

under this section.

Sec. 24. **APPROPRIATION.** There is hereby appropriated from the general fund to the executive director of the Minnesota state retirement system, to be deposited in the judges retirement fund, the sum of \$10,000 to be available for the fiscal year ending June 30, 1979, for the payment of the increases provided in section 18, clause (4).

Sec. 25. **EFFECTIVE DATE.** This act shall be effective the day following final enactment. The exclusion provided for in this act shall commence on the first day of the first pay period following the effective date of this act. If the employer or the employee elects to make the total required contributions under this act, including any employer additional contributions, that election shall be made within one month after the date on which the person would be excluded under the provisions of this act and shall be effective as of the effective date of this act. For any current employee to whom section 11 applies, that employee shall be considered a provisional member for any future service from and after the effective date of this act.

Approved March 29, 1978.

---

CHAPTER 721-H.F.No.2250

[Coded in Part]

*An act relating to taxation; increasing income tax credits for certain taxpayers; removing sales tax from residential heating fuels; providing income tax credits for homemakers and members of the national guard; repealing the employers excise tax; reducing certain income tax rates; excluding certain retirement benefits from income taxation; providing for retroactive carryforward of feedlot pollution control credit; increasing the size of a homestead qualifying for property tax refund; providing for distribution of taconite production tax to the range association of municipalities and schools; providing funds for taconite property tax relief account; appropriating money; amending Minnesota Statutes 1976, Sections 290.06, Subdivision 3d, and by adding subdivisions; 290A.03, Subdivision 6; 297A.25, Subdivision 1; and Minnesota Statutes, 1977 Supplement, Sections 290.01, Subdivision 20; 290.06, Subdivisions 2c, 3c and 9a; 290.37, Subdivision 1; 298.28, Subdivision 1; and 298.293; repealing Minnesota Statutes 1976, Sections 290.031, Subdivisions 1, 2, 3, 5 and 6; 290.921; 290.922; and Minnesota Statutes, 1977 Supplement, Sections 290.031, Subdivision 4; 290.08, Subdivision 6.*

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

**ARTICLE I: HOME HEATING SALES TAX**

Section 1. Minnesota Statutes 1976, Section 297A.25, Subdivision 1, is amended to read:

297A.25 **EXEMPTIONS.** Subdivision 1. The following are specifically exempted from the taxes imposed by sections 297A.01 to 297A.44:

Changes or additions indicated by underline deletions by ~~strikeout~~

(a) The gross receipts from the sale of food products including but not limited to cereal and cereal products, butter, cheese, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products, coffee and coffee substitutes, tea, cocoa and cocoa products;

(b) The gross receipts from the sale of prescribed drugs and medicine intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings and products consumed by humans for the preservation of health, including prescription glasses, therapeutic and prosthetic devices, but not including cosmetics or toilet articles notwithstanding the presence of medicinal ingredients therein;

(c) The gross receipts from the sale of and the storage, use or other consumption in Minnesota of tangible personal property, tickets, or admissions, electricity, gas, or local exchange telephone service, which under the Constitution or laws of the United States or under the Constitution of Minnesota, the state of Minnesota is prohibited from taxing;

(d) The gross receipts from the sale of tangible personal property (i) which, without intermediate use, is shipped or transported outside Minnesota and thereafter used in a trade or business or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property transported or shipped outside Minnesota and thereafter used in a trade or business outside Minnesota, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce (storage shall not constitute intermediate use); or (ii) which the seller delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(e) The gross receipts from the sale of packing materials used to pack and ship household goods, the ultimate destination of which is outside the state of Minnesota and which are not thereafter returned to a point within Minnesota, except in the course of interstate commerce;

(f) The gross receipts from the sale of and storage, use or consumption of petroleum products upon which a tax has been imposed under the provisions of chapter 296, whether or not any part of said tax may be subsequently refunded;

(g) The gross receipts from the sale of clothing and wearing apparel except the following:

(i) all articles commonly or commercially known as jewelry, whether real or imitation; pearls, precious and semi-precious stones, and imitations thereof; articles made of, or ornamented, mounted or fitted with precious metals or imitations thereof; watches; clocks; cases and movements for watches and clocks; gold, gold-plated, silver, or sterling flatware or hollow ware and silver-plated hollow ware; opera glasses; lorgnettes; marine glasses; field glasses and binoculars.

Changes or additions indicated by underline deletions by ~~strikeout~~

(ii) articles made of fur on the hide or pelt, and articles of which such fur is the component material or chief value, but only if such value is more than three times the value of the next most valuable component material.

(iii) perfume, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, aromatic cachous and toilet powders. The tax imposed by this act shall not apply to lotion, oil, powder, or other article intended to be used or applied only in the case of babies.

(iv) trunks, valises, traveling bags, suitcases, satchels, overnight bags, hat boxes for use by travelers, beach bags, bathing suit bags, brief cases made of leather or imitation leather, salesmen's sample and display cases, purses, handbags, pocketbooks, wallets, billfolds, card, pass, and key cases and toilet cases.

(h) The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein;

(i) The gross receipts from the sale of and storage, use or other consumption in Minnesota of tangible personal property (except as provided in section 297A.14) which is used or consumed in producing any publication regularly issued at average intervals not exceeding three months, and any such publication. For purposes of this subsection, "publication" as used herein shall include, without limiting the foregoing, a legal newspaper as defined by Minnesota Statutes 1965, Section 331.02, and any supplements or enclosures with or part of said newspaper; and the gross receipts of any advertising contained therein or therewith shall be exempt. For this purpose, advertising in any such publication shall be deemed to be a service and not tangible personal property, and persons or their agents who publish or sell such newspapers shall be deemed to be engaging in a service with respect to gross receipts realized from such newsgathering or publishing activities by them, including the sale of advertising. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures used in such publication and fuel, electricity, gas or steam used for space heating or lighting, are

**Changes or additions indicated by underline deletions by ~~strikeout~~**

not exempt;

(j) The gross receipts from all sales of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities or a state and its agencies, instrumentalities and political subdivisions;

(k) The gross receipts from the isolated or occasional sale of tangible personal property in Minnesota not made in the normal course of business of selling that kind of property, and the storage, use, or consumption of property acquired as a result of such a sale;

(l) The gross receipts from sales of rolling stock and the storage, use or other consumption of such property by railroads, freight line companies, sleeping car companies and express companies taxed on the gross earnings basis in lieu of ad valorem taxes. For purposes of this clause "rolling stock" is defined as the portable or moving apparatus and machinery of any such company which moves on the road, and includes, but is not limited to, engines, cars, tenders, coaches, sleeping cars and parts necessary for the repair and maintenance of such rolling stock.

