

SESSION LAWS

of the

STATE OF MINNESOTA

ENACTED BY THE SEVENTY-SIXTH LEGISLATURE

AT THE 1989 FIRST SPECIAL SESSION

SEPTEMBER 27 TO SEPTEMBER 29, 1989

CHAPTER 1—H.F.No. 1

An act relating to the financing and operation of government in Minnesota; changing tax rates and bases; modifying the administration, collection, and enforcement of taxes; imposing taxes; creating tax exemptions; changing the computation, administration, and payment of aids, credits, and refunds; providing new aids and credits; making technical corrections and clarifications; changing proposed property tax notice provisions; changing levy limits and other local government powers and duties; allowing certain units of local governments to impose taxes; changing tax increment financing provisions; providing that the state will be supplier of gambling equipment; authorizing establishment of an economic development authority in the city of Otsego and in Kandiyohi county; exempting Itasca county from a levy limit penalty and authorizing a special levy; modifying the levy authority of the Red River watershed management district; authorizing an appropriation by Aitkin county; providing for payment of certain aid to the cities of Falcon Heights and Lauderdale; extending the duration of tax increment financing districts in the cities of Moorhead and Chanhassen; exempting a redevelopment district in the city of Minneapolis from certain requirements; allowing certain cities or towns in Pine county to become part of the North Pine area hospital district; granting certain powers to towns; modifying certain bond allocation procedures; requiring studies of state and local finance issues; requiring the governor to recommend spending reductions; setting the amount of the budget reserve; establishing plans and programs to reduce waste generated, recycle waste, develop markets for recyclables, address materials that cause special problems in the waste stream, prevent, control, and abate litter, inform and educate the public on proper waste management; requiring a mechanism to fund certain mental health services; providing procedures for allocating costs of certain human services between the state and county agencies; imposing penalties; appro-

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appropriating money; amending Minnesota Statutes 1988, sections 3.885, subdivisions 3, 5, and by adding subdivisions; 3.982; 6.62, subdivision 1; 10A.31, subdivision 5; 16A.15, subdivision 6; 18.023, subdivision 8; 60A.14, subdivision 1; 60A.15, subdivision 1; 60A.19, subdivision 6; 110B.15, subdivision 4; 115.34, subdivision 1; 115A.03, subdivision 25a, and by adding subdivisions; 115A.072; 115A.15, subdivision 5, and by adding subdivisions; 115A.46, by adding a subdivision; 115A.48, subdivision 3, and by adding a subdivision; 115A.915; 115A.96, subdivision 2, and by adding a subdivision; 116.07, by adding a subdivision; 116K.04, by adding a subdivision; 124.42, subdivisions 1 and 4; 124.83, subdivision 1; 124A.26, subdivision 1; 129A.06, subdivision 2; 145A.08, subdivision 3; 164.041; 256.736, subdivision 13; 256B.091, subdivision 8; 256B.19, subdivision 1, and by adding a subdivision; 256D.03, subdivision 6; 256G.01, subdivision 3; 256G.05; 256G.07; 256G.10; 256G.11; 270.067, subdivisions 1 and 2; 270.11, subdivision 2; 270.12, subdivision 3, and by adding a subdivision; 270.13; 270.18; 270.77; 270.82; 270.84; 270.85; 270.87; 272.02, subdivision 4, and by adding subdivisions; 272.025, subdivision 1; 272.115, subdivision 1; 273.064; 273.065; 273.111, subdivision 4; 273.123, subdivisions 4, 5, and 7; 273.13, subdivisions 21a, 24, 25, 31, and by adding subdivisions; 273.1392; 273.1398, subdivisions 2, 3, and by adding subdivisions; 273.33, subdivision 2; 273.37, subdivision 2; 274.14; 275.065, subdivisions 1, 3, 4, 6, 7, and by adding subdivisions; 275.07, subdivision 1, and by adding a subdivision; 275.08, subdivisions 2 and 3; 275.124; 275.125, subdivision 18; 275.15; 275.16; 275.29; 275.50, subdivision 5; 275.51, subdivisions 3f, 3h, 3i, 3j, 4, 6, and by adding a subdivision; 275.58, subdivisions 2 and 3; 276.01; 276.04, subdivisions 2 and 3; 276.09; 276.10; 276.11, subdivision 1; 277.01, subdivision 1; 277.02; 277.05; 277.06; 277.13; 284.28, subdivisions 4 and 7; 287.29; 290.01, subdivision 29; 290.02; 290.05, subdivisions 1 and 2; 290.06, subdivisions 1, 21, and by adding a subdivision; 290.067, subdivision 2, and by adding a subdivision; 290.091, subdivision 2, and by adding a subdivision; 290.095, subdivision 2, and by adding a subdivision; 290.17, by adding a subdivision; 290.21, subdivision 4; 290.35, subdivisions 1, 4, and by adding a subdivision; 290.37, subdivision 1; 290.38; 290.92, subdivision 21, and by adding a subdivision; 290.934, subdivision 3a; 290A.04, subdivisions 2, 2h, 3, and by adding subdivisions; 290A.07, subdivision 2a; 295.34, subdivision 1; 297A.01, subdivision 3; 297A.02, subdivision 2; 297A.15, subdivision 5, and by adding a subdivision; 297A.25, subdivision 3, and by adding subdivisions; 297A.257, subdivision 1; 297A.39, by adding a subdivision; 298.01, by adding subdivisions; 298.28, subdivisions 6 and 12; 298.282, subdivision 3; 298.39; 298.396; 325E.115, subdivision 1; 349.12, subdivision 19, and by adding subdivisions; 349.16, by adding a subdivision; 349.212, subdivisions 1, 2, 4, and by adding a subdivision; 349.2127, subdivision 4, and by adding a subdivision; 353A.10, subdivision 3; 360.037, subdivision 2; 368.01, subdivision 14; 373.40, subdivisions 1 and 2; 375.18, by adding a subdivision; 386.015, subdivision 5; 400.08, by adding a subdivision; 412.221, subdivision 22; 414.01, subdivision 15; 444.075, subdivisions 1 and 4; 444.16; 444.17; 444.18; 444.19; 444.20; 447.34, subdivision 1; 447.35; 465.73; 469.167, subdivision 2; 469.171, subdivision 7, and by adding a subdivision; 469.174, subdivisions 10, 16, 17, and by adding a subdivision; 469.175, by adding a subdivision; 469.176, by adding a subdivision; 469.177, subdivisions 6 and 10; 469.190, subdivisions 2 and 3; 471.572, subdivision 2; 471.74, subdivision 2; 471A.03, subdivision 4; 473.149, subdivision 1; 473.167, subdivision 4; 473.249, subdivision 2; 473.446, subdivision 8; 473.711, subdivision 5; 473.803, subdivision 1; 473.87; 473F.05; 473F.06; 473F.07, subdivisions 1, 2, and 5; 473F.08, subdivisions 3, 3a, 5, and by adding a subdivision; 473F.09; 473H.10, subdivision 3; 474A.061, subdivisions 1, 2, and 4; 474A.091, subdivisions 2 and 3;

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475.74; 475.754; 477A.011, subdivisions 1a, 3, 3a, 20, and by adding subdivisions; 477A.012, by adding subdivisions; 477A.013, subdivision 3, and by adding subdivisions; 477A.014, subdivision 1; 508.75; 508.76; 508.77; 508.78; 508.79; 508.82; 508A.76; 508A.77; 508A.78; 508A.79; 508A.82; Minnesota Statutes 1989 Supplement, sections 16A.1541; 115A.12, subdivision 1; 115A.46, subdivision 2; 121.904, subdivisions 4a and 4e; 124.2131, subdivision 1; 124.243, subdivision 3; 124.244, subdivision 2; 124.83, subdivision 4; 124A.03, subdivision 2; 124A.23, subdivision 1; 256.82, subdivision 1; 256.871, subdivision 6; 256.935, subdivision 1; 256B.041, subdivision 5; 256D.03, subdivision 2; 256D.051, subdivision 6; 256D.36, subdivision 1; 256G.02, subdivision 4; 270.12, subdivision 2; 272.02, subdivision 1; 273.061, subdivision 1; 273.1104, subdivision 2; 273.119, subdivision 2; 273.124, subdivision 6; 273.13, subdivisions 22 and 23; 273.135, subdivision 2; 273.1391, subdivision 2; 273.1398, subdivisions 1, 5, and 6; 275.07, subdivision 3; 275.125, subdivisions 5, 5b, and 9; 275.14; 275.28, subdivision 1; 275.58, subdivision 1; 287.12; 290.01, subdivision 19c; 290.015, subdivisions 3 and 4; 290.05, subdivision 3; 290.06, subdivision 2c; 290.0802, subdivision 1; 290.17, subdivision 2; 290.191, subdivision 6; 290.92, subdivision 4b; 297A.25, subdivisions 11 and 16; 297A.44, subdivision 1; 298.282, subdivision 2; 349.12, subdivision 11; 349.15; 349.161, subdivision 1; 349.163, subdivision 3; 349.19, subdivision 6; 349.214, subdivision 2; 357.021, subdivision 1a; 373.40, subdivision 6; 412.251; 426.04; 469.033, subdivision 6; 469.174, subdivision 7; 469.175, subdivisions 3 and 7; 469.176, subdivisions 1 and 6; 469.190, subdivision 1; 471.1921; 473.882, subdivision 3; and 477A.013, subdivision 1; Laws 1976, chapter 162, section 1, as amended; Laws 1986, chapter 399, article 1, section 1; Laws 1987, chapter 268, article 6, section 54, as amended; 1988, chapter 719, article 1, section 22; and article 12, section 29, as amended; Laws 1989, chapter 282, article 5, section 133; chapter 329, article 1, section 17, subdivision 2; article 2, section 8, subdivision 2; and article 5, section 21, subdivisions 2 and 3; and chapter 335, article 3, sections 54, subdivision 8; and 58, as amended; proposing coding for new law in Minnesota Statutes, chapters 3; 16B; 115A; 124; 173; 256; 273; 274; 290; 290A; 297A; 325E; 349; 469; and 473; reenacting Minnesota Statutes 1988, section 256D.051, subdivision 6a; repealing Minnesota Statutes 1988, sections 3.981; 3.983, as amended; 134.34, subdivision 6; 245.775; 270.81, subdivision 5; 273.135, subdivision 2a; 273.1391, subdivision 2a; 275.065, subdivisions 2 and 5; 275.11; 275.50; 275.51; 275.54; 275.55; 275.56; 275.561; 275.58; 290.092, subdivision 5; 290A.04, subdivision 2h; 349.2121, subdivision 4; 471A.04; 477A.011, subdivision 24; 477A.013, subdivision 4; Laws 1989, chapter 282, article 5, section 133, subdivision 1.

