithstanding any other provisions to the contrary, "net" property taxes are
46.31 determined by subtracting the credits in the order listed from the gross tax:

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

- 47.1 (1) disaster credit as provided in sections 273.1231 to 273.1235;
 - 47.2 (2) powerline credit as provided in section 273.42;
 - 47.3 (3) agricultural preserves credit as provided in section 473H.10;
 - 47.4 (4) enterprise zone credit as provided in section 469.171;
 - 47.5 (5) disparity reduction credit;
 - 47.6 (6) conservation tax credit as provided in section 273.119;
 - 47.7 (7) ~~homestead and agricultural credits~~ credit as provided in section 273.1384;
 - 47.8 (8) taconite homestead credit as provided in section 273.135;
 - 47.9 (9) supplemental homestead credit as provided in section 273.1391; and
 - 47.10 (10) the bovine tuberculosis zone credit, as provided in section 273.113.
- 47.11 The combination of all property tax credits must not exceed the gross tax amount.

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

47.14 Sec. 11. Minnesota Statutes 2010, section 273.1398, subdivision 3, is amended to read:

47.15 Subd. 3. **Disparity reduction aid.** The amount of disparity aid certified in 2012
47.16 for each taxing school district within each unique taxing jurisdiction ~~for taxes payable in~~
47.17 ~~the prior year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using~~
47.18 ~~the class rates for taxes payable in the year for which aid is being computed, to (2) its tax~~
47.19 ~~capacity using the class rates for taxes payable in the year prior to that for which aid is~~
47.20 ~~being computed, both based upon market values for taxes payable in the year prior to~~
47.21 ~~that for which aid is being computed. If the commissioner determines that insufficient~~
47.22 ~~information is available to reasonably and timely calculate the numerator in this ratio~~
47.23 ~~for the first taxes payable year that a class rate change or new class rate is effective,~~
47.24 ~~the commissioner shall omit the effects of that class rate change or new class rate when~~
47.25 ~~calculating this ratio for aid payable in that taxes payable year. For aid payable in the~~
47.26 ~~year following a year for which such omission was made, the commissioner shall use in~~
47.27 ~~the denominator for the class that was changed or created, the tax capacity for taxes~~
47.28 ~~payable two years prior to that in which the aid is payable, based on market values for~~
47.29 ~~taxes payable in the year prior to that for which aid is being computed~~ is equal to the
47.30 amount certified for taxes payable in 2011.

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

47.33 Sec. 12. Minnesota Statutes 2010, section 273.1398, subdivision 4, is amended to read:

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

48.1 Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989,
48.2 class 4a, class 3a, and class 3b property qualifies for a disparity reduction credit if: (1)
48.3 the property is located in a border city that has an enterprise zone designated pursuant
48.4 to section 469.168, subdivision 4; (2) the property is located in a city with a population
48.5 greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the
48.6 city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city
48.7 in another state; and (4) the adjacent city in the other state has a population of greater than
48.8 5,000 and less than 75,000 according to the 1980 decennial census.

48.9 (b) For taxes payable in 2012, the credit is 75 percent of an amount sufficient to
48.10 reduce (i) the taxes levied on class 4a property to 2.3 percent of the property's market
48.11 value and (ii) the tax on class 3a and class 3b property to 2.3 percent of market value.

48.12 (c) For taxes payable in 2013, the credit is 50 percent of an amount sufficient to
48.13 reduce (i) the taxes levied on class 4a property to 2.3 percent of the property's market
48.14 value and (ii) the tax on class 3a and class 3b property to 2.3 percent of market value.

48.15 (d) For taxes payable in 2014, the credit is 25 percent of an amount sufficient to
48.16 reduce (i) the taxes levied on class 4a property to 2.3 percent of the property's market
48.17 value and (ii) the tax on class 3a and class 3b property to 2.3 percent of market value.

48.18 ~~(e)~~ (e) The county auditor shall annually certify the costs of the credits to the
48.19 Department of Revenue. The department shall reimburse local governments for the
48.20 property taxes forgone as the result of the credits in proportion to their total levies.

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

48.23 Sec. 13. Minnesota Statutes 2010, section 275.08, subdivision 1a, is amended to read:

48.24 Subd. 1a. **Computation of tax capacity.** ~~For taxes payable in 1989, the county~~
48.25 ~~auditor shall compute the gross tax capacity for each parcel according to the class rates~~
48.26 ~~specified in section 273.13. The gross tax capacity will be the appropriate class rate~~
48.27 ~~multiplied by the parcel's market value. For taxes payable in 1990 and subsequent years,~~
48.28 The county auditor shall compute the net tax capacity for each parcel ~~according to the~~
48.29 ~~class rates specified in~~ as defined under section 273.13, subdivision 21b. ~~The net tax~~
48.30 ~~capacity will be the appropriate class rate multiplied by the parcel's market value.~~

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

49.1 Sec. 14. [275.761] MAINTENANCE OF EFFORT REQUIREMENTS
49.2 REDUCED.

49.3 (a) Notwithstanding any law to the contrary and except as provided in paragraphs (b)
49.4 and (c), the amounts required to be expended under the maintenance of effort requirements
49.5 for counties under sections 134.34, 245.4835, 256F.10, and 256F.13, are reduced to 90
49.6 percent of the amounts required for 2011.

49.7 (b) This section does not permit a county to reduce compliance with maintenance of
49.8 effort requirements to the extent that the reduction would:

49.9 (1) require the state to expend additional money or incur additional costs; or

49.10 (2) cause a reduction in the receipt by the state or the county of federal funds.

49.11 (c) The commissioner of management and budget may determine the maintenance
49.12 of effort requirements that are not permitted, in whole or in part, to be reduced under
49.13 paragraph (b). The commissioner shall publish these determinations on the department's
49.14 Web site and no county may reduce compliance with a maintenance of effort requirement
49.15 that the commissioner determines is not subject to reduction.

49.16 (d) Notwithstanding any law to the contrary, the amounts required to be expended
49.17 under the maintenance of effort requirements for all statutory and home rule charter cities
49.18 under section 134.34 are reduced to 90 percent of the amounts required for 2011.

49.19 **EFFECTIVE DATE.** This section is effective for maintenance of effort
49.20 requirements in 2012 and 2013.

49.21 Sec. 15. Minnesota Statutes 2010, section 276.04, subdivision 2, is amended to read:

49.22 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the
49.23 printing of the tax statements. The commissioner of revenue shall prescribe the form of
49.24 the property tax statement and its contents. The tax statement must not state or imply
49.25 that property tax credits are paid by the state of Minnesota. The statement must contain
49.26 a tabulated statement of the dollar amount due to each taxing authority and the amount
49.27 of the state tax from the parcel of real property for which a particular tax statement is
49.28 prepared. The dollar amounts attributable to the county, the state tax, the voter approved
49.29 school tax, the other local school tax, the township or municipality, and the total of
49.30 the metropolitan special taxing districts as defined in section 275.065, subdivision 3,
49.31 paragraph (i), must be separately stated. The amounts due all other special taxing districts,
49.32 if any, may be aggregated except that any levies made by the regional rail authorities in the
49.33 county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter
49.34 398A shall be listed on a separate line directly under the appropriate county's levy. If the
49.35 county levy under this paragraph includes an amount for a lake improvement district as

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

50.1 defined under sections 103B.501 to 103B.581, the amount attributable for that purpose
50.2 must be separately stated from the remaining county levy amount. In the case of Ramsey
50.3 County, if the county levy under this paragraph includes an amount for public library
50.4 service under section 134.07, the amount attributable for that purpose may be separated
50.5 from the remaining county levy amount. The amount of the tax on homesteads qualifying
50.6 under the senior citizens' property tax deferral program under chapter 290B is the total
50.7 amount of property tax before subtraction of the deferred property tax amount. The
50.8 amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any,
50.9 must also be separately stated. The dollar amounts, including the dollar amount of any
50.10 special assessments, may be rounded to the nearest even whole dollar. For purposes of this
50.11 section whole odd-numbered dollars may be adjusted to the next higher even-numbered
50.12 dollar. The amount of market value excluded under section 273.11, subdivision 16, if any,
50.13 must also be listed on the tax statement.

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

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

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

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

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

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

50.27 (5) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;
50.28 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of
50.29 credit received under section 273.135 must be separately stated and identified as "taconite
50.30 tax relief"; and

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

50.32 (d) If the county uses envelopes for mailing property tax statements and if the county
50.33 agrees, a taxing district may include a notice with the property tax statement notifying
50.34 taxpayers when the taxing district will begin its budget deliberations for the current
50.35 year, and encouraging taxpayers to attend the hearings. If the county allows notices to
50.36 be included in the envelope containing the property tax statement, and if more than

51.1 one taxing district relative to a given property decides to include a notice with the tax
51.2 statement, the county treasurer or auditor must coordinate the process and may combine
51.3 the information on a single announcement.

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

51.6 Sec. 16. Minnesota Statutes 2010, section 289A.50, subdivision 1, is amended to read:

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

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

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

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

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

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

52.5 **EFFECTIVE DATE.** This section is effective for refund claims based on
52.6 contributions made after June 30, 2011.

52.7 Sec. 17. Minnesota Statutes 2010, section 290.01, subdivision 6, is amended to read:

52.8 Subd. 6. **Taxpayer.** The term "taxpayer" means any person or corporation subject to
52.9 a tax imposed by this chapter. ~~For purposes of section 290.06, subdivision 23, the term~~
52.10 ~~"taxpayer" means an individual eligible to vote in Minnesota under section 201.014.~~

52.11 **EFFECTIVE DATE.** This section is effective for refund claims based on
52.12 contributions made after June 30, 2011.

52.13 Sec. 18. Minnesota Statutes 2010, section 290A.03, subdivision 11, is amended to read:

52.14 Subd. 11. **Rent constituting property taxes.** "Rent constituting property taxes"
52.15 means ~~19~~ 15 percent of the gross rent actually paid in cash, or its equivalent, or the portion
52.16 of rent paid in lieu of property taxes, in any calendar year by a claimant for the right
52.17 of occupancy of the claimant's Minnesota homestead in the calendar year, and which
52.18 rent constitutes the basis, in the succeeding calendar year of a claim for relief under this
52.19 chapter by the claimant.

52.20 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
52.21 2010 and following years.

52.22 Sec. 19. Minnesota Statutes 2010, section 290A.03, subdivision 13, is amended to read:

52.23 Subd. 13. **Property taxes payable.** "Property taxes payable" means the property tax
52.24 exclusive of special assessments, penalties, and interest payable on a claimant's homestead
52.25 after deductions made under sections 273.135, 273.1384, 273.1391, 273.42, subdivision 2,
52.26 and any other state paid property tax credits in any calendar year, and after any refund
52.27 claimed and allowable under section 290A.04, subdivision 2h, that is first payable in
52.28 the year that the property tax is payable. In the case of a claimant who makes ground
52.29 lease payments, "property taxes payable" includes the amount of the payments directly
52.30 attributable to the property taxes assessed against the parcel on which the house is located.
52.31 No apportionment or reduction of the "property taxes payable" shall be required for the
52.32 use of a portion of the claimant's homestead for a business purpose if the claimant does not

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

53.1 deduct any business depreciation expenses for the use of a portion of the homestead in the
 53.2 determination of federal adjusted gross income. For homesteads which are manufactured
 53.3 homes as defined in section 273.125, subdivision 8, and for homesteads which are park
 53.4 trailers taxed as manufactured homes under section 168.012, subdivision 9, "property
 53.5 taxes payable" shall also include ~~19~~ 15 percent of the gross rent paid in the preceding
 53.6 year for the site on which the homestead is located. When a homestead is owned by
 53.7 two or more persons as joint tenants or tenants in common, such tenants shall determine
 53.8 between them which tenant may claim the property taxes payable on the homestead. If
 53.9 they are unable to agree, the matter shall be referred to the commissioner of revenue
 53.10 whose decision shall be final. Property taxes are considered payable in the year prescribed
 53.11 by law for payment of the taxes.