(m) The gross receipts from sales of airflight equipment and the storage, use or other consumption of such property by airline companies taxed under the provisions of sections 270.071 to 270.079. For purposes of this clause, "airflight equipment" includes airplanes and parts necessary for the repair and maintenance of such airflight equipment, and flight simulators.

(n) The gross receipts from the sale of telephone central office telephone equipment used in furnishing intrastate and interstate telephone service to the public.

(o) The gross receipts from the sale of and the storage, use or other consumption by persons taxed under the in lieu provisions of chapter 298, of mill liners, grinding rods and grinding balls which are substantially consumed in the production of taconite, the material of which primarily is added to and becomes a part of the material being processed.

(p) The gross receipts from the sale of tangible personal property to, and the storage, use or other consumption of such property by, any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious or educational purposes if the property purchased is to be used in the performance of charitable, religious or educational functions, or any senior citizen group organized and operated exclusively for pleasure, recreation and other nonprofit purposes, no part of the net earnings of which inures to the benefit of any private shareholders;

(q) The gross receipts from the sale of caskets and burial vaults;

(r) The gross receipts from the sale of cigarettes.

(s) The gross receipts from the sale of an automobile or other conveyance if the purchaser is assisted by a grant from the United States in accordance with 38 United

Changes or additions indicated by underline deletions by ~~strikeout~~

States Code, Section 1901, as amended.

(t) The gross receipts from the sale to the licensed aircraft dealer of an aircraft for which a commercial use permit has been issued pursuant to section 360.654, if the aircraft is resold while the permit is in effect.

(u) The gross receipts from the sale of building materials to be used in the construction or remodeling of a residence when the construction or remodeling is financed in whole or in part by the United States in accordance with 38 United States Code, Sections 801 to 805, as amended. This exemption shall not be effective at time of sale of the materials to contractors, subcontractors, builders or owners, but shall be applicable only upon a claim for refund to the commissioner of revenue filed by recipients of the benefits provided in Title 38 United States Code, Chapter 21, as amended. The commissioner shall provide by regulation for the refund of taxes paid on sales exempt in accordance with this paragraph.

(v) The gross receipts from the sale of textbooks which are prescribed for use in conjunction with a course of study in a public or private school, college, university and business or trade school to students who are regularly enrolled at such institutions. For purposes of this clause a "public school" is defined as one that furnishes course of study, enrollment and staff that meets standards of the state board of education and a private school is one which under the standards of the state board of education, provides an education substantially equivalent to that furnished at a public school. Business and trade schools shall mean such schools licensed pursuant to section 141.25.

(w) The gross receipts from the sale of and the storage of material designed to advertise and promote the sale of merchandise or services, which material is purchased and stored for the purpose of subsequently shipping or otherwise transferring outside the state by the purchaser for use thereafter solely outside the state of Minnesota.

(x) The gross receipt from the sale of residential heating fuels in the following manner:

(i) all fuel oil, coal, wood, steam, propane gas, and L.P. gas sold to residential customers for residential use;

(ii) natural gas sold for residential use to customers who are metered and billed as residential users and who use natural gas for their primary source of residential heat, for the billing months of November, December, January, February, March and April;

(iii) electricity sold for residential use to customers who are metered and billed as residential users and who use electricity for their primary source of residential heat, for the billing months of November, December, January, February, March and April.

Sec. 2. **EFFECTIVE DATE.** Section 1 is effective the day following final enactment.

## ARTICLE II: PERSONAL CREDITS

Changes or additions indicated by underline deletions by strikeout

Section 1. Minnesota Statutes, 1977 Supplement, Section 290.06, Subdivision 3c, is amended to read:

Subd. 3c. **CREDITS AGAINST TAX.** Notwithstanding the provisions of subdivision 3a for taxable years which begin after December 31, 1977, the taxes due under the computation in accordance with section 290.06 shall be credited with the following amounts:

(1) In the case of an unmarried individual, and, except as provided in paragraph 6, in the case of the estate of a decedent, ~~\$30~~ \$40, and in the case of a trust, \$5;

(2) In the case of a married individual, living with husband or wife, and in the case of a head of a household, ~~\$60~~ \$80. If such husband and wife make separate returns the personal exemption may be taken by either or divided between them;

(3) In the case of an individual, ~~\$30~~ \$40 for each person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer. One taxpayer only shall be allowed this credit with respect to any given dependent. In the case of the head of a household, a credit for one dependent shall be disallowed. A payment to a divorced or separated wife, other than a payment of the kind referred to in section 290.072, subdivision 3, shall not be considered a payment by the husband for the support of any dependent.

(4) (a) In the case of an unmarried individual who has attained the age of 65 before the close of his taxable year, an additional ~~\$30~~ \$20;

(b) In the case of an unmarried individual who is blind at the close of the taxable year, an additional ~~\$30~~ \$20;

(c) In the case of a married individual, living with husband or wife, an additional ~~\$30~~ \$20 for each spouse who has attained the age of 65 before the close of the individual's taxable year, and an additional ~~\$30~~ \$20 for each spouse who is blind at the close of the individual's taxable year. If such husband and wife make separate returns, these credits may be taken by either or divided between them;

(d) For the purposes of sub-paragraphs (b) and (c) of paragraph (4), an individual is blind if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

(e) In the case of an unmarried individual who is deaf at the close of the taxable year, an additional ~~\$30~~ \$20.

(f) In the case of a married individual, an additional ~~\$30~~ \$20 for each spouse who is deaf at the close of the taxable year. If the husband and wife make separate returns, these credits may be taken by either or divided between them.

Changes or additions indicated by underline deletions by ~~strikeout~~

(g) In the case of an individual, an additional ~~\$30~~ \$20 for each person (other than a spouse) who is deaf and dependent upon and receiving his chief support from the taxpayer.

