

(SENATE AUTHORS: ORTMAN)

DATE	D-PG	OFFICIAL STATUS
02/27/2012	3965	Introduction and first reading Referred to Taxes
04/04/2012		Comm report: To pass as amended Second reading

A bill for an act

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

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

ARTICLE 1

INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.17 (2) For purposes of this paragraph:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) income as provided under section 290.0802;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13.16 (iv) licensing fees; and

13.17 (v) other similar expenses and costs.

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

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

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

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

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

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

13.35 (iv) licensing fees; and

13.36 (v) other similar income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE 2

### ESTATE TAXES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **ARTICLE 3**

### **PROPERTY TAX**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27.30          The Social Security numbers, state or federal tax returns or tax return information,  
27.31 including the federal income tax schedule F<sub>2</sub> required by this section; or section 273.13,  
27.32 and affidavits or other proofs of the property owners and spouses submitted under this  
27.33 or another section to support a claim for a property tax homestead classification or other  
27.34 classification or benefit under section 273.13, are private data on individuals as defined by  
27.35 section 13.02, subdivision 12, or nonpublic data as defined in section 13.02, subdivision 9,  
27.36 but, notwithstanding that section, the private and nonpublic data may be disclosed to the

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) wholesale and retail sales;

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

(3) warehousing or storage of processed goods; and

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

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

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

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

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

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

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

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

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

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

(1) a legal description of the property;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) any additional information prescribed by the commissioner.

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

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

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

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

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

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

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

**273.39 RURAL AREA.**

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

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

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

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

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

State of Minnesota )

) ss.

County of ..... )

District Court  
..... Judicial District.

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

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

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

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

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

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

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

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

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

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

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

40.8 The list referred to in the notice shall be substantially in the following form:  
40.9 List of real property for the county of \_\_\_\_\_, on which taxes remain  
40.10 delinquent on the first Monday in January, .....

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

40.13	Names (and Current				
40.14	Filed Addresses) for				
40.15	the Taxpayers and Fee				
40.16	Owners and in Addition				
40.17	Those Parties Who Have				
40.18	Filed Their Addresses				
40.19	Pursuant to section	Subdivision of		Tax Parcel	Total Tax
40.20	276.041	Section	Section	Number	and Penalty
40.21					\$ cts.

40.22	John Jones (825 Fremont	S.E. 1/4 of S.W. 1/4	10	23101	2.20
40.23	Fairfield, MN 55000)				

40.24	Bruce Smith (2059 Hand	That part of N.E. 1/4	21	33211	3.15
40.25	Fairfield, MN 55000)	of S.W. 1/4 desc. as			
40.26	and Fairfield State	follows: Beg. at the			
40.27	Bank (100 Main Street	S.E. corner of said N.E.			
40.28	Fairfield, MN 55000)	1/4 of S.W. 1/4; thence			
40.29		N. along the E. line of			
40.30		said N.E. 1/4 of S.W.			
40.31		1/4 a distance of 600			
40.32		ft.; thence W. parallel			
40.33		with the S. line of said			
40.34		N.E. 1/4 of S.W. 1/4			
40.35		a distance of 600 ft.;			
40.36		thence S. parallel with			
40.37		said E. line a distance of			
40.38		600 ft. to S. line of said			
40.39		N.E. 1/4 of S.W. 1/4;			
40.40		thence E. along said S.			
40.41		line a distance of 600 ft.			
40.42		to the point of beg.			

40.43 As to platted property, the form of heading shall conform to circumstances and be  
40.44 substantially in the following form:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Sue and be sued.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 15. **REPEALER.**

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

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

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

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

ARTICLE 4

SALES AND USE TAXES; SPECIAL TAXES

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

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

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

Sec. 2. Minnesota Statutes 2010, section 297I.05, subdivision 11, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE 5

### MINERALS

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

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

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

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

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

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

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

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

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

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

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

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

The tax is in addition to all other taxes.

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

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

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

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

**ARTICLE 6**

**MISCELLANEOUS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) \$10,000,000.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX  
Article locations in 12-3790

ARTICLE 1	INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES	Page.Ln 1.24
ARTICLE 2	ESTATE TAXES .....	Page.Ln 22.19
ARTICLE 3	PROPERTY TAX .....	Page.Ln 24.9
ARTICLE 4	SALES AND USE TAXES; SPECIAL TAXES .....	Page.Ln 46.1
ARTICLE 5	MINERALS .....	Page.Ln 48.27
ARTICLE 6	MISCELLANEOUS .....	Page.Ln 50.8

**272.69 LISTING LEASED PERSONAL PROPERTY; PENALTY.**

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

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

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

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

**273.11 VALUATION OF PROPERTY.**

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

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

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