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

ARTICLE 1

STATE-LOCAL FINANCE REFORM

Section 1. STATEMENT OF POLICY.

The legislature finds that Minnesota's system of state government support of local government operations has helped local governments to provide needed local services and to hold down property taxes but that substantial reform of Minnesota's state-local finance system is now needed.

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The legislature further finds that a system of state-local finance that properly allocates funding between the state and political subdivisions will distribute state assistance more efficiently and fairly, will contribute to a more equitable distribution of tax burden among individuals based upon ability to pay, will encourage cost-efficient operations by both state government and political subdivisions, will hold state government and political subdivisions accountable for the services they provide and finance, will provide stability to the property tax and local aids systems and help to ensure the financial stability of state and local governments, will have more understandable state aids and mandates, and will serve to reduce overall state and local costs for program delivery.

Sec. 2. [3.881] DEFINITIONS.

Subdivision 1. GENERALLY. For purposes of this article, the following terms have the meanings given them.

Subd. 2. POLITICAL SUBDIVISIONS. "Political subdivisions" are counties, cities, towns, school districts, and other local government jurisdictions to which the state provides state aids or on which the state imposes state mandates.

Subd. 3. STATE AIDS. "State aids" are programs by which state government provides financial assistance to political subdivisions to assist them in delivering public services, to finance public facilities, or to reduce property taxes. These programs include both state funding provided in connection with state mandates and other state financial assistance programs that do not involve state mandates.

Subd. 4. STATE MANDATES. "State mandates" are those programs and procedures required by state law or rule to be financed, delivered, or performed by political subdivisions. State mandates include federal programs to the extent the state elects to impose them as mandates on political subdivisions but does not include federal mandates for which there is no substantial state discretion.

Subd. 5. NONPROGRAM MANDATES. "Nonprogram mandates" are those state mandates which apply equally to private entities and political subdivisions or which relate to the basic organization and institutional operation of political subdivisions. Nonprogram mandates include, but are not limited to, requirements relating to:

- (1) the provision of constitutionally prescribed rights and privileges;
- (2) the implementation of generally applicable health and safety standards, provided that nonprogram mandates do not include requirements relating to recycling, wastewater treatment, and hazardous and solid waste disposal;
- (3) the provision of services by licensed or credentialed persons or institutions;
- (4) the holding of elections for offices other than national and state offices;

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(5) the holding of public meetings and the giving of notices to the public in connection with those meetings;

(6) the collection of taxes and other revenues;

(7) the preparation of financial audits and other reports required by the state;

(8) the collection, creation, reception, maintenance, or dissemination of public data;

(9) collective bargaining, binding arbitration with public employees, pay equity, comparable worth, and other provisions affecting terms and conditions of public employment;

(10) competitive bidding and other provisions relating to the execution of public contracts;

(11) the protection of the public from illegal or unethical actions by local public officials; and

(12) the enforcement and administration of discretionary local ordinances and rules.

Subd. 6. PROGRAM MANDATES. "Program mandates" are those state mandates other than nonprogram mandates.

Subd. 7. STATE PROGRAMS. "State programs" are programs operated by state agencies or authorities that are not state mandates or state aids.

Sec. 3. [3.882] POLICIES FOR REVIEWING THE FUNDING OF STATE AIDS AND MANDATES.

Subdivision 1. GENERAL PRINCIPLES. The following general principles shall guide state-local finance reform in Minnesota.

(a) State resources should finance all or most of the cost of program mandates.

(b) Political subdivision resources should finance all or most of the cost of nonprogram mandates and those local programs that are not state mandates.

(c) A combination of state and political subdivision resources should finance certain programs that, because of their purpose, extent, or cost, are shared responsibilities of the state and the political subdivisions.

(d) In order to accommodate wealth disparities among Minnesota's political subdivisions and income disparities among individuals, the state should assist political subdivisions in providing a basic level of local services at levels of local taxation that are not excessive.

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Subd. 2. POLICY FOR FUNDING PROGRAM MANDATES. Preference for higher proportions of state funding should be given to those program mandates having the most specific and extensive requirements, that permit the least amount of discretion by local public officials, and that relate primarily to services to individuals rather than services to real property. Preference for lesser proportions of state funding shall be given to those program mandates which tend not to meet the preceding criteria and for which program effectiveness, fairness, and cost-efficiency will likely be greater with financial participation by political subdivisions.

Sec. 4. Minnesota Statutes 1988, section 3.885, is amended by adding a subdivision to read:

Subd. 1a. TASK FORCE. For the purpose of implementing the review of state aids and state mandates required under subdivision 6, paragraph (d), the commission must designate a joint legislative task force to advise and make recommendations to the commission regarding the review of state aid programs.

Sec. 5. Minnesota Statutes 1988, section 3.885, subdivision 3, is amended to read:

Subd. 3. STAFF. (a) The commission may:

(1) employ and fix the salaries of professional, technical, clerical, and other staff of the commission;

(2) employ and discharge staff solely on the basis of their fitness to perform their duties and without regard to political affiliation;

(3) buy necessary furniture, equipment, and supplies;

(4) enter into contracts for necessary services, equipment, office, and supplies;

(5) provide its staff with computer capability necessary to carry out assigned duties. The computer should be capable of receiving data and transmitting data to computers maintained by the executive and judicial departments of state government that are used for budgetary and revenue purposes; and

(6) use other legislative staff.

(b) The commission may hire an executive director and delegate any of its authority under paragraph (a) to that person. The executive director shall be appointed by the chair and vice-chair to a four-year term, shall serve in the unclassified service, and is subject to removal by a majority vote of the members of either the senate or the house of representatives.

(c) The legislative coordinating commission shall provide office space and administrative support to the committee. The state planning agency shall report

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to the committee, and the committee may make recommendations to the state planning agency.

Sec. 6. Minnesota Statutes 1988, section 3.885, subdivision 5, is amended to read:

Subd. 5. **DUTIES.** (a) The commission shall:

(1) provide the legislature with research and analysis of current and projected state revenue, state expenditures, and state tax expenditures;

(2) provide the legislature with a report analyzing the governor's proposed levels of revenue and expenditures for biennial budgets submitted under section 16A.11 as well as other supplemental budget submittals to the legislature by the governor;

(3) provide an analysis of the impact of the governor's proposed revenue and expenditure plans for the next biennium;

(4) conduct research on matters of economic and fiscal policy and report to the legislature on the result of the research;

(5) provide economic reports and studies on the state of the state's economy, including trends and forecasts for consideration by the legislature;

(6) conduct budget and tax studies and provide general fiscal and budgetary information;

(7) review and make recommendations on the operation of state programs in order to appraise the implementation of state laws regarding the expenditure of funds and to recommend means of improving their efficiency;

(8) recommend to the legislature changes in the mix of revenue sources for programs, in the percentage of state expenditures devoted to major programs, and in the role of the legislature in overseeing state government expenditures and revenue projections; ~~and~~

(9) make a continuing study and investigation of the building needs of the government of the state of Minnesota, including, but not limited to the following: the current and future requirements of new buildings, the maintenance of existing buildings, rehabilitating and remodeling of old buildings, the planning for administrative offices, and the exploring of methods of financing building and related costs; and

(10) conduct a continuing study of state-local finance, analyzing and making recommendations to the legislature on issues including levels of state support for political subdivisions, basic levels of local need, balances of local revenues and options, relationship of local taxes to individuals' ability to pay, and financial reporting by political subdivisions. In conducting this study, the commission shall consult with the governor, the staff of executive branch agencies, and the governor's advisory commission on state-local relations.