(h) For the purposes of subparagraphs (e), (f) and (g) of paragraph (4), an individual is deaf if the average loss in the speech frequencies (500-2000 Hertz) in the better ear, unaided, is 92 decibels, American National Standards Institute, or worse.

(5)(a) If an unmarried individual qualifies for two or more additional credits under the provisions of clauses (4)(a), (4)(b) and (4)(e), the total amount of his credit shall be increased by \$10 for each additional credit in excess of one.

(b) If a married individual qualifies for more than one additional credit for either spouse under the provisions of clauses (4)(c) and (4)(f), the total amount of his credit shall be increased by \$10 for each additional credit in excess of one per spouse.

~~(5)~~ (6) In the case of an insurance company, it shall receive a credit on the tax computed as above equal in amount to any taxes based on premiums paid by it during the period for which the tax under Extra Session Laws 1967, Chapter 32, is imposed by virtue of any law of this state, other than the surcharge on premiums imposed by Extra Session Laws 1933, Chapter 53, as amended;

~~(6)~~ (7) In the case of a non-resident individual, credits under paragraphs 1, 2, 3, 4 and 5 shall be apportioned in the proportion of the gross income from sources in Minnesota to the gross income from all sources, and in any event a minimum credit of \$5 shall be allowed.

Sec. 2. Minnesota Statutes, 1977 Supplement, Section 290.37, Subdivision 1, is amended to read:

**290.37 FILING REQUIREMENTS FOR INDIVIDUALS.** Subdivision 1. **PERSONS MAKING RETURNS.** The following persons shall make a return for each taxable year, or fractional part thereof where permitted or required by law:

(a) A single individual with respect to his own taxable net income if that exceeds an amount on which a tax at the rates herein provided would exceed the specified credits allowed, or if his gross income exceeds ~~\$1,500~~ \$1,700.

(b) A married individual if his own taxable net income or the combined taxable net income of himself and his spouse exceeds an amount on which a tax at the rates herein provided would exceed the specified credits allowed, or if his gross income or the combined gross income of himself and his spouse exceeds ~~\$2,300~~ \$2,700.

(c) An unmarried individual who has attained the age of 65 before the close of the taxable year with respect to his own taxable net income if that exceeds an amount on which a tax at the rates herein provided would exceed the specified credits allowed or if his gross income exceeds \$2,300.

Changes or additions indicated by underline deletions by ~~strikeout~~

(d) A married individual living with husband or wife where one has attained the age of 65 before the close of the individual's taxable year if his own taxable net income or the combined taxable net income of himself and his spouse exceeds an amount on which a tax at the rates herein provided would exceed the specified credits allowed or if his gross income or the combined gross income of himself and his spouse exceeds ~~\$2,900~~ \$3,100.

(e) A married individual living with husband or wife and both spouse have attained the age of 65 if his own taxable net income or the combined taxable net income of himself and his spouse exceeds an amount on which a tax at the rates herein provided would exceed the specified credits allowed or if his gross income or the combined gross income of himself and his spouse exceeds \$3,400.

(f) An unmarried individual who is blind at the close of the taxable year with respect to his own taxable net income if that exceeds an amount on which a tax at the rates herein provided would exceed the specified credits allowed or if his gross income exceeds \$2,300; or \$2,900 if the individual has also attained the age of 65 before the close of the taxable year.

(g) A married individual living with husband or wife and one is blind at the close of the taxable year with respect to his own taxable net income or the combined taxable net income of himself and his spouse exceeds an amount on which a tax at the rates herein provided would exceed the specified credits allowed or if his gross income or the combined gross income of himself and his spouse exceeds ~~\$2,900~~ \$3,100; or \$3,400 if one has attained the age of 65 before the close of the taxable year and \$3,800 if both have attained the age of 65 before the close of the taxable year.

(h) A married individual living with husband or wife where both are blind at the close of the taxable year with respect to his own taxable net income or the combined taxable net income of himself and his spouse exceeds an amount on which a tax at the rates herein provided would exceed the specified credits allowed or if his gross income or the combined gross income of himself and his spouse exceeds \$3,400; or \$3,900 if one has attained the age of 65 before the close of the taxable year and \$4,400 if both have also attained the age of 65 before the close of the taxable year.

(i) The personal representative of the estate of a decedent with respect to the taxable net income of such decedent for that part of the taxable year during which he was alive if such taxable net income exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed, or if such decedent's gross income for the aforesaid period exceeds ~~\$1,500~~ \$1,700.

(j) The personal representative of the estate of a decedent with respect to the taxable net income of such estate if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed, or if such estate's gross income exceeds ~~\$1,500~~ \$1,700.

(k) The trustee or other fiduciary of property held in trust with respect to the taxable net income of such trust if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed, or if the gross income of such

Changes or additions indicated by underline deletions by ~~strikeout~~

trust exceeds \$750, if in either case such trust belongs to the class of taxable persons.

(l) The guardian of an infant or other incompetent person with respect to such infant's or other person's taxable net income if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed, or if the gross income of such infant or other incompetent person exceeds ~~\$4,500~~ \$1,700.

(m) Every corporation with respect to its taxable net income if in excess of \$500, or if its gross income exceeds \$5,000. The return in this case shall be signed by an officer of the corporation.

(n) The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer with respect to the taxable net income of such taxpayer if that exceeds an amount on which a tax at the rates herein provided would exceed the specific credits allowed (or, if the taxpayer is a corporation, if the taxable net income exceeds \$500), or if such taxpayer's gross income exceeds \$5,000.

Such return shall (a) be verified or contain a written declaration that it is made under the penalties of criminal liability for wilfully making a false return, and (b) shall contain a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

For purposes of (a) through (n) the term "gross income" shall mean gross income as defined in section 61 of the Internal Revenue Code of 1954, as amended through December 31, 1976, modified and adjusted in accordance with the provisions of sections 290.08, 290.17 and 290.65.

Sec. 3. **EFFECTIVE DATE.** Sections 1 and 2 are effective for taxable years beginning after December 31, 1977.