53.12 In the case of a claim relating to "property taxes payable," the claimant must have
 53.13 owned and occupied the homestead on January 2 of the year in which the tax is payable
 53.14 and (i) the property must have been classified as homestead property pursuant to section
 53.15 273.124, on or before December 15 of the assessment year to which the "property taxes
 53.16 payable" relate; or (ii) the claimant must provide documentation from the local assessor
 53.17 that application for homestead classification has been made on or before December 15
 53.18 of the year in which the "property taxes payable" were payable and that the assessor has
 53.19 approved the application.

53.20 **EFFECTIVE DATE.** This section is effective for claims based on rent paid in
 53.21 2010 and following years.

53.22 Sec. 20. Minnesota Statutes 2010, section 290A.04, subdivision 2, is amended to read:

53.23 Subd. 2. **Homeowners.** A claimant whose property taxes payable are in excess
 53.24 of the percentage of the household income stated below shall pay an amount equal to
 53.25 the percent of income shown for the appropriate household income level along with the
 53.26 percent to be paid by the claimant of the remaining amount of property taxes payable.

53.27 The state refund equals the amount of property taxes payable that remain, up to the state
 53.28 refund amount shown below.

53.29			Percent Paid by	Maximum
53.30	Household Income	Percent of Income	Claimant	State
53.31				Refund
53.32	\$0 to 1,189	1.0 percent	15 percent	\$ 1,850
53.33	1,190 to 2,379	1.1 percent	15 percent	\$ 1,850
53.34	2,380 to 3,589	1.2 percent	15 percent	\$ 1,800
53.35	3,590 to 4,789	1.3 percent	20 percent	\$ 1,800
53.36	4,790 to 5,979	1.4 percent	20 percent	\$ 1,730

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

54.1	5,980 to 8,369	1.5 percent	20 percent	\$ 1,730
54.2	8,370 to 9,559	1.6 percent	25 percent	\$ 1,670
54.3	9,560 to 10,759	1.7 percent	25 percent	\$ 1,670
54.4	10,760 to 11,949	1.8 percent	25 percent	\$ 1,610
54.5	11,950 to 13,139	1.9 percent	30 percent	\$ 1,610
54.6	13,140 to 14,349	2.0 percent	30 percent	\$ 1,540
54.7	14,350 to 16,739	2.1 percent	30 percent	\$ 1,540
54.8	16,740 to 17,929	2.2 percent	35 percent	\$ 1,480
54.9	17,930 to 19,119	2.3 percent	35 percent	\$ 1,480
54.10	19,120 to 20,319	2.4 percent	35 percent	\$ 1,420
54.11	20,320 to 25,099	2.5 percent	40 percent	\$ 1,420
54.12	25,100 to 28,679	2.6 percent	40 percent	\$ 1,360
54.13	28,680 to 35,849	2.7 percent	40 percent	\$ 1,360
54.14	35,850 to 41,819	2.8 percent	45 percent	\$ 1,240
54.15	41,820 to 47,799	3.0 percent	45 percent	\$ 1,240
54.16	47,800 to 53,779	3.2 percent	45 percent	\$ 1,110
54.17	53,780 to 59,749	3.5 percent	50 percent	\$ 990
54.18	59,750 to 65,729	3.5 percent	50 percent	\$ 870
54.19	65,730 to 69,319	3.5 percent	50 percent	\$ 740
54.20	69,320 to 71,719	3.5 percent	50 percent	\$ 610
54.21	71,720 to 74,619	3.5 percent	50 percent	\$ 500
54.22	74,620 to 77,519	3.5 percent	50 percent	\$ 370
54.23				<u>Maximum</u>
54.24			<u>Percent Paid by</u>	<u>State</u>
54.25	<u>Household Income</u>	<u>Percent of Income</u>	<u>Claimant</u>	<u>Refund</u>
54.26	<u>\$0 to 1,549</u>	<u>1.0 percent</u>	<u>ten percent</u>	<u>\$ 2,500</u>
54.27	<u>1,550 to 3,089</u>	<u>1.1 percent</u>	<u>ten percent</u>	<u>\$ 2,500</u>
54.28	<u>3,090 to 4,669</u>	<u>1.2 percent</u>	<u>ten percent</u>	<u>\$ 2,500</u>
54.29	<u>4,670 to 6,229</u>	<u>1.3 percent</u>	<u>15 percent</u>	<u>\$ 2,500</u>
54.30	<u>6,230 to 7,769</u>	<u>1.4 percent</u>	<u>15 percent</u>	<u>\$ 2,500</u>
54.31	<u>7,770 to 10,879</u>	<u>1.5 percent</u>	<u>15 percent</u>	<u>\$ 2,500</u>
54.32	<u>10,880 to 12,429</u>	<u>1.6 percent</u>	<u>20 percent</u>	<u>\$ 2,500</u>
54.33	<u>12,430 to 13,989</u>	<u>1.7 percent</u>	<u>20 percent</u>	<u>\$ 2,500</u>
54.34	<u>13,990 to 15,539</u>	<u>1.8 percent</u>	<u>20 percent</u>	<u>\$ 2,500</u>
54.35	<u>15,540 to 17,079</u>	<u>1.9 percent</u>	<u>25 percent</u>	<u>\$ 2,500</u>
54.36	<u>17,080 to 18,659</u>	<u>2.0 percent</u>	<u>25 percent</u>	<u>\$ 2,500</u>
54.37	<u>18,660 to 21,759</u>	<u>2.1 percent</u>	<u>25 percent</u>	<u>\$ 2,500</u>
54.38	<u>21,760 to 23,309</u>	<u>2.2 percent</u>	<u>25 percent</u>	<u>\$ 2,500</u>
54.39	<u>23,310 to 24,859</u>	<u>2.3 percent</u>	<u>25 percent</u>	<u>\$ 2,500</u>
54.40	<u>24,860 to 26,419</u>	<u>2.4 percent</u>	<u>25 percent</u>	<u>\$ 2,500</u>
54.41	<u>26,420 to 32,629</u>	<u>2.5 percent</u>	<u>30 percent</u>	<u>\$ 2,500</u>
54.42	<u>32,630 to 37,279</u>	<u>2.6 percent</u>	<u>30 percent</u>	<u>\$ 2,500</u>
54.43	<u>37,280 to 46,609</u>	<u>2.7 percent</u>	<u>30 percent</u>	<u>\$ 2,000</u>

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

55.1	<u>46,610 to 54,369</u>	<u>2.8 percent</u>	<u>35 percent</u>	<u>\$ 2,000</u>
55.2	<u>54,370 to 62,139</u>	<u>2.8 percent</u>	<u>35 percent</u>	<u>\$ 1,750</u>
55.3	<u>62,140 to 69,909</u>	<u>3.0 percent</u>	<u>35 percent</u>	<u>\$ 1,440</u>
55.4	<u>69,910 to 77,679</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$ 1,290</u>
55.5	<u>77,680 to 84,449</u>	<u>3.0 percent</u>	<u>40 percent</u>	<u>\$ 1,130</u>
55.6	<u>85,450 to 90,119</u>	<u>3.5 percent</u>	<u>45 percent</u>	<u>\$ 960</u>
55.7	<u>90,120 to 93,239</u>	<u>3.5 percent</u>	<u>45 percent</u>	<u>\$ 790</u>
55.8	<u>93,240 to 97,009</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$ 650</u>
55.9	<u>97,010 to 100,779</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$ 480</u>

55.10 The payment made to a claimant shall be the amount of the state refund calculated
 55.11 under this subdivision. No payment is allowed if the claimant's household income is
 55.12 ~~\$77,520~~ \$100,780 or more.

55.13 **EFFECTIVE DATE.** This section is effective beginning with refunds based on
 55.14 taxes payable in 2012.

55.15 Sec. 21. Minnesota Statutes 2010, section 290A.04, subdivision 4, is amended to read:

55.16 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in
 55.17 calendar year 2002, the commissioner shall annually adjust the dollar amounts of the
 55.18 income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation.
 55.19 The commissioner shall make the inflation adjustments in accordance with section 1(f) of
 55.20 the Internal Revenue Code, except that for purposes of this subdivision the percentage
 55.21 increase shall be determined as provided in this subdivision.

55.22 (b) In adjusting the dollar amounts of the income thresholds and the maximum
 55.23 refunds under subdivision 2 for inflation, the percentage increase shall be determined from
 55.24 the year ending on June 30, 2011, to the year ending on June 30 of the year preceding that
 55.25 in which the refund is payable.

55.26 (c) In adjusting the dollar amounts of the income thresholds and the maximum
 55.27 refunds under subdivision 2a for inflation, the percentage increase shall be determined
 55.28 from the year ending on June 30, 2000, to the year ending on June 30 of the year preceding
 55.29 that in which the refund is payable.

55.30 (d) The commissioner shall use the appropriate percentage increase to annually
 55.31 adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for
 55.32 inflation without regard to whether or not the income tax brackets are adjusted for inflation
 55.33 in that year. The commissioner shall round the thresholds and the maximum amounts,
 55.34 as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall
 55.35 round it up to the next \$10 amount.

56.1 (e) The commissioner shall annually announce the adjusted refund schedule at the
56.2 same time provided under section 290.06. The determination of the commissioner under
56.3 this subdivision is not a rule under the Administrative Procedure Act.

56.4 **EFFECTIVE DATE.** This section is effective beginning for refunds based on
56.5 taxes payable in 2013.

56.6 Sec. 22. Minnesota Statutes 2010, section 477A.0124, is amended by adding a
56.7 subdivision to read:

56.8 **Subd. 6. Aid payments in 2011 and 2012.** Notwithstanding total aids calculated or
56.9 certified for 2011 under subdivisions 3, 4, and 5, for 2011 and 2012, each county shall
56.10 receive an aid distribution under this section equal to the lesser of (1) the total amount of
56.11 aid it received under this section in 2010 after the reductions under sections 477A.0133
56.12 and 477A.0134, or (2) the total amount the county is certified to receive in 2011 under
56.13 subdivisions 3 to 5.

56.14 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
56.15 2011 and 2012.

56.16 Sec. 23. Minnesota Statutes 2010, section 477A.013, subdivision 9, is amended to read:

56.17 Subd. 9. **City aid distribution.** (a) In calendar year 2009 and thereafter, each
56.18 city shall receive an aid distribution equal to the sum of (1) the city formula aid under
56.19 subdivision 8, and (2) its city aid base.