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(b) In performing its duties under paragraph (a), the commission shall consider, among other things:

(1) the relative dependence on state tax revenues, federal funds, and user fees to support state-funded programs, and whether the existing mix of revenue sources is appropriate, given the purposes of the programs;

(2) the relative percentages of state expenditures that are devoted to major programs such as education, assistance to local government, aid to individuals, state agencies and institutions, and debt service; and

(3) the role of the legislature in overseeing state government expenditures, including legislative appropriation of money from the general fund, legislative appropriation of money from funds other than the general fund, state agency receipt of money into revolving and other dedicated funds and expenditure of money from these funds, and state agency expenditure of federal funds.

(c) The commission's recommendations must consider the long-term needs of the state. The recommendations must not duplicate work done by standing committees of the senate and house of representatives.

The commission shall report to the legislature on its activities and recommendations by January 15 of each odd-numbered year.

The commission shall provide the public with printed and electronic copies of reports and information for the legislature. Copies must be provided at the actual cost of furnishing each copy.

Sec. 7. Minnesota Statutes 1988, section 3.885, is amended by adding a subdivision to read:

Subd. 6. MANDATE, STATE AID, AND STATE PROGRAM REVIEWS.

(a) The commission shall, after consultation with the governor and with the chairs of the standing committees of the legislature, select mandates and state programs for review. When selecting mandates, state aids, or state programs to be reviewed, the commission shall give priority to those that involve state payments to local units of government.

(b) The governor is responsible for the performance of the reviews. Staff from affected agencies, staff from the department of finance and the state planning agency, and legislative staff shall participate in the reviews.

(c) At the direction of the commission, reviews of state programs shall include:

(1) a precise and complete description of the program;

(2) the need the program is intended to address;

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(3) the recommended goals and measurable objectives of the program to meet those needs;

(4) program outcomes and measures which identify:

(i) results in meeting stated needs, goals, and objectives;

(ii) administrative efficiency, which, when appropriate, shall include number of program staff and clients served, timeliness in processing clients and rates and administrative cost as a percent of total program expenditures;

(iii) unanticipated program outcomes;

(iv) program expenditures compared with program appropriations;

(v) historical cost trends and projected program growth, including reasons for fiscal and program growth, for all levels of government involved in the program;

(vi) if rules or guidelines or instructions have been promulgated for a program, a review of their efficacy in helping to meet program goals and objectives and in administering the program in a cost-effective way; and

(vii) quality control monitoring and sanctions including a review of the level of training, experience, skill, and standards of staff;

(5) recommended changes in the program that would lead to its policy objectives being achieved more efficiently or effectively, or at lower cost; and

(6) additional issues requested by the commission.

(d) The following state aids and associated state mandates shall be reviewed:

(1) local aids and credits including local government aid, homestead and agricultural credit aid, disparity reduction aid, taconite homestead credit and aids, tax increment financing, and fiscal disparities;

(2) human services aids including community health services aids, correctional program aids, and social service program and administrative aids;

(3) elementary and secondary education aids including school district general fund aids and levies, school district capital expenditure fund aids and levies, school district debt service fund aids and levies, and school district community service fund aids and levies; and

(4) general government aids including natural resource aids, environmental protection aids, transportation aids, economic development aids, and general infrastructure aids.

(e) At the direction of the commission, the reviews of state aids and state

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mandates involving state financing of local government activities listed in paragraph (d) shall include:

(1) the employment status, wages, and benefits of persons employed in administering the programs;

(2) the desirable applicability of state procedural laws and rules;

(3) methods for increasing political subdivision options in providing their share, if any, of program costs;

(4) desirable redistributions of funding responsibilities for the program and the time period during which any recommended funding distribution should occur;

(5) opportunities for reducing program mandates and giving political subdivisions more flexibility in meeting program needs;

(6) comparability of treatment of similar units of government;

(7) the effect of the state aid or mandate on the distribution of tax burdens among individuals, based upon ability to pay;

(8) coordination of the payment or allocation formula with other state aid programs;

(9) incentives that have been created for local spending decisions, and whether the incentives should be changed;

(10) ways in which political subdivisions have changed their revenue-raising behavior since receiving these grants; and

(11) consideration of the program's consistency with the policies set forth in section 3.

(f) Each review shall also include an assessment of the accountability of all government agencies that participate in administration of the program.

(g) Each review that is intended to be considered in the development of the governor's budget recommendations for the following year shall be completed and submitted to the commission no later than November 15.

Sec. 8. Minnesota Statutes 1988, section 3.885, is amended by adding a subdivision to read:

Subd. 7. FUNDS FOR STATE AID RESTRUCTURING. If, upon completion of a review of a state aid or state mandate under subdivision 6, the governor determines that the program should be abolished or changed in a manner that would increase, decrease, or redirect the aid that is paid under the program, the governor may recommend that change to the commission. If the commis-

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sion agrees with that recommendation, the governor shall include the change in the next budget presented to the legislature under section 16A.11. If the agreed upon recommendation is to abolish the state aid program or to reduce the amount that would otherwise be recommended for expenditure for the program, the budget must designate the amount that would have been recommended for expenditure, and reserve that amount in a state aid account. The governor may make specific recommendations for expenditure from the account only for other state aid programs or general property tax relief. If the recommendation by the governor and the commission on a state aid program is to increase the amount to be expended, that amount must be financed within the budget submitted to the legislature in accordance with section 16A.11.

Sec. 9. Minnesota Statutes 1988, section 3.885, is amended by adding a subdivision to read:

Subd. 8. POLITICAL SUBDIVISION REPORTING. No later than November 15, 1990, the commission shall make recommendations to appropriate standing committees of the legislature on any changes in uniform accounting and financial reporting methods necessary to assure public and legislative oversight of expenditures by cities, counties, towns, and special service districts. The recommendations shall consider opportunities for on-line access by appropriate state officers to political subdivision accounts. In preparing these recommendations, the commission shall consult with the state auditor, the legislative auditor, and the commissioners of finance and revenue.

Sec. 10. Minnesota Statutes 1988, section 3.982, is amended to read:

3.982 FISCAL NOTES FOR STATE-MANDATED ACTIONS.

When the state proposes to mandate that a local agency or school district take an action, and when reasonable compliance with that action would force the local agency or school district to incur costs mandated by the state, a fiscal note shall be prepared as provided in section 3.98, subdivision 2, and made available to the public upon request. If the action is among the exceptions listed in section 3.983, a fiscal note need not be prepared.

When a bill proposing a new or expanded mandate on a political subdivision is introduced and referred to a standing committee, the chair of the standing committee to which the bill is referred shall request the appropriate state agency or department to prepare a fiscal note before the bill is heard in the committee. Before a proposed mandate is issued in an executive order, the governor or appropriate agency head assigned by the governor shall prepare the fiscal note and make it available to the public. the head of each affected department or agency of the state government shall prepare a fiscal note identifying the projected fiscal impact of the bill on state government and on the affected political subdivisions. The commissioner of finance shall be responsible for coordinating the fiscal note process, for assuring the accuracy and completeness of the note, and for ensuring that fiscal notes are prepared, delivered, and

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updated as provided in this section. The fiscal note shall categorize mandates as program or nonprogram mandates and shall include estimates of the levy impacts of the mandates. To the extent that the bill would impose new fiscal obligations on political subdivisions, the note shall indicate the efforts made to reduce those obligations, including consultations made with representatives of the political subdivisions. Chairs of legislative committees receiving bills on rereferrals from other legislative committees may request that fiscal notes be amended to reflect amendments made to the bills by prior committee action. Preparation of the fiscal notes required in this section shall be consistent with section 3.98. The commissioner of finance shall periodically report to and consult with the legislative commission on planning and fiscal policy on the issuance of the notes.

Sec. 11. STATE AIDS TO LOCAL GOVERNMENTS.

The commissioner of revenue shall submit to the governor, the legislative commission on planning and fiscal policy, the taxes committee of the house of representatives, and the taxes and tax laws committee of the senate by January 15, 1991, recommendations for amendments to the formulas by which state government provides local government aid to cities. The legislative commission on planning and fiscal policy shall provide for a representative expenditure study of alternative means to assess the relative service needs of cities, counties, towns, and school districts by November 15, 1990. The results of this study may be used by the commissioner of revenue in preparing recommendations on state aids to local governments.

Sec. 12. APPROPRIATION.

There is appropriated to the legislative commission on planning and fiscal policy the sum of \$600,000 for the period ending June 30, 1991, to be used to perform the duties imposed under this article.

There is appropriated to the commissioner of finance the sum of \$100,000 for the period ending June 30, 1991 for the purpose of implementing the provisions of section 10. The approved complement of the department of finance is increased by two positions.

Sec. 13. REPEALER.

Minnesota Statutes 1988, sections 3.981 and 3.983, as amended, are repealed.