### ARTICLE III: HOMEMAKER CREDIT

Section 1. Minnesota Statutes 1976, Section 290.06, is amended by adding a subdivision to read:

Subd. 3e. HOMEMAKER CREDIT. A credit of \$50 may be deducted from the tax due from the taxpayer and his spouse, if any, under Chapter 290 if either the taxpayer or his spouse devotes his time to caring for his children and their home and is not employed outside of the home. A taxpayer would qualify for the credit if

(a) he has a child who is twelve years of age or younger residing in his home at any time during the taxable year;

(b) either the taxpayer or his spouse remains unemployed throughout the taxable year for the purpose of caring for the child in the home; and

(c) the combined federal adjusted gross income of the taxpayer and his spouse is not in excess of \$25,000.

Changes or additions indicated by underline deletions by ~~strikeout~~

A married claimant shall file his income tax return for the year for which he claims the credit either jointly or separately on one form with his spouse. In the case of the married claimant, only one spouse may claim the credit.

Sec. 2. **EFFECTIVE DATE.** Section 1 is effective for taxable years beginning after December 31, 1977.

#### ARTICLE IV: RATES

Section 1. Minnesota Statutes, 1977 Supplement, Section 290.06, Subdivision 2c, is amended to read:

Subd. 2c. **SCHEDULE OF RATES FOR INDIVIDUALS, ESTATES AND TRUSTS.** (a) For taxable years beginning after December 31, 1977, the income taxes imposed by this chapter upon individuals, estates and trusts, other than those taxable as corporations, shall be computed by applying to their taxable net income in excess of the applicable credits allowed by section 290.21, the following schedule of rates:

- (1) On the first \$500, one and six-tenths percent;
- (2) On the second \$500, two and two-tenths percent;
- (3) On the next \$1,000, three and five-tenths percent;
- (4) On the next \$1,000, five and eight-tenths percent;
- (5) On the next \$1,000, seven and three-tenths percent;
- (6) On the next \$1,000, eight and eight-tenths percent;
- (7) On the next \$2,000, ten and two-tenths percent;
- (8) On the next \$2,000, eleven and five-tenths percent;
- (9) On the next \$3,500, twelve and eight-tenths percent;
- (10) On all over \$12,500, and not over \$20,000, fourteen percent;
- (11) On all over \$20,000 and not over ~~\$25,000~~ \$27,500 , fifteen percent;
- (12) On all over ~~\$25,000~~ \$27,500 and not over ~~\$35,000~~ \$40,000 , sixteen percent;
- (13) On all over ~~\$35,000~~ and not over ~~\$50,000~~ \$40,000 , seventeen percent;
- (14) On the remainder, eighteen percent.

(b) In lieu of a tax computed according to the rates set forth in clause (a) of this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable

Changes or additions indicated by underline deletions by ~~strikeout~~

year, reduced by the applicable credits allowed by section 290.21, is less than \$20,000 shall be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

#### ARTICLE V: EMPLOYERS' EXCISE TAX

Section 1. **REPEALER.** Minnesota Statutes 1976, Sections 290.031, Subdivisions 1, 2, 3, 5 and 6; 290.921; and 290.922; and Minnesota Statutes, 1977 Supplement, Section 290.031, Subdivision 4, are repealed.

Sec. 2. **EFFECTIVE DATE.** Section 1 is effective for compensation paid after June 30, 1978.

#### ARTICLE VI: PENSIONS

Section 1. Minnesota Statutes, 1977 Supplement, Section 290.01, Subdivision 20, is amended to read:

Subd. 20. **GROSS INCOME.** Except as otherwise provided in this chapter, the term "gross income," as applied to corporations includes every kind of compensation for labor or personal services of every kind from any private or public employment, office, position or services; income derived from the ownership or use of property; gains or profits derived from every kind of disposition of, or every kind of dealing in, property; income derived from the transaction of any trade or business; and income derived from any source; except that gross income shall not include "exempt function income" of a "homeowners association" as those terms are defined in Section 528 of the Internal Revenue Code of 1954, as amended.

For each of the taxable years beginning after December 31, 1960 and prior to January 1, 1971, the term "gross income" in its application to individuals, estates, and trusts, shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through December 31, 1970 for the applicable taxable year, with the modifications specified in this section.

For each of the taxable years beginning after December 31, 1970, the term "gross income" in its application to individuals, estates, and trusts shall mean the adjusted gross income as computed for federal income tax purposes as defined in the Internal Revenue Code of 1954, as amended through the date specified herein for the applicable taxable year, with the modifications specified in this section.

(i) The Internal Revenue Code of 1954, as amended through December 31, 1970, shall be in effect for taxable years beginning after December 31, 1970 and prior to January 1, 1973.

(ii) The Internal Revenue Code of 1954, as amended through December 31, 1972,

**Changes or additions indicated by underline deletions by ~~strikeout~~**

shall be in effect for taxable years beginning after December 31, 1972.

(iii) The Internal Revenue Code of 1954, as amended through December 31, 1973, shall be in effect for taxable years beginning after December 31, 1973.

(iv) The Internal Revenue Code of 1954, as amended through December 31, 1974, shall be in effect for the taxable years beginning after December 31, 1974.

(v) The Internal Revenue Code of 1954, as amended through December 31, 1976, including the amendments made to section 280A (relating to licensed day care centers) in H.R. 3477 as it passed the Congress on May 16, 1977, shall be in effect for the taxable years beginning after December 31, 1976. The provisions of the Tax Reform Act of 1976, P.L. 94-455, which affect adjusted gross income shall become effective for purposes of chapter 290 at the same time they become effective for federal income tax purposes. Section 207 (relating to extension of period for nonrecognition of gain on sale or exchange of residence) and section 402 (relating to time for making contributions to pension plans of self employed people) of P.L. 94-12 shall be effective for taxable years beginning after December 31, 1974.

References to the Internal Revenue Code of 1954 in clauses (a), (b) and (c) following shall mean the code in effect for the purpose of defining gross income for the applicable taxable year.