56.20 (b) For aids payable in ~~2011~~ 2013 only, the total aid in the previous year for any
56.21 city shall mean the amount of aid it was certified to receive for aids payable in ~~2010~~ 2012
56.22 under this section ~~minus the amount of its aid reduction under section 477A.0134.~~ For aids
56.23 payable in ~~2012~~ 2014 and thereafter, the total aid in the previous year for any city means
56.24 the amount of aid it was certified to receive under this section in the previous payable year.

56.25 (c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed
56.26 the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution
56.27 plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total
56.28 aid for any city with a population of 2,500 or more may not be less than its total aid under
56.29 this section in the previous year minus the lesser of \$10 multiplied by its population, or ten
56.30 percent of its net levy in the year prior to the aid distribution.

56.31 (d) For aids payable in 2010 and thereafter, the total aid for a city with a population
56.32 less than 2,500 must not be less than the amount it was certified to receive in the
56.33 previous year minus the lesser of \$10 multiplied by its population, or five percent of its

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

57.1 2003 certified aid amount. For aids payable in 2009 only, the total aid for a city with a
57.2 population less than 2,500 must not be less than what it received under this section in the
57.3 previous year unless its total aid in calendar year 2008 was aid under section 477A.011,
57.4 subdivision 36, paragraph (s), in which case its minimum aid is zero.

57.5 (e) A city's aid loss under this section may not exceed \$300,000 in any year in
57.6 which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or
57.7 greater than the appropriation under that subdivision in the previous year, unless the
57.8 city has an adjustment in its city net tax capacity under the process described in section
57.9 469.174, subdivision 28.

57.10 (f) If a city's net tax capacity used in calculating aid under this section has decreased
57.11 in any year by more than 25 percent from its net tax capacity in the previous year due to
57.12 property becoming tax-exempt Indian land, the city's maximum allowed aid increase
57.13 under paragraph (c) shall be increased by an amount equal to (1) the city's tax rate in the
57.14 year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease
57.15 resulting from the property becoming tax exempt.

57.16 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
57.17 2012 and thereafter.

57.18 Sec. 24. Minnesota Statutes 2010, section 477A.013, is amended by adding a
57.19 subdivision to read:

57.20 **Subd. 11. Aid payments in 2011 and 2012.** Notwithstanding aids calculated or
57.21 certified for 2011 under subdivision 9, for 2011 and 2012, each city shall receive an aid
57.22 distribution under this section equal to the lesser of (1) the total amount of aid it received
57.23 under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134,
57.24 and reduced by the amount of payments made under section 477A.011, subdivision
57.25 36, paragraphs (y) and (z), or (2) the amount it was certified to receive in 2011 under
57.26 subdivision 9. In 2011 only, a city that qualifies for the aid base adjustment under section
57.27 477A.011, subdivision 36, paragraph (aa), shall receive the amount that it was certified to
57.28 receive in 2011. In 2012, a city that qualifies for the aid base adjustment under section
57.29 477A.011, subdivision 36, paragraph (aa), shall receive the amount that it was certified
57.30 to receive in 2011, minus the aid base adjustment provided under section 477A.011,
57.31 subdivision 36, paragraph (aa).

57.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar years
57.33 2011 and 2012.

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

58.1 Sec. 25. Minnesota Statutes 2010, section 477A.03, is amended to read:

58.2 **477A.03 APPROPRIATION.**

58.3 Subd. 2. **Annual appropriation.** A sum sufficient to discharge the duties imposed
58.4 by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the
58.5 commissioner of revenue.

58.6 Subd. 2a. **Cities.** For aids payable in ~~2011~~ 2013 and thereafter, the total aid paid
58.7 under section 477A.013, subdivision 9, is ~~\$527,100,646~~ \$426,438,012.

58.8 Subd. 2b. **Counties.** (a) For aids payable in ~~2011~~ 2013 and thereafter, the total aid
58.9 payable under section 477A.0124, subdivision 3, is ~~\$96,395,000~~ \$80,795,000. Each
58.10 calendar year, \$500,000 shall be retained by the commissioner of revenue to make
58.11 reimbursements to the commissioner of management and budget for payments made
58.12 under section 611.27. For calendar year 2004, the amount shall be in addition to the
58.13 payments authorized under section 477A.0124, subdivision 1. For calendar year 2005
58.14 and subsequent years, the amount shall be deducted from the appropriation under
58.15 this paragraph. The reimbursements shall be to defray the additional costs associated
58.16 with court-ordered counsel under section 611.27. Any retained amounts not used for
58.17 reimbursement in a year shall be included in the next distribution of county need aid
58.18 that is certified to the county auditors for the purpose of property tax reduction for the
58.19 next taxes payable year.

58.20 (b) For aids payable in ~~2011~~ 2013 and thereafter, the total aid under section
58.21 477A.0124, subdivision 4, is ~~\$101,309,575~~ \$84,909,575. The commissioner of
58.22 management and budget shall bill the commissioner of revenue for the cost of preparation
58.23 of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year
58.24 2004 and thereafter. The commissioner of education shall bill the commissioner of
58.25 revenue for the cost of preparation of local impact notes for school districts as required by
58.26 section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner
58.27 of revenue shall deduct the amounts billed under this paragraph from the appropriation
58.28 under this paragraph. The amounts deducted are appropriated to the commissioner of
58.29 management and budget and the commissioner of education for the preparation of local
58.30 impact notes.

58.31 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
58.32 2012 and thereafter.

58.33 Sec. 26. Minnesota Statutes 2010, section 477A.11, subdivision 1, is amended to read:

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

59.1 Subdivision 1. **Terms.** For the purpose of sections 477A.11 to ~~477A.145~~ 477A.14,
59.2 the terms defined in this section have the meanings given them.

59.3 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
59.4 2011 and thereafter.

59.5 Sec. 27. Minnesota Statutes 2010, section 477A.12, subdivision 1, is amended to read:

59.6 Subdivision 1. **Types of land; payments.** (a) As an offset for expenses incurred
59.7 by counties and towns in support of natural resources lands, the following amounts are
59.8 annually appropriated to the commissioner of natural resources from the general fund for
59.9 transfer to the commissioner of revenue. The commissioner of revenue shall pay the
59.10 transferred funds to counties as required by sections 477A.11 to ~~477A.145~~ 477A.14.

59.11 The amounts are:

59.12 (1) for acquired natural resources land, ~~\$3, as adjusted for inflation under section~~
59.13 ~~477A.145, \$4.363~~ multiplied by the total number of acres of acquired natural resources
59.14 land or, at the county's option ~~three-fourths of one~~ 0.6375 percent of the appraised value of
59.15 all acquired natural resources land in the county, whichever is greater;

59.16 (2) ~~75 cents, as adjusted for inflation under section 477A.145, \$1.091~~ multiplied by
59.17 the number of acres of county-administered other natural resources land;

59.18 (3) ~~75 cents, as adjusted for inflation under section 477A.145, \$1.091~~ multiplied by
59.19 the total number of acres of land utilization project land; and

59.20 (4) ~~37.5 cents, as adjusted for inflation under section 477A.145, 54.5 cents~~ multiplied
59.21 by the number of acres of commissioner-administered other natural resources land located
59.22 in each county as of July 1 of each year prior to the payment year.

59.23 (b) The amount determined under paragraph (a), clause (1), is payable for land
59.24 that is acquired from a private owner and owned by the Department of Transportation
59.25 for the purpose of replacing wetland losses caused by transportation projects, but only
59.26 if the county contains more than 500 acres of such land at the time the certification is
59.27 made under subdivision 2.

59.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
59.29 2011 and thereafter.

59.30 Sec. 28. Minnesota Statutes 2010, section 477A.14, subdivision 1, is amended to read:

59.31 Subdivision 1. **General distribution.** Except as provided in subdivision 2 or in
59.32 section 97A.061, subdivision 5, 40 percent of the total payment to the county shall be

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

60.1 deposited in the county general revenue fund to be used to provide property tax levy
60.2 reduction. The remainder shall be distributed by the county in the following priority:

60.3 (a) ~~37.5 cents, as adjusted for inflation under section 477A.145,~~ 54.5 cents for
60.4 each acre of county-administered other natural resources land shall be deposited in a
60.5 resource development fund to be created within the county treasury for use in resource
60.6 development, forest management, game and fish habitat improvement, and recreational
60.7 development and maintenance of county-administered other natural resources land. Any
60.8 county receiving less than \$5,000 annually for the resource development fund may elect to
60.9 deposit that amount in the county general revenue fund;

60.10 (b) From the funds remaining, within 30 days of receipt of the payment to the
60.11 county, the county treasurer shall pay each organized township ~~30 cents, as adjusted for~~
60.12 ~~inflation under section 477A.145,~~ 43.6 cents for each acre of acquired natural resources
60.13 land and each acre of land described in section 477A.12, subdivision 1, paragraph (b), and
60.14 ~~7.5 cents, as adjusted for inflation under section 477A.145,~~ 10.9 cents for each acre of
60.15 other natural resources land and each acre of land utilization project land located within its
60.16 boundaries. Payments for natural resources lands not located in an organized township
60.17 shall be deposited in the county general revenue fund. Payments to counties and townships
60.18 pursuant to this paragraph shall be used to provide property tax levy reduction, except
60.19 that of the payments for natural resources lands not located in an organized township, the
60.20 county may allocate the amount determined to be necessary for maintenance of roads in
60.21 unorganized townships. Provided that, if the total payment to the county pursuant to
60.22 section 477A.12 is not sufficient to fully fund the distribution provided for in this clause,
60.23 the amount available shall be distributed to each township and the county general revenue
60.24 fund on a pro rata basis; and

60.25 (c) Any remaining funds shall be deposited in the county general revenue fund.
60.26 Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the
60.27 excess shall be used to provide property tax levy reduction.

60.28 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
60.29 2011 and thereafter.

60.30 Sec. 29. Minnesota Statutes 2010, section 477A.17, is amended to read:

60.31 **477A.17 LAKE VERMILION STATE PARK AND SOUDAN**
60.32 **UNDERGROUND MINE STATE PARK; ANNUAL PAYMENTS.**

60.33 (a) Beginning in fiscal year 2012, in lieu of the payment amount provided under
60.34 section 477A.12, subdivision 1, clause (1), the county shall receive an annual payment for

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

61.1 land acquired for Lake Vermilion State Park, established in section 85.012, subdivision
61.2 38a, and land within the boundary of Soudan Underground Mine State Park, established
61.3 in section 85.012, subdivision 53a, equal to ~~1.5~~ 1.275 percent of the appraised value of
61.4 the land.

61.5 (b) For the purposes of this section, the appraised value of the land acquired for
61.6 Lake Vermilion State Park for the first five years after acquisition shall be the purchase
61.7 price of the land, plus the value of any portion of the land that is acquired by donation.
61.8 The appraised value must be redetermined by the county assessor every five years after
61.9 the land is acquired.

61.10 (c) The annual payments under this section shall be distributed to the taxing
61.11 jurisdictions containing the property as follows: one-third to the school districts; one-third
61.12 to the town; and one-third to the county. The payment to school districts is not a county
61.13 apportionment under section 127A.34 and is not subject to aid recapture. Each of those
61.14 taxing jurisdictions may use the payments for their general purposes.

61.15 (d) Except as provided in this section, the payments shall be made as provided
61.16 in sections 477A.11 to 477A.13.

61.17 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year
61.18 2011 and thereafter.