Sec. 14. EFFECTIVE DATE.

This article is effective the day following final enactment.

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ARTICLE 2

PROPERTY TAX CLASSIFICATION

Section 1. Minnesota Statutes 1988, section 273.13, subdivision 21a, is amended to read:

Subd. 21a. **TAX CAPACITY CLASS RATE.** In this section, wherever the "~~tax capacity class rate~~" of a class of property is specified without qualification as to whether it is the property's "net ~~tax capacity class rate~~" or its "gross ~~tax capacity class rate~~," the "net ~~tax capacity class rate~~" and "gross ~~tax capacity class rate~~" of that property are the same as its "~~tax capacity class rate~~."

Sec. 2. Minnesota Statutes 1988, section 273.13, is amended by adding a subdivision to read:

Subd. 21b. TAX CAPACITY. (a) Gross tax capacity means the product of the appropriate gross class rates in this section and market values.

(b) Net tax capacity means the product of the appropriate net class rates in this section and market values.

Sec. 3. Minnesota Statutes 1989 Supplement, section 273.13, subdivision 22, is amended to read:

Subd. 22. **Class 1.** (a) Except as provided in subdivision 23, real estate which is residential and used for homestead purposes is class 1. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

The first \$68,000 of market value of class 1a property has a net ~~tax capacity class rate~~ of one percent of its market value and a gross ~~tax capacity class rate~~ of 2.17 percent of its market value. The market value of class 1a property that exceeds \$68,000 but does not exceed \$100,000 has a ~~tax capacity class rate~~ of ~~2.5~~ two percent of its market value. The market value of class 1a property that exceeds \$100,000 has a ~~tax capacity class rate~~ of ~~3.3~~ three percent of its market value.

(b) Class 1b property includes real estate or manufactured homes used for the purposes of a homestead by

(1) any blind person, if the blind person is the owner thereof or if the blind person and the blind person's spouse are the sole owners thereof; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United

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States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) with assistance by the administration of veterans affairs has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who:

(i) is permanently and totally disabled and

(ii) receives 90 percent or more of total income from

(A) aid from any state as a result of that disability; or

(B) supplemental security income for the disabled; or

(C) workers' compensation based on a finding of total and permanent disability; or

(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or

(E) aid under the Federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or

(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or

(iii) whose household income as defined in section 290A.03, subdivision 5, is 150 percent or less of the federal poverty level.

Property is classified and assessed pursuant to clause (1) only if the commissioner of jobs and training certifies to the assessor that the owner of the property satisfies the requirements of this subdivision.

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net ~~tax capacity class~~ rate of .4 percent of its market value and a gross ~~tax capacity class~~ rate of .87 percent of its market value. The remaining market value of class 1b property has a gross or net ~~tax capacity class rate~~ rate using the rates for class 1 or class 2a property, whichever is appropriate, of similar market value.

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(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than ~~200~~ 225 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort or a partner in a partnership that owns the resort, even if the title to the homestead is held by the corporation or partnership. Class 1c property has a tax capacity class rate of .9 .4 percent of the first \$32,000 of market value for taxes payable in 1990, .6 percent of the first \$32,000 of market value for taxes payable in 1991, .8 percent of the first \$32,000 of market value for taxes payable in 1992, and one percent of market value in excess of \$32,000 for taxes payable in 1990, 1991, and 1992, and one percent of total market value for taxes payable in 1993 and thereafter with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore.

(d) For taxes levied in ~~1988~~, payable in ~~1989~~ only, the tax to be paid on class 1a or class 1b property shall be reduced by 54 percent of the tax imposed on the first ~~\$68,000~~ of market value. The amount of the reduction shall not exceed \$725.

Sec. 4. Minnesota Statutes 1989 Supplement, section 273.13, subdivision 23, is amended to read:

Subd. 23. Class 2. (a) Class 2a property is agricultural land including any improvements that is homesteaded. The market value of the house and garage and immediately surrounding one acre of land ~~that does not exceed \$65,000 has a net tax capacity of .805 percent of market value and a gross tax capacity of 1.75 percent of market value. The excess market value over \$65,000 has a tax capacity of 2.2 percent~~ has the same class rates as class 1a property under subdivision 22. If the market value of the house, garage, and surrounding one acre of land is less than ~~\$65,000~~ \$100,000, the value of the remaining land including improvements equal to the difference between ~~\$65,000~~ \$100,000 and the market value of the house, garage, and surrounding one acre of land has a net tax capacity class rate of 1.12 .4 percent of market value and a gross tax capacity of 1.75 percent of market value for the first 320 acres of land and the remaining value over 320 acres has a net tax capacity of 1.295 percent of market value and a gross tax capacity class rate of 1.75 percent of market value. The remaining value of class 2a property over the ~~\$65,000~~ \$100,000 of market value that does not exceed 320 acres has a net tax capacity class rate of 1.44 1.3 percent of market value for taxes payable in 1990, 1.4 percent of market value for taxes payable in 1991, and 1.5 percent of market value for taxes payable in 1992 and thereafter, and a gross tax capacity class rate of 2.25 percent of market value. The remaining property over the ~~\$65,000~~ \$100,000 market value in excess of 320 acres has a net tax capacity class rate of 1.665 1.7 percent of market value for taxes payable in 1990, 1.6 percent of market value for taxes payable in

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1991, and 1.5 percent of market value for taxes payable in 1992 and thereafter,
and a gross tax capacity of 2.25 percent of market value.

(b) Class 2b property is (1) real estate, rural in character and used exclusively for growing trees for timber, lumber, and wood and wood products; and (2) real estate that is nonhomestead agricultural land. Class 2b property has a net ~~tax capacity~~ class rate of ~~1.665~~ 1.7 percent of market value for taxes payable in 1990, 1.6 percent of market value for taxes payable in 1991, and 1.5 percent of market value for taxes payable in 1992 and thereafter, and a gross ~~tax capacity~~ class rate of 2.25 percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, primarily used during the preceding year for agricultural purposes. Agricultural use may include pasture, timber, waste, unusable wild land, and land included in federal farm programs.

(d) Real estate of less than ten acres used principally for raising poultry, livestock, fruit, vegetables or other agricultural products, including the breeding of fish for sale and consumption if the fish breeding occurs on land zoned for agricultural use, shall be considered as agricultural land, if it is not used primarily for residential purposes. The term "agricultural products" as used in the preceding sentence means any of the products identified in section 273.111, subdivision 6, clause (2). "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products.

(e) 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.

The assessor shall determine and list separately on the records the market

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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.

Sec. 5. Minnesota Statutes 1988, section 273.13, subdivision 24, is amended to read:

Subd. 24. **CLASS 3.** (a) Commercial, and industrial, property and utility real and personal property, except class 5 property as identified in subdivision 31, clause (1), is class 3a. It has a ~~tax capacity class rate~~ of 3.3 percent of the first \$100,000 of market value for taxes payable in 1990, 3.2 percent for taxes payable in 1991, 3.1 percent for taxes payable in 1992, and three percent for taxes payable in 1993 and thereafter, and ~~5.25~~ 5.06 percent of the market value over \$100,000. For taxes payable in 1991, the 5.25 percent rate shall be 5.2 percent and for taxes payable in 1992 and subsequent years the rate shall be 5.15 percent. In the case of state-assessed commercial, industrial, and utility property owned by one person or entity, only one parcel has a ~~tax capacity 3.3 percent reduced class rate on the first \$100,000 of market value.~~ In the case of other commercial, industrial, and utility property owned by one person or entity, only one parcel in each county has a ~~tax capacity of 3.3 percent reduced class rate on the first \$100,000 of market value.~~

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b and has a ~~tax capacity class rate of 2.5~~ 2.4 percent of the first \$50,000 of market value and ~~3.5~~ 3.6 percent of the remainder, except that for employment property located in a border city enterprise zone designated pursuant to section 469.168, subdivision 4, paragraph (c), the ~~tax capacity class rate~~ of the first \$100,000 of market value is 3.3 percent and the ~~tax capacity class rate~~ of the remainder is 4.8 percent determined under paragraph (a), unless the governing body of the city designated as an enterprise zone determines that a specific parcel shall be assessed pursuant to the first clause of this sentence. The governing body may provide for assessment under the first clause of the preceding sentence only for property which is located in an area which has been designated by the governing body for the receipt of tax reductions authorized by section 469.171, subdivision 1.

Sec. 6. Minnesota Statutes 1988, section 273.13, subdivision 25, is amended to read:

Subd. 25. **CLASS 4.** (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. Class 4a property has a ~~tax capacity class rate of 4.1~~ 3.6 percent of market value.