(a) Modifications increasing federal adjusted gross income. There shall be added to federal adjusted gross income:

(1) Interest income on obligations of any state other than Minnesota or a political subdivision of any such other state exempt from federal income taxes under the Internal Revenue Code of 1954;

(2) Interest income on obligations of any authority, commission, or instrumentality of the United States, which the laws of the United States exempt from federal income tax, but not from state income taxes;

(3) Income taxes imposed by this state or any other taxing jurisdiction, to the extent deductible in determining federal adjusted gross income and not credited against federal income tax;

(4) Interest on indebtedness incurred or continued to purchase or carry securities the income from which is exempt from tax under this chapter, to the extent deductible in determining federal adjusted gross income;

(5) Amounts received as reimbursement for an expense of sickness or injury which was deducted in a prior taxable year to the extent that the deduction for such reimbursed expenditure resulted in a tax benefit;

(6) The amount of any federal income tax overpayment for any previous taxable year, received as refund or credited to another taxable year's income tax liability,

Changes or additions indicated by underline deletions by ~~strikeout~~

proportionate to the percentage of federal income tax that was claimed as a deduction in determining Minnesota income tax for such previous taxable year.

The overpayment refund or credit, determined with respect to a husband and wife on a joint federal income tax return for a previous taxable year, shall be reported on joint or separate Minnesota income tax returns. In the case of separate Minnesota returns, the overpayment shall be reported by each spouse proportionately according to the relative amounts of federal income tax claimed as a deduction on his or her separate Minnesota income tax return for such previous taxable year;

(7) In the case of a change of residence from Minnesota to another state or nation, the amount of moving expenses which exceed total reimbursements and which were therefore deducted in arriving at federal adjusted gross income;

(8) In the case of property disposed of on or after January 1, 1973, the amount of any increase in the taxpayer's federal tax liability under section 47 of the Internal Revenue Code of 1954, as amended through December 31, 1976, to the extent of the credit under section 38 of the Internal Revenue Code of 1954, as amended through December 31, 1976, that was previously allowed as a deduction either under section 290.01, subdivision 20 (b) ~~(9)~~ (7) or under section 290.09, subdivision 24; and

(9) Expenses and losses arising from a farm which are not allowable under section 290.09, subdivision 29;

(10) Expenses and depreciation attributable to substandard buildings disallowed by section 290.101; and

(11) The amount by which the gain determined pursuant to section 41.59, subdivision 2 exceeds the amount of such gain included in federal adjusted gross income;

~~(12)~~ (12) Interest income from qualified scholarship funding bonds as defined in section 103(e) of the Internal Revenue Code of 1954, as amended through December 31, 1976, if the nonprofit corporation is domiciled outside of Minnesota;

~~(13)~~ (13) Exempt-interest dividends, as defined in section 852(b)(5)(A) of the Internal Revenue Code of 1954, as amended through December 31, 1976, not included in federal adjusted gross income pursuant to section 852(b)(5)(B) of the Internal Revenue Code of 1954, as amended through December 31, 1976, except for that portion of such exempt-interest dividends derived from interest income on obligations of the state of Minnesota, any of its political or governmental subdivisions, any of its municipalities, or any of its governmental agencies or instrumentalities;

~~(14)~~ (14) The amount of any excluded gain realized by a trust on the sale or exchange of property as defined in section 641(c)(1).

(b) Modifications reducing federal adjusted gross income. There shall be subtracted from federal adjusted gross income:

Changes or additions indicated by underline deletions by ~~strikeout~~

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

(2) The portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to fifty per centum of such portion of the gain. This modification shall not be applicable if the difference in basis is due to disallowance of depreciation pursuant to section 290.101.

(3) Interest or dividend income on securities to the extent exempt from income tax under the laws of this state authorizing the issuance of such securities but includible in gross income for federal income tax purposes;

(4) Losses, not otherwise reducing federal adjusted gross income assignable to Minnesota, arising from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks resulting from such losses;

(5) If included in federal adjusted gross income, the amount of any credit received, whether received as a refund or credit to another taxable year's income tax liability, pursuant to chapter 290A, and the amount of any overpayment of income tax to Minnesota, or any other state, for any previous taxable year, whether such amount is received as a refund or credited to another taxable year's income tax liability;

(6) To the extent included in federal adjusted gross income, notwithstanding any other law to the contrary, the amount of any pension or benefit which is excluded from gross income under the provisions of section 290.08, subdivision 6 received by any person (i) from the United States, its agencies or instrumentalities, the Federal Reserve Bank or from the state of Minnesota or any of its political or governmental subdivisions or from any other state or its political or governmental subdivisions, or a Minnesota volunteer fireman's relief association, by way of payment as a pension, public employee retirement benefit, or any combination thereof, or (ii) as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 404, 405, 408 or 409 of the Internal Revenue Code of 1954, as amended through December 31, 1977. The maximum amount of this subtraction shall be \$7,200 less the sum of (a) social security retirement benefits received during the taxable year, (b) railroad retirement benefits received during the taxable year, and (c) the amount by which the individual's federal adjusted gross income exceeds \$13,000. In the case of a volunteer fireman who receives an involuntary lump sum distribution of his pension or retirement benefits, the maximum amount of this subtraction shall be \$7,200 less the sum of social security retirement benefits and railroad retirement benefits; this subtraction shall not be reduced by the amount of the individual's federal adjusted gross income in excess of \$13,000; and

(7) In the case of property acquired on or after January 1, 1973, the amount of any credit to the taxpayer's federal tax liability under section 38 of the Internal Revenue Code

Changes or additions indicated by underline deletions by strikeout

of 1954, as amended through December 31, 1976, but only to the extent that the credit is connected with or allocable against the production or receipt of income included in the measure of the tax imposed by this chapter;

~~(10)~~ (8) The amount of any distribution from a qualified pension or profit sharing plan included in federal adjusted gross income in the year of receipt to the extent of any contribution not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota law for a taxable year beginning in 1974 or later.

(c) Modifications affecting shareholders of electing small business corporations under section 1372 of the Internal Revenue Code of 1954, or section 290.972 of this chapter.

(1) Shareholders in a small business corporation, which has elected to be so taxed under the Internal Revenue Code of 1954, but has not made an election under section 290.972 of this chapter, shall deduct from federal adjusted gross income the amount of any imputed income from such corporation and shall add to federal adjusted gross income the amount of any loss claimed as a result of such stock ownership. Also there shall be added to federal adjusted gross income the amount of any distributions in cash or property made by said corporation to its shareholders during the taxable year.