61.19 Sec. 30. **ADMINISTRATION OF PROPERTY TAX REFUND CLAIMS; 2011.**

61.20 In administering Minnesota Statutes, section 290A.03, subdivisions 11 and 13, for
61.21 claims for refunds submitted using 19 percent of gross rent as rent constituting property
61.22 taxes under prior law, the commissioner shall recalculate and pay the refund amounts
61.23 using 15 percent of gross rent. The commissioner shall notify the claimant that the
61.24 recalculation was mandated by action of the 2011 Legislature.

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

61.26 Sec. 31. **PROPERTY TAX STATEMENT FOR TAXES PAYABLE IN 2012 ONLY.**

61.27 For the purposes of the property tax statements required under Minnesota Statutes,
61.28 section 276.04, subdivision 2, for taxes payable in 2012 only, the gross tax amount shown
61.29 for the previous year is the gross tax minus the residential homestead market value credit.

61.30 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 only.

61.31 Sec. 32. **CONSOLIDATION AND SERVICE-SHARING GRANTS;**
61.32 **APPROPRIATION.**

62.1 Subdivision 1. **Definition.** For the purposes of this section, "local government"
62.2 means a county or a home rule charter or statutory city.

62.3 Subd. 2. **Grants.** (a) The state auditor may make a consolidation grant to a local
62.4 government that is planning to consolidate with at least one other contiguous local
62.5 government of the same type. The grants shall be made on a first-come first-served
62.6 basis. The state auditor shall determine the form and content of the application and
62.7 grant agreements. An application must contain a resolution adopted by the governing
62.8 body of each participating local government supporting the consolidation of the local
62.9 governments. The amount of the grant shall be determined by the state auditor based on
62.10 the estimated cost to the local governments of the consolidation process and their need for
62.11 state financial assistance to accomplish the consolidation. The maximum grant amount is
62.12 \$100,000 per local government.

62.13 (b) The state auditor may make a service-sharing grant to a local government that
62.14 is planning to implement a program of providing shared services in cooperation with at
62.15 least one other local government. The grants shall be made on a first-come first-served
62.16 basis. The state auditor shall determine the form and content of the application and grant
62.17 agreements. An application must contain a resolution adopted by the governing body of
62.18 each participating local government supporting the plan to provide shared services. The
62.19 amount of the grant shall be determined by the state auditor based on the estimated cost
62.20 to the local governments of implementing the service-sharing plan, and their need for
62.21 state financial assistance to accomplish it. The maximum grant amount is \$100,000 per
62.22 local government.

62.23 Subd. 3. **Report.** The state auditor must report to the governor and legislative
62.24 committees with jurisdiction over local government governance and local government
62.25 taxes and finance on the consolidation and service-sharing grants made and how the
62.26 money was used. An interim report is due February 1, 2012, and a final report is due
62.27 December 15, 2012.

62.28 Subd. 4. **Appropriation.** \$3,500,000 is appropriated from the general fund to the
62.29 state auditor for each of the fiscal years 2012 and 2013, to make grants to counties and
62.30 cities as provided in this section. In each of those years, \$2,500,000 is to be used for
62.31 consolidation grants and \$1,000,000 is to be used for service-sharing grants, provided that
62.32 if by November 30 in either year, one of those amounts has not been used for its primary
62.33 purpose, that remainder may be used for the other type of grants.

62.34 Sec. 33. **REPEALER.**

63.1 (a) Minnesota Statutes 2010, sections 10A.322, subdivision 4; and 13.4967,
63.2 subdivision 2, are repealed.

63.3 (b) Minnesota Statutes 2010, section 290.06, subdivision 23, is repealed.

63.4 (c) Minnesota Statutes 2010, sections 275.295; and 477A.145, are repealed.

63.5 (d) Minnesota Statutes 2010, section 273.1384, subdivision 6, is repealed.

63.6 (e) Minnesota Statutes 2010, section 273.1398, subdivision 4, is repealed.

63.7 (f) Minnesota Statutes 2010, sections 290C.01; 290C.02; 290C.03; 290C.04;
63.8 290C.05; 290C.055; 290C.06; 290C.07; 290C.08; 290C.09; 290C.10; 290C.11; 290C.12;
63.9 and 290C.13, are repealed.

63.10 **EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.
63.11 Paragraph (b) is effective for refund claims based on contributions made after June 30,
63.12 2011. Paragraph (c) is effective for aids payable in 2011 and thereafter. Paragraph (d)
63.13 is effective for taxes payable in 2012 and thereafter. Paragraph (e) is effective for taxes
63.14 payable in 2015 and thereafter. Paragraph (f) is effective July 1, 2011, and the covenants
63.15 under the program are void on that date. No later than 60 days after enactment of this
63.16 section, the commissioner of revenue shall issue a document to each enrollee immediately
63.17 releasing the land from the covenant as provided in Minnesota Statutes 2010, section
63.18 290C.04, paragraph (c).

63.19 **ARTICLE 4**

63.20 **PROPERTY TAX**

63.21 Section 1. Minnesota Statutes 2010, section 272.02, subdivision 39, is amended to read:

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

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

63.32 The governing body of the political subdivision which acquires property which is
63.33 subject to this subdivision shall after the purchase of the property certify to the city or
63.34 county assessor whether the property is held for economic development purposes or

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

64.1 housing purposes, or whether it meets the conditions of section 469.174, subdivision 10.
64.2 If the property is acquired for economic development purposes and buildings or other
64.3 improvements are constructed after acquisition of the property, and if more than one-half
64.4 of the floor space of the buildings or improvements which is available for lease to or use
64.5 by a private individual, corporation, or other entity is leased to or otherwise used by
64.6 a private individual, corporation, or other entity the provisions of this subdivision shall
64.7 not apply to the property. This subdivision shall not create an exemption from section
64.8 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of
64.9 law providing for the taxation of or for payments in lieu of taxes for publicly held property
64.10 which is leased, loaned, or otherwise made available and used by a private person.

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

64.13 Sec. 2. Minnesota Statutes 2010, section 272.02, is amended by adding a subdivision
64.14 to read:

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

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

64.23 (2) be owned and operated by a municipal power agency as defined in section
64.24 453.52, subdivision 8;

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

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

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

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

64.33 (b) Construction of the facility must be commenced after December 31, 2011, and
64.34 before January 1, 2015. Property eligible for this exemption does not include (i) electric
64.35 transmission lines and interconnections or gas pipelines and interconnections appurtenant

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

65.1 to the property or the facility; or (ii) property located on the site on the enactment date
65.2 of this subdivision.

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

65.5 Sec. 3. Minnesota Statutes 2010, section 273.111, is amended by adding a subdivision
65.6 to read:

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

65.10 **EFFECTIVE DATE.** This section is effective for appeals denied after June 30,
65.11 2011.

65.12 Sec. 4. Minnesota Statutes 2010, section 273.114, subdivision 2, is amended to read:

65.13 Subd. 2. **Requirements.** Class 2a or 2b property that had been ~~assessed~~ properly
65.14 classified under Minnesota Statutes 2006, section 273.111, or that is part of an agricultural
65.15 homestead under Minnesota Statutes, section 273.13, subdivision 23, paragraph (a), is
65.16 entitled to valuation and tax deferral under this section if:

- 65.17 (1) the land consists of at least ten acres;
- 65.18 (2) ~~a conservation assessment plan for the land must be prepared by an approved~~
65.19 ~~plan writer and implemented during the period in which the land is subject to valuation~~
65.20 ~~and deferral under this section;~~
- 65.21 (3) ~~the land must be enrolled for a minimum of eight years;~~
- 65.22 (4) there are no delinquent property taxes on the land; and
- 65.23 (5) (3) the property is not also enrolled for valuation and deferral under section
65.24 273.111 or 273.112, or chapter 290C or 473H.

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

65.26 Sec. 5. Minnesota Statutes 2010, section 273.114, subdivision 5, is amended to read:

65.27 Subd. 5. **Application and covenant agreement.** (a) Application for deferral
65.28 of taxes and assessment under this section shall be filed by May 1 of the year prior to
65.29 the year in which the taxes are payable. Any application filed under this subdivision
65.30 and granted shall continue in effect for subsequent years until the ~~termination of the~~
65.31 ~~covenant agreement under paragraph (b)~~ property is withdrawn or no longer qualifies.
65.32 The application must be filed with the assessor of the taxing district in which the real

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

66.1 property is located on the form prescribed by the commissioner of revenue. Each
66.2 application must include the most recent available aerial photograph or satellite image
66.3 of the property provided by the Farm Service Agency of the United States Department
66.4 of Agriculture that clearly delineates the land that is to be enrolled. The application
66.5 form must contain a statement setting forth the consequences to the property owner of
66.6 termination of qualification of property under the rural preserve program, together with a
66.7 recommendation that land that is likely to be changed to a nonqualifying use during the
66.8 period of enrollment should not be included in the application. The assessor may require
66.9 proof by affidavit or otherwise that the property qualifies under subdivision 2.

66.10 ~~(b) The owner of the property must sign a covenant agreement that is filed with the~~
66.11 ~~county recorder and recorded in the county where the property is located. The covenant~~
66.12 ~~agreement must include all of the following:~~

66.13 ~~(1) legal description of the area to which the covenant applies;~~

66.14 ~~(2) name and address of the owner;~~

66.15 ~~(3) a statement that the land described in the covenant must be kept as rural preserve~~
66.16 ~~land, which meets the requirements of subdivision 2, for the duration of the covenant;~~

66.17 ~~(4) a statement that the landowner may terminate the covenant agreement by~~
66.18 ~~notifying the county assessor in writing three years in advance of the date of proposed~~
66.19 ~~termination, provided that the notice of intent to terminate may not be given at any time~~
66.20 ~~before the land has been subject to the covenant for a period of five years;~~

66.21 ~~(5) a statement that the covenant is binding on the owner or the owner's successor or~~
66.22 ~~assigns and runs with the land; and~~

66.23 ~~(6) a witnessed signature of the owner, agreeing by covenant, to maintain the land as~~
66.24 ~~described in subdivision 2.~~

66.25 ~~(c) After a covenant under this section has been terminated, the land that had been~~
66.26 ~~subject to the covenant is ineligible for subsequent valuation under this section for a~~
66.27 ~~period of three years after the termination.~~

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

66.29 Sec. 6. Minnesota Statutes 2010, section 273.114, subdivision 6, is amended to read:

66.30 Subd. 6. **Additional taxes.** ~~Upon termination of a covenant agreement in~~
66.31 ~~subdivision 5, paragraph (b), the land to which the covenant applied~~ When real property
66.32 which is being, or has been valued and assessed under this section no longer qualifies
66.33 under subdivision 2, the portion no longer qualifying shall be subject to additional taxes
66.34 in the amount equal to the difference between the taxes determined in accordance with
66.35 subdivision 3 and the amount determined under subdivision 4, provided that the amount

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

67.1 determined under subdivision 4 shall not be greater than it would have been had the
67.2 actual bona fide sale price of the real property at an arm's-length transaction been used in
67.3 lieu of the market value determined under subdivision 4. The additional taxes shall be
67.4 extended against the property on the tax list for the current year, provided that no interest
67.5 or penalties shall be levied on the additional taxes if timely paid and that the additional
67.6 taxes shall only be levied with respect to the current year plus two prior years that the
67.7 property has been valued and assessed under this section.