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(b) Class 4b includes:

(1) residential real estate containing less than four units, other than seasonal residential, and recreational; and a structure having five or more stories that is constructed with materials meeting the requirements for type I or II construction as defined in the state building code; 90 percent or more of which is used or is to be used as apartment housing for a period of 40 years from the date of completion of original construction; or the date of initial though partial use; whichever is the earlier date;

(2) post-secondary student housing not to exceed one acre of land which is owned by a nonprofit corporation organized under chapter 317 and is used exclusively by a sorority or fraternity organization for housing;

(3) manufactured homes not classified under any other provision;

(4) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b); ~~which has a tax capacity of 2.7 percent of market value.~~

Class 4b property has a ~~tax capacity~~ class rate of ~~3.5~~ 3.0 percent of market value; ~~except as provided in clause (4).~~

(c) Class 4c property includes:

(1) a structure that is situated on real property that is used for housing for the elderly or for low and moderate income families as defined by Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant thereto and financed by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency pursuant to the provisions of either of those acts and acts amendatory thereof. This clause applies only to property of a nonprofit or limited dividend entity. Property is classified as class 4c under this clause for 15 years from the date of the completion of the original construction or substantial rehabilitation, or for the original term of the loan;

(2) a structure that is:

(i) situated upon real property that is used for housing lower income families or elderly or handicapped persons, as defined in section 8 of the United States Housing Act of 1937, as amended; and

(ii) owned by an entity which has entered into a housing assistance payments contract under section 8 which provides assistance for 100 percent of the dwelling units in the structure, other than dwelling units intended for management or maintenance personnel. Property is classified as class 4c under this clause for the term of the housing assistance payments contract, including all renewals, or for the term of its permanent financing, whichever is shorter; and

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(3) a qualified low-income building that (i) receives a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, ~~1987~~ 1988; or (ii) meets the requirements of that section. Classification pursuant to this clause is limited to buildings the construction or rehabilitation of which began after May 1, 1988, and to a term of 15 years.

For all properties described in clauses (1), (2), and (3) and in paragraph (d), the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents. The land on which these structures are situated has a ~~tax capacity of 3.5 percent of market value~~ the class rate given in paragraph (b) if the structure contains fewer than four units, and ~~4.1 percent of market value~~ the class rate given in paragraph (a) if the structure contains four or more units.

(4) a parcel of land, not to exceed one acre, and its improvements or a parcel of unimproved land, not to exceed one acre, if it is owned by a neighborhood real estate trust and at least 60 percent of the dwelling units, if any, on all land owned by the trust are leased to or occupied by lower income families or individuals. This clause does not apply to any portion of the land or improvements used for nonresidential purposes. For purposes of this clause, a lower income family is a family with an income that does not exceed 65 percent of the median family income for the area, and a lower income individual is an individual whose income does not exceed 65 percent of the median individual income for the area, as determined by the United States Secretary of Housing and Urban Development. For purposes of this clause, "neighborhood real estate trust" means an entity which is certified by the governing body of the municipality in which it is located to have the following characteristics: (a) it is a nonprofit corporation organized under chapter 317; (b) it has as its principal purpose providing housing for lower income families in a specific geographic community designated in its articles or bylaws; (c) it limits membership with voting rights to residents of the designated community; and (d) it has a board of directors consisting of at least seven directors, 60 percent of whom are members with voting rights and, to the extent feasible, 25 percent of whom are elected by resident members of buildings owned by the trust; and

(5) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than ~~200~~ 225 days in the year preceding the year of assessment. For this purpose, property is devoted to commercial use on a specific day if it is used, or offered for use, and a fee is charged for the use. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than ~~200~~ 225 days in the year preceding the year of assessment and is located within two miles of the class 4c property

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with which it is used. Class 4c property classified in clauses (5) and (6) also includes the remainder of class 1c resorts ~~and has a tax capacity of 2.6 percent of market value; except that noncommercial seasonal recreational property has a tax capacity of 2.3 percent of market value; and~~

(6) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, ~~1986~~ 1988. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or nonintoxicating malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity; and

Class 4c property ~~classified under clauses (1); (2); (3); and (4)~~ has a ~~tax capacity class rate of 2.5~~ 2.4 percent of market value.

(d) Class 4d property includes any structure:

(i) situated on real property that is used for housing for the elderly or for low and moderate income families as defined by the farmers home administration;

(ii) located in a municipality of less than 10,000 population; and

(iii) financed by a direct loan or insured loan from the farmers home administration. Property is classified under this clause for 15 years from the date of the completion of the original construction or for the original term of the loan.

The ~~1.5 percent and 2.5 percent tax capacity assignments apply to the properties described class rates in paragraph (c), clauses (1), (2), and (3) and this clause apply to the properties described in them,~~ only in proportion to occupancy of the structure by elderly or handicapped persons or low and moderate

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income families as defined in the applicable laws unless construction of the structure had been commenced prior to January 1, 1984; or the project had been approved by the governing body of the municipality in which it is located prior to June 30, 1983; or financing of the project had been approved by a federal or state agency prior to June 30, 1983. Classification under this clause is only available to property of a nonprofit or limited dividend entity.

Class 4d property has a ~~tax capacity~~ class rate of ~~4.5~~ 1.7 percent of market value for taxes payable in 1990, and two percent of market value for taxes payable thereafter.

(e) Residential rental property that would otherwise be assessed as class 4 property under paragraph (a); paragraph (b), clauses (1) and (2); paragraph (c), clauses (1), (2), (3), or (4); or paragraph (d), is assessed at the class rate applicable to it under Minnesota Statutes 1988, section 273.13, if it is found to be a substandard building under section 273.1316.

Sec. 7. Minnesota Statutes 1988, section 273.13, subdivision 31, is amended to read:

Subd. 31. **CLASS 5.** ~~All property not included in any other class is class 5 property.~~

(a) Class 5 property includes:

(1) tools, implements, and machinery of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures; have a tax capacity of 4.6 percent of market value;

(b) (2) unmined iron ore and low-grade iron-bearing formations as defined in section 273.14 have a tax capacity of 5.25 percent of market value;

(c) (3) vacant land has a tax capacity of 5.25 percent of market value; and

(d) (4) all other property not otherwise classified has a tax capacity of 5.25 percent of market value.

Class 5 property has a class rate of 5.06 percent of market value.

Sec. 8. Minnesota Statutes 1988, section 273.13, is amended by adding a subdivision to read:

Subd. 32. **TARGET CLASS RATE.** All classes of property with a class rate of 5.06 percent have a target class rate of four percent. At the time of submission of the biennial budget under section 16A.11, the governor shall recommend the effective class rate for taxes payable in the following two calendar years by designating a "phase-in percentage," equal to the proportion of the effective class

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rate that will be based on the target class rate of four percent, with the remaining proportion based on the class rate of 5.06 percent. The governor shall identify and include within the budget funding for the increased expenditures for homestead and agricultural credit aid over the amount of expenditures for homestead and agricultural credit aid provided in this act that are estimated to result from the recommendation. At that time, the governor may propose alternative programs other than homestead and agricultural credit aid to prevent other taxpayers' taxes from increasing as a result of the governor's recommended increase in the phase-in percentage. The effective net class rate is the sum of the products of:

(1) the phase-in percentage adopted by the legislature multiplied by four percent; and

(2) 100 percent minus the phase-in percentage multiplied by 5.06 percent.

The phase-in percentage in any year cannot be less than it was in the prior year. The phase-in percentage for taxes payable in 1991 is ten percent provided that the governor may recommend an alternative phase-in percentage for taxes payable in 1991.

Beginning in 1991, the commissioner of revenue shall annually set the effective class rate to use for taxes payable in the following year as provided in this subdivision and announce it by June 1. For purposes of any aid, levy limitation, debt limit, or salary limitation, and property tax administration, net tax capacity must be computed with reference to the effective class rate for the properties affected by this subdivision.

Sec. 9. [273.1316] CLASSIFICATION OF SUBSTANDARD RESIDENTIAL RENTAL PROPERTY.

Subdivision 1. DENIAL OF RENTAL CLASSIFICATION. A building that is classified as residential rental property under section 273.13, subdivision 25, and that is determined to be substandard under this section is assessed as provided in section 273.13, subdivision 25, paragraph (e).

Subd. 2. DEFINITION. "Substandard building" means a building that:

(1) has been determined by a state, county, or city agency that is charged by the governing body of the appropriate political subdivision with the responsibility for enforcing health, housing, building, fire prevention, or housing maintenance codes:

(i) to materially endanger the health and safety of the occupants; or

(ii) if unoccupied, to be a hazardous building within the meaning of section 463.15, subdivision 3; or

(iii) to be substantially out of compliance with the basic provisions of the housing and maintenance code of that county or city; and

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(2) has not been repaired or brought to a condition of compliance within three months after the date of the violation notice to the owner as provided in subdivision 3, or within the time prescribed by the agency in the notice in accordance with applicable state law or local ordinance, whichever period is longer.

A building is not substandard under this subdivision if it was rendered substandard solely by reason of a tornado, flood, or other natural disaster.

Subd. 3. VIOLATION NOTICE. The initial notice of violation by the agency to the owner must be written and must contain:

(1) the details of the violation;

(2) the date by which repairs must be completed or compliance with other requirements must be achieved;

(3) a general description of the tax consequences if the violations are not corrected; and

(4) information on where and how an appeal may be filed.