(2) In cases where the small business corporation has made an election under section 1372 of the Internal Revenue Code of 1954, but has not elected under section 290.972 of this chapter and said corporation is liquidated or the individual shareholder disposes of his stock and there is no capital loss reflected in federal adjusted gross income because of the fact that corporate losses have exhausted the shareholders basis for federal purposes, such shareholders shall be entitled, nevertheless, to a capital loss commensurate to their Minnesota basis for the stock.

(3) In cases where the election under section 1372 of the Internal Revenue Code of 1954 antedates the election under section 290.972 of this chapter and at the close of the taxable year immediately preceding the effective election under section 290.972 the corporation has a reserve of undistributed taxable income previously taxed to shareholders under the provisions of the Internal Revenue Code of 1954, in the event and to the extent that such reserve is distributed to shareholders such distribution shall be taxed as a dividend for purposes of this act.

Items of gross income includible within these definitions shall be deemed such regardless of the form in which received. Items of gross income shall be included in gross income of the taxable year in which received by a taxpayer unless properly to be accounted for as of a different taxable year under methods of accounting permitted by section 290.07, except that (1) amounts transferred from a reserve or other account, if in effect transfers to surplus, shall, to the extent that such amounts were accumulated through deductions from gross income or entered into the computation of taxable net income during any taxable year, be treated as gross income for the year in which the transfer occurs, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act, and (2) amounts received as refunds on account of taxes deducted from gross income during any taxable year shall be treated as gross income for the year in

Changes or additions indicated by underline deletions by ~~strikeout~~

which actually received, but only to the extent that such amounts resulted in a reduction of the tax imposed by this act.

(d) Modification in computing taxable income of the estate of a decedent. Amounts allowable under section 291.07, subdivision 1(2) in computing Minnesota inheritance tax liability shall not be allowed as a deduction in computing the taxable income of the estate unless there is filed within the time and in the manner and form prescribed by the commissioner a statement that the amounts have not been allowed as a deduction under section 291.07 and a waiver of the right to have such amounts allowed at any time as deductions under section 291.07. The provisions of this paragraph shall not apply with respect to deductions allowed under section 290.077 (relating to income in respect of decedents). In the event that the election made for federal tax purposes under section 642(g) of the Internal Revenue Code of 1954 differs from the election made under this paragraph appropriate modification of the estate's federal taxable income shall be made to implement the election made under this paragraph in accordance with regulations prescribed by the commissioner.

Sec. 2. **REPEALER.** Minnesota Statutes, 1977 Supplement, Section 290.08, Subdivision 6, is repealed.

Sec. 3. **EFFECTIVE DATE.** This article is effective for taxable years beginning after December 31, 1977.

#### ARTICLE VII: NATIONAL GUARD CREDIT

Section 1. Minnesota Statutes 1976, Section 290.06, is amended by adding a subdivision to read:

Subd. 12. MEMBERS OF THE NATIONAL GUARD. A credit of \$140 may be deducted from the tax due under chapter 290 by a taxpayer who is a member of the national guard in the rank of captain or below for more than six months during the taxable year. If the credit exceeds the taxpayer's liability under chapter 290, the excess shall not be refundable.

Sec. 2. **EFFECTIVE DATE.** Section 1 is effective for taxable years beginning after December 31, 1977.

#### ARTICLE VIII: LOW INCOME CREDIT

Section 1. Minnesota Statutes 1976, Section 290.06, Subdivision 3d, is amended to read:

Subd. 3d. **CREDITS AGAINST TAX.** The taxes due as computed in accordance with section 290.06, subdivisions 2c ~~and~~, 3c, and (3e) shall be credited with the following amounts:

(1) A credit equal to his tax liability in the case of:

**Changes or additions indicated by underline deletions by ~~strikeout~~**

- (a) An unmarried claimant with an income of ~~\$4,400~~ \$4,800 or less;
- (b) A claimant with one dependent, with an income of ~~\$5,200~~ \$5,800 or less;
- (c) A claimant with two dependents, with an income of ~~\$6,000~~ \$6,900 or less;
- (d) A claimant with three dependents, with an income of ~~\$6,700~~ \$7,800 or less;
- (e) A claimant with four dependents, with an income of ~~\$7,300~~ \$8,400 or less; and
- (f) A claimant with five or more dependents, with an income of ~~\$7,800~~ \$8,900 or less.

(2) In the case of a claimant with an income in excess of that set forth in the appropriate category of clause (1), he may pay a tax equal to 15 percent of that portion of his income that is in excess of the amount set forth in the appropriate category of clause (1), or his tax obligation as it would have been in the absence of section 290.012 and this subdivision, whichever is less.

(3) The total income of the claimant and his spouse, if any, shall be the figure employed for the purposes of this subdivision. No individual dependent upon and receiving his chief support from any other individual may be a claimant under section 290.012 and this subdivision. The commissioner of revenue shall prescribe the additional forms or alterations in existing forms as necessary to comply with the provisions of section 290.012 and this subdivision. All claimants shall submit their returns on these forms.

The commissioner of revenue shall provide alternative tax tables which will include these credits.

Sec. 2. EFFECTIVE DATE. Section 1 is effective for taxable years beginning after December 31, 1977.

#### ARTICLE IX: MISCELLANEOUS

Section 1. Minnesota Statutes, 1977 Supplement, Section 290.06, Subdivision 9a, is amended to read:

Subd. 9a. **FEEDLOT POLLUTION CONTROL EQUIPMENT.** A credit of 10 percent of the net cost of pollution control and abatement equipment, including but not limited to, lagoons, concrete storage pits, slurry handling equipment, and other equipment and devices approved by the pollution control agency, purchased, installed and operated within the state by a feedlot operator to prevent pollution of air, land, or water in connection with the operation of a livestock feedlot, poultry lot or other animal lot, may be deducted from the tax due under this chapter in the taxable year in which such equipment is purchased; provided that no deduction shall be taken for any portion of the cost of the same equipment pursuant to subdivision 9. The credit provided for in subdivision 9 shall terminate on December 31, 1976. The credit provided for in this

Changes or additions indicated by underline deletions by ~~strikeout~~

subdivision shall terminate on December 31, 1980, except any amounts that are carried forward to a subsequent year may be taken as a credit in such subsequent years.