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

67.9 Sec. 7. Minnesota Statutes 2010, section 273.13, subdivision 25, is amended to read:

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

67.17 (b) Class 4b includes:

67.18 (1) residential real estate containing less than four units that does not qualify as class
67.19 4bb, other than seasonal residential recreational property;

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

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

67.23 (4) unimproved property that is classified residential as determined under subdivision
67.24 33.

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

67.26 (c) Class 4bb includes:

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

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

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

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

67.35 (d) Class 4c property includes:

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

68.1 (1) except as provided in subdivision 22, paragraph (c), real and personal property
68.2 devoted to temporary and seasonal residential occupancy for recreation purposes,
68.3 including real and personal property devoted to temporary and seasonal residential
68.4 occupancy for recreation purposes and not devoted to commercial purposes for more
68.5 than 250 days in the year preceding the year of assessment. For purposes of this clause,
68.6 property is devoted to a commercial purpose on a specific day if any portion of the
68.7 property is used for residential occupancy, and a fee is charged for residential occupancy.
68.8 Class 4c property under this clause must contain three or more rental units. A "rental unit"
68.9 is defined as a cabin, condominium, townhouse, sleeping room, or individual camping site
68.10 equipped with water and electrical hookups for recreational vehicles. Class 4c property
68.11 under this clause must provide recreational activities such as renting ice fishing houses,
68.12 boats and motors, snowmobiles, downhill or cross-country ski equipment; provide marina
68.13 services, launch services, or guide services; or sell bait and fishing tackle. A camping pad
68.14 offered for rent by a property that otherwise qualifies for class 4c under this clause is also
68.15 class 4c under this clause regardless of the term of the rental agreement, as long as the use
68.16 of the camping pad does not exceed 250 days. In order for a property to be classified as
68.17 class 4c, seasonal residential recreational for commercial purposes under this clause, at
68.18 least 40 percent of the annual gross lodging receipts related to the property must be from
68.19 business conducted during 90 consecutive days and either (i) at least 60 percent of all paid
68.20 bookings by lodging guests during the year must be for periods of at least two consecutive
68.21 nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for
68.22 rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski
68.23 equipment, or charges for marina services, launch services, and guide services, or the
68.24 sale of bait and fishing tackle. For purposes of this determination, a paid booking of
68.25 five or more nights shall be counted as two bookings. Class 4c property classified under
68.26 this clause also includes commercial use real property used exclusively for recreational
68.27 purposes in conjunction with other class 4c property classified under this clause and
68.28 devoted to temporary and seasonal residential occupancy for recreational purposes, up to a
68.29 total of two acres, provided the property is not devoted to commercial recreational use for
68.30 more than 250 days in the year preceding the year of assessment and is located within two
68.31 miles of the class 4c property with which it is used. Owners of real and personal property
68.32 devoted to temporary and seasonal residential occupancy for recreation purposes and all
68.33 or a portion of which was devoted to commercial purposes for not more than 250 days in
68.34 the year preceding the year of assessment desiring classification as class 4c, must submit a
68.35 declaration to the assessor designating the cabins or units occupied for 250 days or less in
68.36 the year preceding the year of assessment by January 15 of the assessment year. Those

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

69.1 cabins or units and a proportionate share of the land on which they are located must
69.2 be designated class 4c under this clause as otherwise provided. The remainder of the
69.3 cabins or units and a proportionate share of the land on which they are located will be
69.4 designated as class 3a. The owner of property desiring designation as class 4c property
69.5 under this clause must provide guest registers or other records demonstrating that the units
69.6 for which class 4c designation is sought were not occupied for more than 250 days in the
69.7 year preceding the assessment if so requested. The portion of a property operated as a
69.8 (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other
69.9 nonresidential facility operated on a commercial basis not directly related to temporary
69.10 and seasonal residential occupancy for recreation purposes does not qualify for class 4c;

69.11 (2) qualified property used as a golf course if:

69.12 (i) it is open to the public on a daily fee basis. It may charge membership fees or
69.13 dues, but a membership fee may not be required in order to use the property for golfing,
69.14 and its green fees for golfing must be comparable to green fees typically charged by
69.15 municipal courses; and

69.16 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

69.17 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction
69.18 with the golf course is classified as class 3a property;

69.19 (3) real property up to a maximum of three acres of land owned and used by a
69.20 nonprofit community service oriented organization and not used for residential purposes
69.21 on either a temporary or permanent basis, provided that:

69.22 (i) the property is not used for a revenue-producing activity for more than six days
69.23 in the calendar year preceding the year of assessment; or

69.24 (ii) the organization makes annual charitable contributions ~~and donations~~ at least
69.25 equal to the property's previous year's property taxes and the property is allowed to be
69.26 used for public and community meetings or events for no charge, as appropriate to the
69.27 size of the facility.

69.28 For purposes of this clause,

69.29 (A) "~~charitable contributions and donations~~ contribution" has the same meaning
69.30 as ~~lawful gambling purposes under section 349.12, subdivision 25, excluding those~~
69.31 ~~purposes relating to the payment of taxes, assessments, fees, auditing costs, and utility~~
69.32 ~~payments~~ given in section 349.12, subdivision 7a, except that expenditures for erection or
69.33 acquisition of a replacement building, as defined under section 349.12, subdivision 25,
69.34 paragraph (a), clause (25), may be counted to meet up to 50 percent of the contribution
69.35 requirement, for a period of not more than 20 years from the erection or acquisition of
69.36 the replacement building;

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

70.1 (B) "property taxes" excludes the state general tax;

70.2 (C) a "nonprofit community service oriented organization" means any corporation,
70.3 society, association, foundation, or institution organized and operated exclusively for
70.4 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from
70.5 federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal
70.6 Revenue Code; and

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

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

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

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

70.27 (5) (i) manufactured home parks as defined in section 327.14, subdivision 3,
70.28 excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii)
70.29 manufactured home parks as defined in section 327.14, subdivision 3, that are described in
70.30 section 273.124, subdivision 3a;

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

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

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

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

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

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

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

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

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

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

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

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

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

71.27 (10) real property up to a maximum of three acres and operated as a restaurant
71.28 as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake
71.29 as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B)
71.30 is either devoted to commercial purposes for not more than 250 consecutive days, or
71.31 receives at least 60 percent of its annual gross receipts from business conducted during
71.32 four consecutive months. Gross receipts from the sale of alcoholic beverages must be
71.33 included in determining the property's qualification under subitem (B). The property's
71.34 primary business must be as a restaurant and not as a bar. Gross receipts from gift shop
71.35 sales located on the premises must be excluded. Owners of real property desiring 4c
71.36 classification under this clause must submit an annual declaration to the assessor by

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

72.1 February 1 of the current assessment year, based on the property's relevant information for
72.2 the preceding assessment year; and

72.3 (11) lakeshore and riparian property and adjacent land, not to exceed six acres, used
72.4 as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to
72.5 the public and devoted to recreational use for marina services. The marina owner must
72.6 annually provide evidence to the assessor that it provides services, including lake or river
72.7 access to the public by means of an access ramp or other facility that is either located on
72.8 the property of the marina or at a publicly owned site that abuts the property of the marina.
72.9 No more than 800 feet of lakeshore may be included in this classification. Buildings used
72.10 in conjunction with a marina for marina services, including but not limited to buildings
72.11 used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing
72.12 tackle, are classified as class 3a property.

72.13 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each
72.14 parcel of seasonal residential recreational property not used for commercial purposes
72.15 has the same class rates as class 4bb property, (ii) manufactured home parks assessed
72.16 under clause (5), item (i), have the same class rate as class 4b property, and the market
72.17 value of manufactured home parks assessed under clause (5), item (ii), has the same class
72.18 rate as class 4d property if more than 50 percent of the lots in the park are occupied by
72.19 shareholders in the cooperative corporation or association and a class rate of one percent if
72.20 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential
72.21 recreational property and marina recreational land as described in clause (11), has a
72.22 class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the
72.23 remaining market value, (iv) the market value of property described in clause (4) has a
72.24 class rate of one percent, (v) the market value of property described in clauses (2), (6), and
72.25 (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property
72.26 in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

72.27 (e) Class 4d property is qualifying low-income rental housing certified to the assessor
72.28 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion
72.29 of the units in the building qualify as low-income rental housing units as certified under
72.30 section 273.128, subdivision 3, only the proportion of qualifying units to the total number
72.31 of units in the building qualify for class 4d. The remaining portion of the building shall be
72.32 classified by the assessor based upon its use. Class 4d also includes the same proportion of
72.33 land as the qualifying low-income rental housing units are to the total units in the building.
72.34 For all properties qualifying as class 4d, the market value determined by the assessor must
72.35 be based on the normal approach to value using normal unrestricted rents.

72.36 Class 4d property has a class rate of 0.75 percent.

73.1 EFFECTIVE DATE. This section is effective for assessment year 2011 and
73.2 thereafter, for taxes payable in 2012 and thereafter.

73.3 Sec. 8. Minnesota Statutes 2010, section 273.13, subdivision 34, is amended to read:

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

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

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

73.17 (c) If a disabled veteran qualifying for a valuation exclusion under paragraph (b),
73.18 clause (2), predeceases the veteran's spouse, and if upon the death of the veteran the
73.19 spouse holds the legal or beneficial title to the homestead and permanently resides there,
73.20 the exclusion shall carry over to the benefit of the veteran's spouse for ~~one~~ five additional
73.21 ~~assessment year~~ taxes payable years or until such time as the spouse sells, transfers,
73.22 remarries, or otherwise disposes of the property, whichever comes first. To qualify for
73.23 the exemption under this paragraph, the surviving spouse must apply annually to the
73.24 assessor by July 1 of the assessment year.

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

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

73.31 (f) To qualify for a valuation exclusion under this subdivision a property owner must
73.32 apply to the assessor by July 1 of each assessment year, except that an annual reapplication
73.33 is not required once a property has been accepted for a valuation exclusion under paragraph
73.34 (b), clause (2), and the property continues to qualify until there is a change in ownership.

74.1 **EFFECTIVE DATE.** This section is effective for taxes levied in 2010, payable in
74.2 2011, and thereafter, and applies to homesteads that initially qualified for the exclusion
74.3 for taxes payable in 2009 and thereafter.

74.4 Sec. 9. Minnesota Statutes 2010, section 274.01, subdivision 1, is amended to read:

74.5 Subdivision 1. **Ordinary board; meetings, deadlines, grievances.** (a) The town
74.6 board of a town, or the council or other governing body of a city, is the board of appeal
74.7 and equalization except (1) in cities whose charters provide for a board of equalization or
74.8 (2) in any city or town that has transferred its local board of review power and duties to
74.9 the county board as provided in subdivision 3. The county assessor shall fix a day and
74.10 time when the board or the board of equalization shall meet in the assessment districts
74.11 of the county. Notwithstanding any law or city charter to the contrary, a city board of
74.12 equalization shall be referred to as a board of appeal and equalization. On or before
74.13 February 15 of each year the assessor shall give written notice of the time to the city or
74.14 town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings
74.15 must be held between April 1 and May 31 each year, provided that the board may review
74.16 appeals of denials of green acres treatment as provided in paragraph (h) at any time.