The agency may extend the compliance date prescribed in the violation notice, for good cause shown, or may determine that good faith efforts at compliance are sufficient to prevent designation as a substandard building.

Subd. 4. NOTICE OF NONCOMPLIANCE. When the period specified in subdivision 3 has expired without compliance and the building has been determined to be substandard as defined in subdivision 2, the agency shall mail to the owner a notice of noncompliance. The notice of noncompliance must be mailed by certified mail, return receipt requested, to the owner of the property at the owner's last known address. The notice must contain:

(1) the details of the noncompliance;

(2) a statement that the local assessor has been notified of the noncompliance and that the property will be reclassified unless compliance is achieved within 30 days of the mailing of the notice;

(3) a general description of the tax consequences resulting from the denial of a residential rental property tax classification; and

(4) information on where and how an appeal may be filed.

Subd. 5. APPEALS TO BOARD. Appeals shall be made to the board created under this subdivision. Each county and city, prior to issuance of a violation notice under subdivision 3, must establish a board to hear appeals under this subdivision. The board shall have five members appointed by the governing body. A decision of the appeal board may be appealed to the district court of the county in which the building is located, concerning the violation and determination of material endangerment, hazard, or lack of substantial compliance with the basic provisions of the housing and maintenance code under subdivision 2, and concerning a determination of noncompliance under subdivision 4. An appeal must be made no later than 30 days after receipt of

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the notice of the action or determination being appealed. If the board determines that the substandard building has been brought to a condition of compliance, the board shall require the agency to mail to the taxpayer a notice of compliance, which shall be in the form and include the information prescribed by the local assessor.

Subd. 6. TIMING OF PROCESS. If a notice of noncompliance is mailed before July 1 of any year, and the property owner has neither (1) successfully appealed the determination, nor (2) brought the property into compliance by October 15 of that year, the property will be assessed under section 273.13, subdivision 25, paragraph (e), for taxes levied in that year and all subsequent years until the agency determines that the property is no longer a substandard building, or the property owner prevails on an appeal of the matter. If a notice of noncompliance is mailed after June 30 of any year, the disqualification would initially be effective for taxes levied in the following year.

Subd. 7. REFUND UPON APPEAL. If the property owner prevails on an appeal at any time after taxes have been paid based on assessment of the property as provided in section 273.13, subdivision 25, paragraph (e), the agency shall notify the property owner concerning the procedures for the filing for a refund. The notice shall be in the form and include the information prescribed by the local tax assessor. The taxpayer may then file for a refund of the difference between the amount of the tax paid and the tax that would have been payable if the property had not been incorrectly assessed under this section, and each governmental subdivision that levied the tax on the property shall refund to the property owner its proportionate share of the refund.

Subd. 8. SPECIFICATION OF VIOLATIONS. A notice of noncompliance shall not be mailed by the agency to the taxpayer until the state or the governing body of the appropriate political subdivision has prescribed by statute or ordinance the nature and types of violations of codes referred to in subdivision 2, that would constitute substantial noncompliance with the basic provisions of the code or material endangerment to the health and safety of occupants of buildings, or that would constitute a hazardous building within the meaning of section 463.15, subdivision 3.

Sec. 10. STUDY OF FARM CLASS RATES.

The department of revenue shall study the effect of the changes in class rates that apply to farm homesteads for taxes payable in 1990, 1991, 1992, and thereafter that are enacted in this act.

The commissioner of revenue shall report the findings of the study by February 12, 1990, to the chairs of the house of representatives committee on taxes, the senate committee on taxes and tax laws, the house of representatives committee on agriculture, and the senate committee on agriculture and rural development.

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Sec. 11. INSTRUCTION TO REVISOR.

In the next edition of Minnesota Statutes, the revisor shall substitute the term "class rate" for "tax capacity," "tax capacity percentage," "tax capacity percent," or similar term or phrase, wherever it refers only to the percentage of market value applied to property under Minnesota Statutes, section 273.13, and the term "local tax rate" for "tax capacity rate," or similar term or phrase wherever it refers to the rate of tax applied to the tax capacity of property within a local unit of government or to the sum of the rates of tax of local governments.

The revisor of statutes shall notify the commissioner of revenue of the proposed text changes. The commissioner of revenue shall assist the revisor in making the appropriate changes.

Sec. 12. EFFECTIVE DATE.

Sections 1 to 7 are effective for taxes payable in 1990 and thereafter.

Sections 8 and 9 are effective for taxes levied in 1990 and thereafter, payable in 1991 and thereafter.

Section 10 is effective the day following final enactment.

ARTICLE 3**PROPERTY TAX**

Section 1. Minnesota Statutes 1988, section 270.12, is amended by adding a subdivision to read:

Subd. 4. For purposes of equalization only, public utility personal property shall be treated as a separate class of property notwithstanding the fact that its tax capacity percentage is the same as commercial-industrial property.

Sec. 2. Minnesota Statutes 1989 Supplement, section 272.02, subdivision 1, is amended to read:

Subdivision 1. All property described in this section to the extent herein limited shall be exempt from taxation:

- (1) all public burying grounds;
- (2) all public schoolhouses;
- (3) all public hospitals;
- (4) all academies, colleges, and universities, and all seminaries of learning;

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- (5) all churches, church property, and houses of worship;
- (6) institutions of purely public charity except parcels of property containing structures and the structures described in section 273.13, subdivision 25, paragraph (c), clauses (1), (2), and (3), or paragraph (d);
- (7) all public property exclusively used for any public purpose;
- (8) except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

- (a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;
- (b) railroad docks and wharves which are part of the operating property of a railroad company as defined in section 270.80;
- (c) personal property defined in section 272.03, subdivision 2, clause (3);
- (d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;
- (e) manufactured homes and sectional structures; and
- (f) flight property as defined in section 270.071.

(9) ~~Real and Personal property used primarily for the abatement and control of air, water, or land pollution to the extent that it is so used; other than real property used primarily as a solid waste disposal site, and real property which is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation or as part of an electric generation system. For purposes of this clause, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.~~

Any taxpayer requesting exemption of all or a portion of any equipment or device, or part thereof, operated primarily for the control or abatement of air or water pollution shall file an application with the commissioner of revenue. The equipment or device shall meet standards, rules, or criteria prescribed by the Minnesota pollution control agency, and must be installed or operated in accordance with a permit or order issued by that agency. The Minnesota pollution control agency shall upon request of the commissioner furnish information or

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advice to the commissioner. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment or device shall continue to be exempt from taxation as long as the permit issued by the Minnesota pollution control agency remains in effect.

(10) Wetlands. For purposes of this subdivision, "wetlands" means (1) land described in section 105.37, subdivision 15, or (2) land which is mostly under water, produces little if any income, and has no use except for wildlife or water conservation purposes, provided it is preserved in its natural condition and drainage of it would be legal, feasible, and economically practical for the production of livestock, dairy animals, poultry, fruit, vegetables, forage and grains, except wild rice. "Wetlands" shall include adjacent land which is not suitable for agricultural purposes due to the presence of the wetlands. "Wetlands" shall not include woody swamps containing shrubs or trees, wet meadows, meandered water, streams, rivers, and floodplains or river bottoms. Exemption of wetlands from taxation pursuant to this section shall not grant the public any additional or greater right of access to the wetlands or diminish any right of ownership to the wetlands.

(11) Native prairie. The commissioner of the department of natural resources shall determine lands in the state which are native prairie and shall notify the county assessor of each county in which the lands are located. Pasture land used for livestock grazing purposes shall not be considered native prairie for the purposes of this clause. Upon receipt of an application for the exemption provided in this clause for lands for which the assessor has no determination from the commissioner of natural resources, the assessor shall refer the application to the commissioner of natural resources who shall determine within 30 days whether the land is native prairie and notify the county assessor of the decision. Exemption of native prairie pursuant to this clause shall not grant the public any additional or greater right of access to the native prairie or diminish any right of ownership to it.

(12) Property used in a continuous program to provide emergency shelter for victims of domestic abuse, provided the organization that owns and sponsors the shelter is exempt from federal income taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, notwithstanding the fact that the sponsoring organization receives funding under section 8 of the United States Housing Act of 1937, as amended.

(13) If approved by the governing body of the municipality in which the property is located, property not exceeding one acre which is owned and operated by any senior citizen group or association of groups that in general limits membership to persons age 55 or older and is 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; provided the property is used primarily as a clubhouse, meeting facility, or recreational facility by the group or association and the property is not used for residential purposes on either a temporary or permanent basis.

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(14) To the extent provided by section 295.44, real and personal property used or to be used primarily for the production of hydroelectric or hydromechanical power on a site owned by the state or a local governmental unit which is developed and operated pursuant to the provisions of section 105.482, subdivisions 1, 8, and 9.

(15) If approved by the governing body of the municipality in which the property is located, and if construction is commenced after June 30, 1983:

(a) a "direct satellite broadcasting facility" operated by a corporation licensed by the federal communications commission to provide direct satellite broadcasting services using direct broadcast satellites operating in the 12-ghz. band; and

(b) a "fixed satellite regional or national program service facility" operated by a corporation licensed by the federal communications commission to provide fixed satellite-transmitted regularly scheduled broadcasting services using satellites operating in the 6-ghz. band.