If the amount of the credit provided by this subdivision exceeds the taxpayer's liability for taxes pursuant to chapter 290 in the taxable year, beginning after December 31, 1972, in which the equipment is purchased, the excess amount may be carried forward to the four taxable years following the year of purchase. The entire amount of the credit not used in the year purchased shall be carried to the earliest of the four taxable years to which the credit may be carried and then to each of the three successive taxable years.

Sec. 2. Minnesota Statutes 1976, Section 290A.03, Subdivision 6, is amended to read:

Subd. 6. **HOMESTEAD.** "Homestead" means the dwelling occupied by a claimant as a place of residence and so much of the land surrounding it, not exceeding ~~one acre~~ ten acres, as is reasonably necessary for use of the dwelling as a home, except that this restriction shall not be applicable to agricultural land assessed as part of a homestead pursuant to section 273.13, subdivision 6. The homestead may be owned or rented and may be a part of a multi-dwelling or multi-purpose building and the land on which it is built. A mobile home, as defined in section 168.011, subdivision 8, assessed as personal property may be a dwelling for purposes of this subdivision.

Sec. 3. Minnesota Statutes, 1977 Supplement, Section 298.28, Subdivision 1, is amended to read:

**298.28 DIVISION AND DISTRIBUTION OF PROCEEDS.** Subdivision 1. The proceeds of the taxes collected under section 298.24, except the tax collected under section 298.24, subdivision 2, shall, upon certificate of the commissioner of revenue to the general fund of the state, be paid by the commissioner of revenue as follows:

(1) 2.5 cents per gross ton of merchantable iron ore concentrate, hereinafter referred to as "taxable ton", to the city or town in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. If the mining, quarrying, and concentration, or different steps in either thereof are carried on in more than one taxing district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities and towns among such subdivisions upon the basis of attributing 40 percent of the proceeds of the tax to the operation of mining or quarrying the taconite, and the remainder to the concentrating plant and to the processes of concentration, and with respect to each thereof giving due consideration to the relative extent of such operations performed in each such taxing district. His order making such apportionment shall be subject to review by the tax court of appeals at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner.

(2) 12.5 cents per taxable ton, less any amount distributed under clause (8), to the taconite municipal aid account in the apportionment fund of the state treasury, to be distributed as provided in section 298.282.

(3) 29 cents per taxable ton to school districts to be distributed as follows:

**Changes or additions indicated by underline deletions by ~~strikeout~~**

(a) 6 cents per taxable ton to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The commissioner shall follow the apportionment formula prescribed in clause (1).

(b) 23 cents per taxable ton, less any amount distributed under part (c), shall be distributed to a group of school districts comprised of those school districts wherein the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134 or in which is located property which is entitled to the reduction of tax pursuant to section 273.135, subdivision 2, clause (c). The 23 cents, less any amount distributed under part (c), shall be distributed in direct proportion to school district tax levies as follows: each district shall receive that portion of the total distribution which its permitted levy for the prior year, computed pursuant to section 275.125, comprises of the sum of permitted levies for the prior year for all qualifying districts, computed pursuant to section 275.125. That portion of the amount so distributed to a school district which is not deducted from state aids in section 124.212, subdivision 8a, shall be included in computing the permissible levies under section 275.125. For purposes of distributions pursuant to this part, permitted levies for the prior year computed pursuant to section 275.125 shall not include the amount of any increased levy authorized by referendum pursuant to section 275.125, subdivision 2a, clause (4).

(c) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(4) 19.5 cents per taxable ton to counties to be distributed as follows:

(a) 15.5 cents per taxable ton shall be distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced, less any amount which is to be distributed pursuant to part (b). The commissioner shall follow the apportionment formula prescribed in clause (1).

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, one cent per taxable ton of the tax distributed to the counties pursuant to part (a) and imposed on and collected from such taxpayer shall be distributed by the commissioner of revenue to the county in which the power plant is located.

(c) 4 cents per taxable ton shall be paid to the county from which the taconite was mined, quarried or concentrated to be deposited in the county road and bridge fund. If the mining, quarrying and concentrating, or separate steps in any of those processes are carried on in more than one county, the commissioner shall follow the apportionment formula prescribed in clause (1).

(5) (a) 25.75 cents per taxable ton, less any amount required to be distributed under part (b), to the taconite property tax relief account in the apportionment fund in the state treasury, to be distributed as provided in sections 273.134 to 273.136.

Changes or additions indicated by underline deletions by ~~strikeout~~

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .75 cent per taxable ton of the tax imposed and collected from such taxpayer shall be distributed by the commissioner of revenue to the county and school district in which the power plant is located as follows: 25 percent to the county and 75 percent to the school district.

(6) 1 cent per taxable ton to the state.

(7) 3 cents per taxable ton shall be deposited in the state treasury to the credit of the iron range resources and rehabilitation board account in the special revenue fund for the purposes of section 298.22. Of this amount, one cent per taxable ton is to be used to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60 issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134.

(8) .20 cent per taxable ton shall be paid in 1979 and each year thereafter, to the range association of municipalities and schools, for the purpose of providing an area wide approach to problems which demand coordinated and cooperative actions and which are common to those areas of northeast Minnesota affected by operations involved in mining iron ore and taconite and producing concentrate therefrom, and for the purpose of promoting the general welfare and economic development of the cities, towns and school districts within the iron range area of northeast Minnesota.

(8) (9) the amounts determined under clauses (4)(a), (4)(c), and (5) shall be increased in 1979 and subsequent years in the same proportion as the increase in the steel mill products index as provided in section 298.24, subdivision 1.

~~(9)~~ (10) the proceeds of the tax imposed by section 298.24 which remain after the distributions in clauses (1) to ~~(8)~~ (9) and parts (a), (b), (c), and (d) of this clause have been made shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection fund created in section 298.292 as follows: In 1978, 1979, 1980, 1981, and 1982, two-thirds to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection fund; in 1983 and thereafter, one-half to each fund. The proceeds shall be placed in the respective special accounts in the general fund.