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

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

74.29 (b) The board shall determine whether the taxable property in the town or city has
74.30 been properly placed on the list and properly valued by the assessor. If real or personal
74.31 property has been omitted, the board shall place it on the list with its market value, and
74.32 correct the assessment so that each tract or lot of real property, and each article, parcel,
74.33 or class of personal property, is entered on the assessment list at its market value. No
74.34 assessment of the property of any person may be raised unless the person has been
74.35 duly notified of the intent of the board to do so. On application of any person feeling

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

75.1 aggrieved, the board shall review the assessment or classification, or both, and correct
75.2 it as appears just. The board may not make an individual market value adjustment or
75.3 classification change that would benefit the property if the owner or other person having
75.4 control over the property has refused the assessor access to inspect the property and the
75.5 interior of any buildings or structures as provided in section 273.20. A board member
75.6 shall not participate in any actions of the board which result in market value adjustments
75.7 or classification changes to property owned by the board member, the spouse, parent,
75.8 stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew,
75.9 or niece of a board member, or property in which a board member has a financial interest.
75.10 The relationship may be by blood or marriage.

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

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

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

75.27 (f) Except as provided in subdivision 3, if a person fails to appear in person, by
75.28 counsel, or by written communication before the board after being duly notified of the
75.29 board's intent to raise the assessment of the property, or if a person feeling aggrieved by an
75.30 assessment or classification fails to apply for a review of the assessment or classification,
75.31 the person may not appear before the county board of appeal and equalization for a review
75.32 of the assessment or classification. This paragraph does not apply if an assessment was
75.33 made after the local board meeting, as provided in section 273.01, or if the person can
75.34 establish not having received notice of market value at least five days before the local
75.35 board meeting.

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

76.1 (g) The local board must complete its work and adjourn within 20 days from the
76.2 time of convening stated in the notice of the clerk, unless a longer period is approved by
76.3 the commissioner of revenue. No action taken after that date is valid. All complaints
76.4 about an assessment or classification made after the meeting of the board must be heard
76.5 and determined by the county board of equalization. A nonresident may, at any time,
76.6 before the meeting of the board file written objections to an assessment or classification
76.7 with the county assessor. The objections must be presented to the board at its meeting by
76.8 the county assessor for its consideration.

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

76.14 **EFFECTIVE DATE.** This section is effective for appeals denied after June 30,
76.15 2011.

76.16 Sec. 10. Minnesota Statutes 2010, section 275.025, subdivision 1, is amended to read:

76.17 Subdivision 1. **Levy amount.** The state general levy is levied against
76.18 commercial-industrial property and seasonal residential recreational property, as defined
76.19 in this section. The state general levy base amount for commercial-industrial property
76.20 is ~~\$592,000,000~~ \$702,700,000 and the state general levy base amount for seasonal
76.21 residential recreational property is \$39,800,000 for taxes payable in ~~2002~~ 2012 and 2013.
76.22 For taxes payable in subsequent years, the levy base amount is ~~increased each year by~~
76.23 ~~multiplying the levy base amount for the prior year by the sum of one plus the rate of~~
76.24 ~~increase, if any, in the implicit price deflator for government consumption expenditures~~
76.25 ~~and gross investment for state and local governments prepared by the Bureau of Economic~~
76.26 ~~Analysts of the United States Department of Commerce for the 12-month period ending~~
76.27 ~~March 31 of the year prior to the year the taxes are payable~~ decreased as follows:

76.28 (1) for taxes payable in 2014, the state general levy base amount is \$667,600,000
76.29 for commercial-industrial property and \$37,800,000 for seasonal residential recreational
76.30 property;

76.31 (2) for taxes payable in 2015, the state general levy base amount is \$632,500,000
76.32 for commercial-industrial property and \$35,800,000 for seasonal residential recreational
76.33 property;

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

77.1 (3) for taxes payable in 2016, the state general levy base amount is \$562,300,000
77.2 for commercial-industrial property and \$31,800,000 for seasonal residential recreational
77.3 property;

77.4 (4) for taxes payable in 2017, the state general levy base amount is \$492,100,000
77.5 for commercial-industrial property and \$27,800,000 for seasonal residential recreational
77.6 property;

77.7 (5) for taxes payable in 2018, the state general levy base amount is \$421,900,000
77.8 for commercial-industrial property and \$23,800,000 for seasonal residential recreational
77.9 property;

77.10 (6) for taxes payable in 2019, the state general levy base amount is \$351,700,000
77.11 for commercial-industrial property and \$19,800,000 for seasonal residential recreational
77.12 property;

77.13 (7) for taxes payable in 2020, the state general levy base amount is \$281,500,000
77.14 for commercial-industrial property and \$15,800,000 for seasonal residential recreational
77.15 property;

77.16 (8) for taxes payable in 2021, the state general levy base amount is \$211,300,000
77.17 for commercial-industrial property and \$11,800,000 for seasonal residential recreational
77.18 property;

77.19 (9) for taxes payable in 2022, the state general levy base amount is \$141,100,000
77.20 for commercial-industrial property and \$7,800,000 for seasonal residential recreational
77.21 property; and

77.22 (10) for taxes payable in 2023, the state general levy base amount is \$70,900,000
77.23 for commercial-industrial property and \$3,800,000 for seasonal residential recreational
77.24 property.

77.25 The tax under this section is not treated as a local tax rate under section 469.177 and
77.26 is not the levy of a governmental unit under chapters 276A and 473F.

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

77.32 (1) an erroneous report of taxable value by a local official;

77.33 (2) an erroneous calculation by the commissioner; and

77.34 (3) an increase or decrease in taxable value for commercial-industrial or seasonal
77.35 residential recreational property reported on the abstracts of tax lists submitted under

78.1 section 275.29 that was not reported on the abstracts of assessment submitted under
78.2 section 270C.89 for the same year.

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

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

78.6 Subd. 4. **Apportionment and levy of state general tax.** ~~Ninety-five percent of the~~
78.7 ~~state general tax must be levied by applying a uniform rate to all commercial-industrial tax~~
78.8 ~~capacity and five percent of the state general tax must be levied by applying a uniform~~
78.9 ~~rate to all seasonal residential recreational tax capacity.~~ On or before October 1 each year,
78.10 the commissioner of revenue shall certify the preliminary state general levy rates to each
78.11 county auditor that must be used to prepare the notices of proposed property taxes for taxes
78.12 payable in the following year. By January 1 of each year, the commissioner shall certify
78.13 the final state general levy rate to each county auditor that shall be used in spreading taxes.

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

78.16 Sec. 12. **REPEALER.**

78.17 (a) Minnesota Statutes 2010, section 273.114, subdivision 1, is repealed.

78.18 (b) Minnesota Statutes 2010, section 275.025, is repealed.

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

78.20 Paragraph (b) is effective for taxes levied in 2023, payable in 2024, and thereafter.

78.21 **ARTICLE 5**

78.22 **TAX INCREMENT FINANCING**

78.23 Section 1. Minnesota Statutes 2010, section 469.176, subdivision 4c, is amended to
78.24 read:

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

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

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

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

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

79.7 (5) tourism facilities;

79.8 (6) qualified border retail facilities; or

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

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

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

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

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

79.31 (2) construction of the project begins no later than July 1, ~~2011~~ 2012; ~~and~~

79.32 (3) the request for certification of the district is made no later than June 30, ~~2011~~
79.33 2012; ~~and~~

79.34 (4) for development of housing under this paragraph, the construction must begin
79.35 before July 1, 2011.

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

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

80.1 Sec. 2. Minnesota Statutes 2010, section 469.176, subdivision 4m, is amended to read:

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

80.7 (1) to provide improvements, loans, interest rate subsidies, or assistance in any
80.8 form to private development consisting of the construction or substantial rehabilitation
80.9 of buildings and ancillary facilities, if doing so will create or retain jobs in this state,
80.10 including construction jobs, and that the construction commences before July 1, ~~2011~~
80.11 2012, and would not have commenced before that date without the assistance; or

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

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

80.21 (c) The authority to spend tax increments under this subdivision expires December
80.22 31, ~~2011~~ 2012.

80.23 (d) For a development consisting of housing, the authority to spend tax increments
80.24 under this subdivision expires December 31, 2011, and construction must commence
80.25 before July 1, 2011.

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

80.27 Sec. 3. Laws 2010, chapter 389, article 7, section 22, is amended to read:

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

80.30 (a) If the city of Ramsey or an authority of the city elects upon the adoption of a tax
80.31 increment financing plan for a district, the rules under this section apply to a redevelopment
80.32 tax increment financing district established by the city or an authority of the city. The
80.33 redevelopment tax increment district includes parcels within the area bounded on the east
80.34 by Ramsey Boulevard, on the north by Bunker Lake Boulevard as extended west to Llama
80.35 Street, on the west by Llama Street, and on the south by a line running parallel to and

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

81.1 600 feet south of the southerly right-of-way for U.S. Highway 10, but including Parcels
81.2 28-32-25-43-0007 and 28-32-25-34-0002 in their entirety, and excluding the Anoka
81.3 County Regional Park property in its entirety. A parcel within this area that is included in
81.4 a tax increment financing district that was certified before the date of enactment of this act
81.5 may be included in the district created under this act if the initial district is decertified.

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

81.9 (c) In addition to the costs permitted by Minnesota Statutes, section 469.176,
81.10 subdivision 4j, Eligible expenditures within the district include the city's share of the
81.11 costs necessary to provide for the construction of the Northstar Transit Station and
81.12 related infrastructure, including structured parking, a pedestrian overpass, and roadway
81.13 improvements.

81.14 (d) The requirement of Minnesota Statutes, section 469.1763, subdivision 3, that
81.15 activities must be undertaken within a five-year period from the date of certification of a
81.16 tax increment financing district, is considered to be met for the district if the activities
81.17 were undertaken within ten years from the date of certification of the district.

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

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

81.24 Sec. 4. **CITY OF COHASSET; USE OF TAX INCREMENTS.**

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

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

81.33 Sec. 5. **CITY OF LINO LAKES; TAX INCREMENT FINANCING.**

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

83.3 Sec. 2. Minnesota Statutes 2010, section 297A.68, subdivision 4, is amended to read:

83.4 Subd. 4. **Taconite, other ores, metals, or minerals; production materials.** Mill
83.5 liners, grinding rods, and grinding balls that are substantially consumed in the production
83.6 of taconite or other ores, metals, or minerals are exempt when sold to or stored, used, or
83.7 consumed by persons taxed under the in-lieu or net proceeds provisions of chapter 298.

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

83.10 Sec. 3. Minnesota Statutes 2010, section 298.001, is amended by adding a subdivision
83.11 to read:

83.12 Subd. 10. **Refining.** "Refining" means and is limited to refining:

83.13 (1) of ores, metals, or mineral products, the mining, extraction, or quarrying of
83.14 which were subject to tax under section 298.015; and

83.15 (2) carried out by the entity, or an affiliated entity, that mined, extracted, or quarried
83.16 the metal or mineral products.