An exemption provided by paragraph (15) shall apply for a period not to exceed five years. When the facility no longer qualifies for exemption, it shall be placed on the assessment rolls as provided in subdivision 4. Before approving a tax exemption pursuant to this paragraph, the governing body of the municipality shall provide an opportunity to the members of the county board of commissioners of the county in which the facility is proposed to be located and the members of the school board of the school district in which the facility is proposed to be located to meet with the governing body. The governing body shall present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption shall not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body, or 30 days has passed from the date of the transmittal by the governing body to the board of the information on the fiscal impact, whichever occurs first.

(16) Real and personal property owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used in the generation and distribution of hot water for heating buildings and structures.

(17) Notwithstanding section 273.19, state lands that are leased from the department of natural resources under section 92.46.

(18) Electric power distribution lines and their attachments and appurtenances, that are used primarily for supplying electricity to farmers at retail.

(19) Transitional housing facilities. "Transitional housing facility" means a facility that meets the following requirements. (i) It provides temporary housing to parents and children who are receiving AFDC or parents of children who are temporarily in foster care. (ii) It has the purpose of reuniting families and

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enabling parents to obtain self-sufficiency, advance their education, get job training, or become employed in jobs that provide a living wage. (iii) It provides support services such as child care, work readiness training, and career development counseling; and a self-sufficiency program with periodic monitoring of each resident's progress in completing the program's goals. (iv) It provides services to a resident of the facility for at least six months but no longer than three years, except residents enrolled in an educational or vocational institution or job training program. These residents may receive services during the time they are enrolled but in no event longer than four years. (v) It is sponsored by an organization that has received a grant under either section 256.7365 for the biennium ending June 30, 1989, or section 462A.07, subdivision 15, for the biennium ending June 30, 1991, for the purposes of providing the services in items (i) to (iv). (vi) It is sponsored by an organization that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1987. This exemption applies notwithstanding the fact that the sponsoring organization receives financing by a direct federal loan or federally insured loan or a loan made by the Minnesota housing finance agency under the provisions of either Title II of the National Housing Act or the Minnesota housing finance agency law of 1971 or rules promulgated by the agency pursuant to it, and notwithstanding the fact that the sponsoring organization receives funding under Section 8 of the United States Housing Act of 1937, as amended.

Sec. 3. Minnesota Statutes 1988, section 272.02, is amended by adding a subdivision to read:

Subd. 7. POLLUTION ABATEMENT PROPERTY. Property, including real property, qualifies as exempt pollution abatement property under subdivision 1, clause (9), if the following conditions are satisfied.

(a)(1) The property is part of a refuse derived fuel facility converted from a coal burning electric generation facility and the property consists of:

(i) boiler modifications necessary to efficient handling and burning of refuse derived fuel and transfer of the heat produced by combustion of the fuel;

(ii) ash handling and storage systems, such as vacuum-pneumatic equipment, conveyors, crushers, and storage buildings to remove, convey, process, and temporarily store bottom and fly ash from the burning of refuse derived fuel;

(iii) control systems, such as computers, to control the operation of equipment described in clauses (i) to (iv) and other pollution abatement equipment; and

(iv) equipment to monitor emissions into the air and combustion efficiency;
or

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(2) the property is a solid waste resource recovery mass burn facility.

(b) The facility was constructed and will be operated under a contractual arrangement providing for payment, in whole or part, of the property tax on the property by a political subdivision of the state.

Sec. 4. Minnesota Statutes 1988, section 272.02, is amended by adding a subdivision to read:

Subd. 8. PROPERTY LEASED TO SCHOOL DISTRICTS. Property that is leased or rented to a school district is exempt from taxation if it meets the following requirements:

(1) the lease must be for a period of at least 12 consecutive months;

(2) the terms of the lease must require the school district to pay a nominal consideration for use of the building;

(3) the school district must use the property to provide direct instruction in any grade from kindergarten through grade 12 or special education for handicapped children or adult basic and continuing education as described in section 124.26, including provision of administrative services directly related to the educational program at that site; and

(4) the lease must provide that the school district has the exclusive use of the property during the lease period.

If the property that is leased to the school district is less than a complete parcel for assessment purposes, the value of that portion of the parcel that is leased is exempt under this subdivision.

Sec. 5. Minnesota Statutes 1988, section 272.025, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 3, a taxpayer claiming an exemption from taxation on property described in section 272.02, subdivision 1, clauses (1) to (7), except churches and houses of worship and property solely used for educational purposes by academies, colleges, universities or seminaries of learning and property owned by the state of Minnesota or any political subdivision thereof, shall file a statement of exemption with the assessor of the assessment district in which the property is located, or, in the case of a taxpayer claiming an exemption from taxation on property described in section 272.02, subdivision 1, clause (9), shall file a statement of exemption with the commissioner or revenue, on or before February 15 of each year for which the taxpayer claims an exemption. In case of sickness, absence or other disability or for good cause, the assessor may extend the time for filing the statement of exemption for a period not to exceed 60 days. The commissioner of revenue shall prescribe the form and contents of the statement of exemption.

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Sec. 6. Minnesota Statutes 1989 Supplement, section 273.061, subdivision 1, is amended to read:

Subdivision 1. **OFFICE CREATED; APPOINTMENT, QUALIFICATIONS.** Every county in this state shall have a county assessor. The county assessor shall be appointed by the board of county commissioners and shall be a resident of this state. The assessor shall be selected and appointed because of knowledge and training in the field of property taxation and appointment shall be approved by the commissioner of revenue before the same shall become effective. Upon receipt by the county commissioners of the commissioner of revenue's refusal to approve an appointment, the term of the appointee shall terminate at the end of that day. Notwithstanding any law to the contrary, a county assessor must have senior accreditation from the state board of assessors by January 1, 1992, or within two years of the assessor's first appointment under this section, whichever is later.

Sec. 7. Minnesota Statutes 1988, section 273.111, subdivision 4, is amended to read:

Subd. 4. The value of any real estate described in subdivision 3 shall upon timely application by the owner, in the manner provided in subdivision 8, be determined solely with reference to its appropriate agricultural classification and value notwithstanding sections 272.03, subdivision 8 and 273.11. In determining ~~such~~ the value for ad valorem tax purposes, the assessor shall use sales data obtained from agricultural lands located outside the seven metropolitan counties but within the region used for computing the range of values under section 273.11, subdivision 10. The sales shall have similar soil types, number of degree days, and other similar agricultural characteristics as contained in section 273.11, subdivision 10. Furthermore, the assessor shall not consider any added values resulting from nonagricultural factors.

Sec. 8. Minnesota Statutes 1988, section 273.123, subdivision 7, is amended to read:

Subd. 7. **LOCAL OPTION; OTHER PROPERTY.** The owner of homestead property not qualifying for an adjustment in valuation pursuant to subdivisions 1 to 5 or of nonhomestead property may receive a reduction in the amount of taxes payable on the property for the year in which the destruction occurs ~~on the property and in the following year~~ if:

(a) 50 percent or more of the homestead dwelling or other structure, as established by the county assessor, is unintentionally or accidentally destroyed and the homestead is uninhabitable or the other structure is not usable;

(b) the owner of the property makes written application to the county assessor as soon as practical after the damage has occurred; and

(c) the owner of the property makes written application to the county board.

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The county board may grant a reduction in the amount of property tax which the owner must pay on the qualifying property in the year of destruction and in the following year. Any reduction in the amount of tax payable which is authorized by county board action shall be calculated based upon the number of months that the home is uninhabitable or the other structure is unusable. The amount of net tax due from the taxpayer shall be multiplied by a fraction, the numerator of which is the number of months the dwelling was occupied by that taxpayer, or the number of months the other structure was used by the taxpayer, and the denominator of which is 12. For purposes of this subdivision, if a structure is occupied or used for a fraction of a month, it is considered a month. "Net tax" is defined as the amount of tax after the subtraction of all of the state paid property tax credits. If application is made following payment of all property taxes due for the year of destruction, the amount of the reduction granted by the county board shall be refunded to the taxpayer by the county treasurer as soon as practical.

Any reductions or refunds approved by the county board shall not be subject to approval by the commissioner of revenue.

The county board may levy in the following year the amount of tax dollars lost to the county government as a result of the reductions granted pursuant to this subdivision. Any amount levied for this purpose shall be exempt from the levy limit provisions of sections 275.50 to 275.56.

Sec. 9. Laws 1987, chapter 268, article 6, section 54, as amended by Laws 1988, chapter 719, article 6, section 20, is amended to read:

Sec. 54. EFFECTIVE DATE.

Except where provided otherwise, sections 1 to 13, and 15 to 53 are effective for taxes levied in 1988, payable in 1989, and thereafter. Section 14 is effective for taxes payable in ~~1987~~ 1986 and thereafter.