(a) In 1978 and each year thereafter, there shall be distributed to each city, town, school district, and county the amount that they received under section 294.26 in calendar year 1977.

(b) In 1978 and each year thereafter, there shall be distributed to the iron range resources and rehabilitation board the amounts it received in 1977 under section 298.22.

(c) In 1978 and each year thereafter, \$50,000 shall be distributed to the department of revenue for auditing and enforcing the production tax imposed by Laws 1977, Chapter 423, Article 10.

Changes or additions indicated by underline deletions by ~~strikeout~~

(d) In 1978 and 1979, \$150,000 shall be distributed to the department of revenue for the purpose of administering section 298.48. In 1980 and each year thereafter, \$100,000 shall be distributed to the department of revenue. On or before October 10 of each calendar year each producer of taconite or iron sulphides subject to taxation under section 298.24 (hereinafter called "taxpayer") shall file with the commissioner of revenue and with the county auditor of each county in which such taxpayer operates, and with the chief clerical officer of each school district, city or town which is entitled to participate in the distribution of the tax, an estimate of the amount of tax which would be payable by such taxpayer under said law for such calendar year; provided such estimate shall be in an amount not less than the amount due on the mining and production of concentrates up to September 30 of said year plus the amount becoming due because of probable production between September 30 and December 31 of said year, less any credit allowable as hereinafter provided. Such estimate shall list the taxing districts entitled to participate in the distribution of such tax, and the amount of the estimated tax which would be distributable to each such district in the next ensuing calendar year on the basis of the last percentage distribution certified by the commissioner of revenue. If there be no such prior certification, the taxpayer shall set forth its estimate of the proper distribution of such tax under the law, which estimate may be corrected by the commissioner if he deems it improper, notice of such correction being given by him to the taxpayer and the public officers receiving such estimate. The officers with whom such report is so filed shall use the amount so indicated as being distributable to each taxing district in computing the permissible tax levy of such county, city or school district in the year in which such estimate is made, and payable in the next ensuing calendar year, except that in 1978 and 1979 two cents per taxable ton, and in 1980 and thereafter, one cent per taxable ton of the amount distributed under clause (4)(c) shall not be deducted in calculating the permissible levy. Such taxpayer shall then pay, at the times payments are required to be made pursuant to section 298.27, as the amount of tax payable under section 298.24, the greater of (a) the amount shown by such estimate, or (b) the amount due under said section as finally determined by the commissioner of revenue pursuant to law. If, as a result of the payment of the amount of such estimate, the taxpayer has paid in any calendar year an amount of tax in excess of the amount due in such year under section 298.24, after application of credits for any excess payments made in previous years, all as determined by the commissioner of revenue, the taxpayer shall be given credit for such excess amount against any taxes which, under said section, may become due from the taxpayer in subsequent years. In any calendar year in which a general property tax levy subject to sections 275.125 or 275.50 to 275.59 has been made, if the taxes distributable to any such county, city or school district are greater than the amount estimated to be paid to any such county, city or school district in such year, the excess of such distribution shall be held in a special fund by the county, city or school district and shall not be expended until the succeeding calendar year, and shall be included in computing the permissible levies under sections 275.125 or 275.50 to 275.59, of such county, city or school district payable in such year. If the amounts distributable to any such county, city or school district, after final determination by the commissioner of revenue under this section are less than the amounts indicated by such estimates, such county, city or school district may issue certificates of indebtedness in the amount of the shortage, and may include in its next tax levy, in excess of the limitations of sections 275.125 or 275.50 to 275.59 an amount sufficient to pay such certificates of indebtedness and interest thereon, or, if no certificates were issued, an amount equal to such shortage.

Changes or additions indicated by underline deletions by ~~strikeout~~

There is hereby annually appropriated to such taxing districts as are stated herein, to the taconite property tax relief account and to the taconite municipal aid account in the apportionment fund in the state treasury, to the department of revenue, to the iron range resources and rehabilitation board, to the range association of municipalities and schools, to the taconite environmental protection fund, and to the northeast Minnesota economic protection fund, from any fund or account in the state treasury to which the money was credited, an amount sufficient to make the payment or transfer. The payment of the amount appropriated to such taxing districts shall be made by the commissioner of revenue on or before May 15 annually.

Sec. 4. Minnesota Statutes, 1977 Supplement, Section 298.293, is amended to read:

**298.293 DECLARATION OF EMERGENCY; EXPENDING FUNDS.** The funds provided by section 298.28, subdivision 1, clause (9), relating to the northeast Minnesota economic protection fund shall not be expended prior to (a) a declaration by the governor to the effect that the economic situation of northeast Minnesota requires remedial action by the legislature as a result of a decline in mineral-related activities, and (b) an appropriation of the funds by the legislature. The governor shall recommend to the legislature those measures that he believes will be appropriate in order to accomplish the purpose of his declaration. The funds provided by this fund may be spent only in those areas that are tax relief areas as defined in section 273.134. The funds provided by section 298.28, subdivision 1, clause (9), for this fund shall not be expended for this purpose prior to January 1, 2002. If during any year the taconite property tax account under sections 273.134 to 273.136 does not contain sufficient funds to pay the property tax relief specified in Laws 1977, Chapter 423, Article X, Section 4, there is appropriated from this fund to the relief account sufficient funds to pay the relief specified in Laws 1977, Chapter 423, Article X, Section 4.

**Sec. 5. EFFECTIVE DATE.** Section 1 is effective for taxable years beginning after December 31, 1973. Section 2 is effective for claims based on rent paid in 1979 and subsequent years and property taxes payable in 1980 and subsequent years. Section 3 is effective July 1, 1978. Section 4 is effective for property taxes payable in 1979 and subsequent years.

Approved March 31, 1978.

---

#### CHAPTER 722-H.F.No.1931

*An act relating to agriculture; corporate farming; providing new definitions; declaring the desirability of family farm stability; amending Minnesota Statutes 1976, Sections 268.04, Subdivision 31; 308.11; 500.24; and Minnesota Statutes, 1977 Supplement, Section 176.041, Subdivision 1.*

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

Section 1. Minnesota Statutes 1976, Section 500.24, is amended to read:

Changes or additions indicated by underline deletions by ~~strikeout~~