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

83.19 Sec. 4. Minnesota Statutes 2010, section 298.01, subdivision 3, is amended to read:

83.20 Subd. 3. **Occupation tax; other ores.** (a) Every person engaged in the business of
83.21 mining, refining, or producing ores, metals, or minerals in this state, except iron ore or
83.22 taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided
83.23 in this subdivision. For purposes of this subdivision, mining includes the application
83.24 of hydrometallurgical processes. The tax is determined in the same manner as the tax
83.25 imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17,
83.26 subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must be
83.27 computed by applying to taxable income the rate of ~~2.45 percent~~ set in paragraph (b). A
83.28 person subject to occupation tax under this section shall apportion its net income on the
83.29 basis of the percentage obtained by taking the sum of:

83.30 (1) 75 percent of the percentage which the sales made within this state in connection
83.31 with the trade or business during the tax period are of the total sales wherever made in
83.32 connection with the trade or business during the tax period;

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

84.1 (2) 12.5 percent of the percentage which the total tangible property used by the
84.2 taxpayer in this state in connection with the trade or business during the tax period is of
84.3 the total tangible property, wherever located, used by the taxpayer in connection with the
84.4 trade or business during the tax period; and

84.5 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred
84.6 in this state or paid in respect to labor performed in this state in connection with the trade
84.7 or business during the tax period are of the taxpayer's total payrolls paid or incurred in
84.8 connection with the trade or business during the tax period.

84.9 The tax is in addition to all other taxes.

84.10 (b) The rate of the tax imposed under this subdivision is as provided in this
84.11 paragraph for the following taxable years:

84.12 (1) for 2012 and 2013, 2.45 percent;

84.13 (2) for 2014, 2.23 percent;

84.14 (3) for 2015, 2.11 percent;

84.15 (4) for 2016, 1.99 percent;

84.16 (5) for 2017, 1.74 percent;

84.17 (6) for 2018, 1.50 percent;

84.18 (7) for 2019, 1.26 percent;

84.19 (8) for 2020, 1.02 percent;

84.20 (9) for 2021, .78 percent;

84.21 (10) for 2022, .54 percent;

84.22 (11) for 2023, .30 percent; and

84.23 (12) for 2024 and subsequent years, .06 percent.

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

84.26 Sec. 5. Minnesota Statutes 2010, section 298.01, subdivision 3a, is amended to read:

84.27 Subd. 3a. **Gross income.** (a) For purposes of determining a person's taxable income
84.28 under subdivision 3, gross income is determined by the amount of gross proceeds from
84.29 mining in this state under section 298.016 and includes any gain or loss recognized
84.30 from the sale or disposition of assets used in the business in this state. If more than one
84.31 ore, mineral, or metal, or energy resource referred to in section 298.016 is mined and
84.32 processed at the same mine and plant, a gross income for each ore, mineral, or metal, or
84.33 energy resource must be determined separately. The gross incomes may be combined on
84.34 one occupation tax return to arrive at the gross income of all production.

85.1 (b) In applying section 290.191, subdivision 5, transfers of ores, metals, or minerals
85.2 that are subject to tax under this chapter are deemed to be sales in this state.

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

85.5 Sec. 6. Minnesota Statutes 2010, section 298.015, subdivision 1, is amended to read:

85.6 Subdivision 1. **Tax imposed.** A person engaged in the business of mining shall pay
85.7 to the state of Minnesota for distribution as provided in section 298.018 a net proceeds tax
85.8 equal to two percent of the net proceeds from mining in Minnesota. The tax applies to all
85.9 ~~mineral and energy resources~~ ores, metals, and minerals mined ~~or~~ extracted, produced,
85.10 or refined within the state of Minnesota except for sand, silica sand, gravel, building
85.11 stone, crushed rock, limestone, granite, dimension granite, dimension stone, horticultural
85.12 peat, clay, soil, iron ore, and taconite concentrates. The tax is in addition to all other
85.13 taxes provided for by law.

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

85.16 Sec. 7. Minnesota Statutes 2010, section 298.015, subdivision 2, is amended to read:

85.17 Subd. 2. **Net proceeds.** For purposes of this section, the term "net proceeds" means
85.18 the gross proceeds from mining, as defined in section 298.016, less the deductions ~~allowed~~
85.19 ~~in section 298.017~~ for purposes of determining taxable income under section 298.01,
85.20 subdivision 3b, applied to the mining, production, processing, beneficiation, smelting, or
85.21 refining of metal or mineral products. No other credits or deductions shall apply to this tax
85.22 ~~except for those provided in section 298.017.~~

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

85.25 Sec. 8. Minnesota Statutes 2010, section 298.016, subdivision 4, is amended to read:

85.26 Subd. 4. ~~Definitions~~ **Metal or mineral products; definition.** For the purposes of
85.27 ~~sections 298.015 and 298.017~~ this section, the terms defined in this subdivision have the
85.28 meaning given them unless the context clearly indicates otherwise.

85.29 (a) "metal or mineral products" means all those ~~mineral and energy resources~~ ores,
85.30 metals, and minerals subject to the tax provided in section 298.015.

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

86.1 ~~(b) "Exploration" means activities designed and engaged in to ascertain the~~
86.2 ~~existence, location, extent, or quality of any deposit of metal or mineral products prior to~~
86.3 ~~the development of a mining site.~~

86.4 ~~(c) "Development" means activities designed and engaged in to prepare or develop~~
86.5 ~~a potential mining site for mining after the existence of metal or mineral products in~~
86.6 ~~commercially marketable quantities has been disclosed including, but not limited to,~~
86.7 ~~the clearing of forestation, the building of roads, removal of overburden, or the sinking~~
86.8 ~~of shafts.~~

86.9 ~~(d) "Research" means activities designed and engaged in to create new or improved~~
86.10 ~~methods of mining, producing, processing, beneficiating, smelting, or refining metal~~
86.11 ~~or mineral products.~~

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

86.14 Sec. 9. Minnesota Statutes 2010, section 298.225, subdivision 1, is amended to read:

86.15 Subdivision 1. **Guaranteed distribution.** (a) The distribution of the taconite
86.16 production tax as provided in section 298.28, subdivisions 3 to 5, 6, paragraph (b), and
86.17 7, and 8, shall equal the lesser of the following amounts:

86.18 (1) the amount distributed pursuant to this section and section 298.28, with respect
86.19 to 1983 production if the production for the year prior to the distribution year is no less
86.20 than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the
86.21 amount of the distributions shall be reduced proportionately at the rate of two percent
86.22 for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than
86.23 42,000,000 tons; or

86.24 (2)(i) for the distributions made pursuant to section 298.28, subdivisions 4,
86.25 paragraphs (b) and (c), and 6, paragraph (c), 31.2 percent of the amount distributed
86.26 pursuant to this section and section 298.28, with respect to 1983 production;

86.27 (ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs
86.28 (b) and (d), 75 percent of the amount distributed pursuant to this section and section
86.29 298.28, with respect to 1983 production.

86.30 (b) The distribution of the taconite production tax as provided in section 298.28,
86.31 subdivision 2, shall equal the following amount:

86.32 (1) if the production for the year prior to the distribution year is at least 42,000,000
86.33 taxable tons, the amount distributed pursuant to this section and section 298.28 with
86.34 respect to 1999 production; or

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

87.1 (2) if the production for the year prior to the distribution year is less than 42,000,000
87.2 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect
87.3 to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000
87.4 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

87.5 **EFFECTIVE DATE.** This section is effective for distributions in 2012 and
87.6 thereafter.

87.7 Sec. 10. Minnesota Statutes 2010, section 298.24, subdivision 1, is amended to read:

87.8 Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in ~~2001,~~
87.9 ~~2002, and 2003~~ 2011 and subsequent years, there is imposed upon taconite and iron
87.10 sulphides, and upon the mining and quarrying thereof, and upon the production of
87.11 iron ore concentrate therefrom, and upon the concentrate so produced, and upon other
87.12 iron-bearing material, a tax of ~~\$2.103~~ \$2.074 per gross ton of merchantable iron ore
87.13 concentrate produced therefrom. ~~For concentrates produced in 2005, the tax rate is the~~
87.14 ~~same rate imposed for concentrates produced in 2004. For concentrates produced in 2009~~
87.15 ~~and subsequent years, the tax is also imposed upon other iron-bearing material.~~

87.16 (b) ~~For concentrates produced in 2006 and subsequent years, the tax rate shall be~~
87.17 ~~equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate~~
87.18 ~~multiplied by the percentage increase in the implicit price deflator from the fourth quarter~~
87.19 ~~of the second preceding year to the fourth quarter of the preceding year. "Implicit price~~
87.20 ~~deflator" means the implicit price deflator for the gross domestic product prepared by the~~
87.21 ~~Bureau of Economic Analysis of the United States Department of Commerce.~~

87.22 (c) An additional tax is imposed equal to three cents per gross ton of merchantable
87.23 iron ore concentrate for each one percent that the iron content of the product exceeds 72
87.24 percent, when dried at 212 degrees Fahrenheit.

87.25 (d) (c) The tax on taconite and iron sulphides shall be imposed on the average of the
87.26 production for the current year and the previous two years. The rate of the tax imposed
87.27 will be the current year's tax rate. This clause shall not apply in the case of the closing
87.28 of a taconite facility if the property taxes on the facility would be higher if this clause
87.29 and section 298.25 were not applicable. The tax on other iron-bearing material shall be
87.30 imposed on the current year production.

87.31 (e) (d) If the tax or any part of the tax imposed by this subdivision is held to be
87.32 unconstitutional, a tax of ~~\$2.103~~ \$2.074 per gross ton of merchantable iron ore concentrate
87.33 produced shall be imposed.

87.34 (f) (e) Consistent with the intent of this subdivision to impose a tax based upon the
87.35 weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

88.1 determine the weight of merchantable iron ore concentrate included in fluxed pellets by
88.2 subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic
88.3 flux additives included in the pellets from the weight of the pellets. For purposes of this
88.4 paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite,
88.5 olivine, or other basic flux additives are combined with merchantable iron ore concentrate.
88.6 No subtraction from the weight of the pellets shall be allowed for binders, mineral and
88.7 chemical additives other than basic flux additives, or moisture.

88.8 ~~(g)~~(f)(1) Notwithstanding any other provision of this subdivision, for the first two
88.9 years of a plant's commercial production of direct reduced ore from ore mined in this state,
88.10 no tax is imposed under this section. As used in this paragraph, "commercial production"
88.11 is production of more than 50,000 tons of direct reduced ore in the current year or in any
88.12 prior year, "noncommercial production" is production of 50,000 tons or less of direct
88.13 reduced ore in any year, and "direct reduced ore" is ore that results in a product that has an
88.14 iron content of at least 75 percent. For the third year of a plant's commercial production of
88.15 direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate
88.16 otherwise determined under this subdivision. For the fourth commercial production year,
88.17 the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth
88.18 commercial production year, the rate is 75 percent of the rate otherwise determined under
88.19 this subdivision; and for all subsequent commercial production years, the full rate is
88.20 imposed.

88.21 (2) Subject to clause (1), production of direct reduced ore in this state is subject to
88.22 the tax imposed by this section, but if that production is not produced by a producer of
88.23 taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron
88.24 sulfides, or other iron-bearing material, that is consumed in the production of direct
88.25 reduced iron in this state is not subject to the tax imposed by this section on taconite,
88.26 iron sulfides, or other iron-bearing material.

88.27 (3) Notwithstanding any other provision of this subdivision, no tax is imposed
88.28 on direct reduced ore under this section during the facility's noncommercial production
88.29 of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial
88.30 production of direct reduced ore is subject to the tax imposed by this section on taconite
88.31 and iron sulphides. Three-year average production of direct reduced ore does not
88.32 include production of direct reduced ore in any noncommercial year. Three-year average
88.33 production for a direct reduced ore facility that has noncommercial production is the
88.34 average of the commercial production of direct reduced ore for the current year and the
88.35 previous two commercial years.

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

89.1 (4) This paragraph applies only to plants for which all environmental permits have
89.2 been obtained and construction has begun before July 1, 2008.

89.3 **EFFECTIVE DATE.** This section is effective for production in 2011 and thereafter.

89.4 Sec. 11. Minnesota Statutes 2010, section 298.28, subdivision 3, is amended to read:

89.5 Subd. 3. **Cities; towns.** (a) ~~12.5~~ 12.2 cents per taxable ton, less any amount
89.6 distributed under ~~subdivision 8, and~~ paragraph (b), must be allocated to the taconite
89.7 municipal aid account to be distributed as provided in section 298.282.

89.8 (b) An amount must be allocated to towns or cities that is annually certified by
89.9 the county auditor of a county containing a taconite tax relief area as defined in section
89.10 273.134, paragraph (b), within which there is (1) an organized township if, as of January
89.11 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron
89.12 ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation
89.13 of the city consists of iron ore.

89.14 (c) The amount allocated under paragraph (b) will be the portion of a township's or
89.15 city's certified levy equal to the proportion of (1) the difference between 50 percent of
89.16 January 2, 1982, assessed value in the case of a township and 50 percent of the January 2,
89.17 1980, assessed value in the case of a city and its current assessed value to (2) the sum of
89.18 its current assessed value plus the difference determined in (1), provided that the amount
89.19 distributed shall not exceed \$55 per capita in the case of a township or \$75 per capita in
89.20 the case of a city. For purposes of this limitation, population will be determined according
89.21 to the 1980 decennial census conducted by the United States Bureau of the Census. If the
89.22 current assessed value of the township exceeds 50 percent of the township's January 2,
89.23 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the
89.24 city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this
89.25 paragraph, "assessed value," when used in reference to years other than 1980 or 1982,
89.26 means the appropriate net tax capacities multiplied by 10.2.

89.27 (d) In addition to other distributions under this subdivision, ~~three~~ 3.1 cents per
89.28 taxable ton for distributions in ~~2009~~ 2012 and subsequent years must be allocated for
89.29 distribution to towns that are entirely located within the taconite tax relief area defined
89.30 in section 273.134, paragraph (b). ~~For distribution in 2010 and subsequent years, the~~
89.31 ~~three-cent amount must be annually increased in the same proportion as the increase~~
89.32 ~~in the implicit price deflator as provided in section 298.24, subdivision 1.~~ The amount
89.33 available under this paragraph will be distributed to eligible towns on a per capita basis,
89.34 provided that no town may receive more than \$50,000 in any year under this paragraph.
89.35 Any amount of the distribution that exceeds the \$50,000 limitation for a town under this

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

90.1 paragraph must be redistributed on a per capita basis among the other eligible towns, to
90.2 whose distributions do not exceed \$50,000.

90.3 Sec. 12. Minnesota Statutes 2010, section 298.28, subdivision 6, is amended to read:

90.4 Subd. 6. **Property tax relief.** (a) In ~~2002~~ 2012 and thereafter, ~~33.9~~ 41.6 cents per
90.5 taxable ton, less any amount required to be distributed under paragraphs (b) and (c), or
90.6 section 298.2961, subdivision 5, must be allocated to St. Louis County acting as the
90.7 counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

90.8 (b) If an electric power plant owned by and providing the primary source of power
90.9 for a taxpayer mining and concentrating taconite is located in a county other than the
90.10 county in which the mining and the concentrating processes are conducted, .1875 cent per
90.11 taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

90.12 (c) If an electric power plant owned by and providing the primary source of power
90.13 for a taxpayer mining and concentrating taconite is located in a school district other than
90.14 a school district in which the mining and concentrating processes are conducted, .4541
90.15 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to
90.16 the school district.

90.17 Sec. 13. Minnesota Statutes 2010, section 298.28, subdivision 7, is amended to read:

90.18 Subd. 7. **Iron Range Resources and Rehabilitation Board.** For the ~~1998~~ 2012 and
90.19 subsequent years distribution, ~~6.5~~ 8.3 cents per taxable ton shall be paid to the Iron Range
90.20 Resources and Rehabilitation Board for the purposes of section 298.22. ~~That amount~~
90.21 ~~shall be increased in 1999 and subsequent years in the same proportion as the increase~~
90.22 ~~in the implicit price deflator as provided in section 298.24, subdivision 1.~~ The amount
90.23 distributed pursuant to this subdivision shall be expended within or for the benefit of the
90.24 taconite assistance area defined in section 273.1341. No part of the fund provided in this
90.25 subdivision may be used to provide loans for the operation of private business unless the
90.26 loan is approved by the governor.

90.27 Sec. 14. Minnesota Statutes 2010, section 298.28, subdivision 9, is amended to read:

90.28 Subd. 9. **Douglas J. Johnson economic protection trust fund.** In ~~1999~~, ~~3.35~~ 2012
90.29 and subsequent years, 4.2 cents per taxable ton shall be paid to the Douglas J. Johnson
90.30 economic protection trust fund.

90.31 Sec. 15. Minnesota Statutes 2010, section 298.28, subdivision 9b, is amended to read:

91.1 Subd. 9b. **Taconite environmental fund.** In 2012 and subsequent years, five cents
91.2 per ton, plus the amount paid to the fund in 2011 under subdivision 10, paragraph (b), must
91.3 be paid to the taconite environmental fund for use under section 298.2961, subdivision 4.

91.4 Sec. 16. **REPEALER.**

91.5 (a) Minnesota Statutes 2010, sections 298.227; and 298.28, subdivisions 8, 9a,
91.6 9c, and 10, are repealed.

91.7 (b) Minnesota Statutes 2010, section 298.285, is repealed.

91.8 (c) Minnesota Statutes 2010, section 298.017, is repealed.

91.9 **EFFECTIVE DATE.** Paragraph (a) is effective for distributions in 2012 and
91.10 thereafter of taxes on production in 2011 and thereafter. Paragraph (b) is effective June 30,
91.11 2011. Paragraph (c) is effective for taxable years beginning after December 31, 2010.

91.12 ARTICLE 7

91.13 MISCELLANEOUS

91.14 Section 1. Minnesota Statutes 2010, section 270A.03, subdivision 2, is amended to
91.15 read:

91.16 Subd. 2. **Claimant agency.** "Claimant agency" means any state agency, as defined
91.17 by section 14.02, subdivision 2, the regents of the University of Minnesota, any district
91.18 court of the state, any county, any statutory or home rule charter city, including a city
91.19 that is presenting a claim for a municipal hospital or a public library or a municipal
91.20 ambulance service, a hospital district, a private nonprofit hospital that leases its building
91.21 from the county or city in which it is located, any ambulance service licensed under
91.22 chapter 144E, any public agency responsible for child support enforcement, any public
91.23 agency responsible for the collection of court-ordered restitution, and any public agency
91.24 established by general or special law that is responsible for the administration of a
91.25 low-income housing program, and the Minnesota collection enterprise as defined in
91.26 section 16D.02, subdivision 8, for the purpose of collecting the costs imposed under
91.27 section 16D.11. ~~A county may act as a claimant agency on behalf of an ambulance service~~
91.28 ~~licensed under chapter 144E if the ambulance service's primary service area is located at~~
91.29 ~~least in part within the county, but more than one county may not act as a claimant agency~~
91.30 ~~for a licensed ambulance service with respect to the same debt.~~

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

91.32 Sec. 2. Minnesota Statutes 2010, section 270A.07, subdivision 1, is amended to read:

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

92.1 Subdivision 1. **Notification requirement.** (a) Any claimant agency, seeking
92.2 collection of a debt through setoff against a refund due, shall submit to the commissioner
92.3 information indicating the amount of each debt and information identifying the debtor, as
92.4 required by section 270A.04, subdivision 3.

92.5 (b) For each setoff of a debt against a refund due, the commissioner shall charge a fee
92.6 of \$15. The proceeds of fees shall be allocated by depositing \$4 of each \$15 fee collected
92.7 into a Department of Revenue recapture revolving fund and depositing the remaining
92.8 balance into the general fund. The sums deposited into the revolving fund are appropriated
92.9 to the commissioner for the purpose of administering the Revenue Recapture Act.

92.10 ~~(c) For each debt for which a county acts as claimant agency on behalf of a licensed~~
92.11 ~~ambulance service, the county may charge the ambulance service a fee not to exceed the~~
92.12 ~~cost of administering the claim.~~

92.13 ~~(d)~~ The claimant agency shall notify the commissioner when a debt has been
92.14 satisfied or reduced by at least \$200 within 30 days after satisfaction or reduction.

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

92.16 Sec. 3. Minnesota Statutes 2010, section 270C.13, subdivision 1, is amended to read:

92.17 Subdivision 1. **Biennial report.** The commissioner shall report to the legislature
92.18 by March 1 of each odd-numbered year on the overall incidence of the income tax,
92.19 sales and excise taxes, and property tax. The report shall present information on the
92.20 distribution of the tax burden as follows: (1) for the overall income distribution, using
92.21 a systemwide incidence measure such as the Suits index or other appropriate measures
92.22 of equality and inequality; (2) by income classes, including at a minimum deciles of the
92.23 income distribution; and (3) by other appropriate taxpayer characteristics. The report
92.24 must also include information on the distribution of the burden of federal taxes borne
92.25 by Minnesota residents.

92.26 **EFFECTIVE DATE.** This section is effective beginning with the report due in
92.27 March 2013.

92.28 Sec. 4. **APPROPRIATION; TAX INCIDENCE REPORT.**

92.29 \$15,000 in fiscal year 2012 and \$15,000 in fiscal year 2013 are appropriated from
92.30 the general fund to the commissioner of revenue for the change to the tax incidence
92.31 report in section 3.

92.32 Sec. 5. **CASH FLOW ACCOUNT REDUCTION.**

S.F. No. 27, 1st Engrossment - 87th Legislative Session (2011-2012) [S0027-1]

93.1 On July 1, 2011, the commissioner of management and budget shall cancel
93.2 \$216,000,000 of the balance in the cash flow account in Minnesota Statutes, section
93.3 16A.152, to the general fund.

93.4 Sec. 6. **BUDGET RESERVE REDUCTION.**

93.5 On July 1, 2011, the commissioner of management and budget shall cancel
93.6 \$8,665,000 of the balance in the budget reserve account in Minnesota Statutes, section
93.7 16A.152, to the general fund.

APPENDIX
Article locations in S0027-1

ARTICLE 1	INCOME AND ESTATE TAXES	Page.Ln 2.4
ARTICLE 2	SALES TAXES	Page.Ln 15.25
ARTICLE 3	TAX AIDS AND CREDITS	Page.Ln 37.23
ARTICLE 4	PROPERTY TAX	Page.Ln 63.19
ARTICLE 5	TAX INCREMENT FINANCING	Page.Ln 78.21
ARTICLE 6	MINERALS	Page.Ln 82.15
ARTICLE 7	MISCELLANEOUS	Page.Ln 91.12