Sec. 10. Minnesota Statutes 1989 Supplement, section 273.124, subdivision 6, is amended to read:

Subd. 6. **LEASEHOLD COOPERATIVES.** When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317 and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1988, or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the social security numbers of those members. To qualify for the treatment provided by this subdivision, the following conditions must be met:

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(a) the cooperative association must be organized under chapter 308A and all voting members of the board of directors must be resident tenants of the cooperative and must be elected by the resident tenants of the cooperative;

(b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years, which permits the cooperative association, while not in default on the lease, to participate materially in the management of the property, including material participation in establishing budgets, setting rent levels, and hiring and supervising a management agent;

(c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale;

(d) the cooperative must meet one of the following criteria with respect to the income of its members: (1) a minimum of 75 percent of members must have incomes at or less than ~~90~~ 80 percent of area median income, (2) a minimum of 40 percent of members must have incomes at or less than 60 percent of area median income, or (3) a minimum of 20 percent of members must have incomes at or less than 50 percent of area median income. For purposes of this clause, "member income" ~~shall mean~~ means the income of a member existing at the time the member acquires his or her cooperative membership, and "median income" ~~shall mean~~ means the St. Paul-Minneapolis metropolitan area median income as determined by the United States Department of Housing and Urban Development; ~~and~~

(e) if a limited partnership owns the property, it must include as the managing general partner ~~either the cooperative association or a nonprofit organization operating under the provisions of chapter 317; and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1988, and the limited partnership agreement must provide that the managing general partner have sufficient powers so that it materially participates in the management and control of the limited partnership;~~

(f) prior to becoming a member of a leasehold cooperative described in this subdivision, a person must have received notice that (1) describes leasehold cooperative property in plain language, including but not limited to the effects of classification under this subdivision on rents, property taxes and tax credits or refunds, and operating expenses, and (2) states that copies of the articles of incorporation and bylaws of the cooperative association, the lease between the owner and the cooperative association, a sample sublease between the cooperative association and a tenant, and, if the owner is a partnership, a copy of the limited partnership agreement, can be obtained upon written request at no

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charge from the owner, and the owner must send or deliver the materials within seven days after receiving any request;

(g) if a dwelling unit of a building was occupied on the 60th day prior to the date on which the unit became leasehold cooperative property described in this subdivision, then (1) the notice described in paragraph (f) must have been sent by first class mail to the occupant of the unit at least 60 days prior to the date on which the unit became leasehold cooperative property, and (2) prior to the mailing of the notice, copies of the documents identified in the notice must have been filed with the secretary of state; and

(h) the county attorney of the county in which the property is located must certify to the assessor that the property meets the requirements of this subdivision.

Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

Sec. 11. Minnesota Statutes 1989 Supplement, section 273.135, subdivision 2, is amended to read:

Subd. 2. For taxes payable in ~~1989~~ only 1990 and subsequent years, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 66 percent of the ~~net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint,~~ provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to the product of 95 percent of the base year effective tax rate multiplied by the ratio of the current year's tax rate to the payable 1989 tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, 57 percent of the ~~net tax up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint,~~ provided that the reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to the product of 95 percent of the base year effective tax rate multiplied by the ratio of the current

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year's tax rate to the payable 1989 tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(c)(1) The maximum reduction of the net tax ~~up to the taconite breakpoint~~ is \$225.40 on property described in clause (a) and \$200.10 on property described in clause (b), for taxes payable in 1985. These maximum amounts shall increase by \$15 times the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax on property described in clause (a) is \$490 for taxes payable in 1985. The total maximum reduction for the net tax on property described in clause (b) is \$435 for taxes payable in 1985. These maximum amounts shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23; "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar; "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22 one minus the ratio of the net tax capacity percentage to the gross tax capacity percentage applicable to the first \$68,000 of the market value of residential homesteads, "effective tax rate" means tax divided by the market value of the a property, and the "base year effective tax rate" means the payable 1988 tax on the a property with an identical market value to that of the property receiving the credit in the current year after the application of the credits payable under Minnesota Statutes 1988, section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value of the property. A new parcel of property or a parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 12. Minnesota Statutes 1989 Supplement, section 273.1391, subdivision 2, is amended to read:

Subd. 2. For taxes payable in ~~1989 only~~ 1990 and subsequent years, the amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a county with a population of less than 100,000 in which taconite is mined or quarried and wherein a school district is located which does meet the qualifications of a tax relief area, and provided that at least 90 percent of the area of the school district which does not meet the qualifications of section 273.134 lies within such county, 57 percent of the net tax ~~up to the taconite breakpoint plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint~~ on qualified property

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located in the school district that does not meet the qualifications of section 273.134, provided that the amount of said reduction shall not exceed the maximum amounts specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to the product of 95 percent of the base year effective tax rate multiplied by the ratio of the current year's tax rate to the payable 1989 tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10. The reduction provided by this clause shall only be applicable to property located within the boundaries of the county described therein.

(b) In the case of property located within a school district which does not meet the qualifications of section 273.134 as a tax relief area, but which is located in a school district in a county containing a city of the first class and a qualifying municipality, but not in a school district containing a city of the first class or adjacent to a school district containing a city of the first class unless the school district so adjacent contains a qualifying municipality, 57 percent of the net tax up to the ~~taconite breakpoint~~ plus a percentage equal to the homestead credit equivalency percentage of the net tax in excess of the taconite breakpoint, but not to exceed the maximums specified in clause (c), and shall not exceed an amount sufficient to reduce the effective tax rate on each parcel of property to the product of 95 percent of the base year effective tax rate multiplied by the ratio of the current year's tax rate to the payable 1989 tax rate. In no case will the reduction for each homestead resulting from this credit be less than \$10.

(c)(1) The maximum reduction of the net tax up to the taconite breakpoint is \$200.10 for taxes payable in 1985. This maximum amount shall increase by \$15 multiplied by the quantity one minus the homestead credit equivalency percentage per year for taxes payable in 1986 and subsequent years.

(2) The total maximum reduction of the net tax is \$435 for taxes payable in 1985. This total maximum amount shall increase by \$15 per year for taxes payable in 1986 and thereafter.

For the purposes of this subdivision, "net tax" means the tax on the property after deduction of any credit under section 273.13, subdivision 22 or 23; "taconite breakpoint" means the lowest possible net tax for a homestead qualifying for the maximum reduction pursuant to section 273.13, subdivision 22, rounded to the nearest whole dollar; "homestead credit equivalency percentage" means a percentage equal to the percentage reduction authorized in section 273.13, subdivision 22 one minus the ratio of the net tax capacity percentage to the gross tax capacity percentage applicable to the first \$68,000 of the market value of residential homesteads, and "effective tax rate" means tax divided by the market value of the a property, and the "base year effective tax rate" means the payable 1988 tax on the a property with an identical market value to that of the property receiving the credit in the current year after application of the credits payable under Minnesota Statutes 1988, section 273.13, subdivisions 22 and 23, and this section for taxes payable in 1988, divided by the market value

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of the property. A new parcel with a current year classification that is different from its base year classification has the same base year effective tax rate as an equivalent homesteaded parcel.

Sec. 13. Minnesota Statutes 1988, section 273.1392, is amended to read:

273.1392 PAYMENT; AIDS TO SCHOOL DISTRICTS.

(1) AIDS TO SCHOOL DISTRICTS. The amounts of disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; homestead credit under section 273.13; agricultural credit under section 273.132; aids and credits under section 273.1398; and metropolitan agricultural preserve reduction under section 473H.10, shall be certified to the department of education by the department of revenue. The amounts so certified shall be paid according to section 124.195, subdivisions 6 and 10.

(2) AIDS TO COUNTIES. The amounts of human services aid increase determined under section 273.1398, subdivision 5b, shall be deposited in a human services aid account hereby created as an account within the state's general fund. The amount within the account shall annually be transferred to the department of human services by the department of revenue. The amounts so transferred shall be paid according to article 16, section 1.

Sec. 14. Minnesota Statutes 1989 Supplement, section 273.1398, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** (a) In this section, the terms defined in this subdivision have the meanings given them.

(b) "Unique taxing jurisdiction" means the geographic area subject to the same set of tax capacity rates.

(c) "Gross tax capacity" means the product of the ~~appropriate percentages of market value listed as gross tax capacities in section 273.13 class rates and equalized estimated~~ market values. "Total gross tax capacity" means the gross tax capacities for all property within the unique taxing jurisdiction. The total gross tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's gross tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located ~~and~~, (2) the gross tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, ~~and~~ (3) the gross tax capacity of transmission lines deducted from a local government's total gross tax capacity under section 273.425. ~~For purposes of determining the gross tax capacity of property referred to in clauses (1) and (2) for disparity reduction aid payable in 1989, the gross tax capacity before equalization shall equal the property's 1987 assessed value multiplied by 12 percent.~~ Gross tax capacity cannot be less than zero.

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(d) "Net tax capacity" means the product of the appropriate percentages of market value listed as net tax capacities in section 273.13 net class rates for the year in which the aid is payable, except that for class 3 utility real and personal property the class rate applied shall be 5.38 percent and equalized estimated market values for the assessment two years prior to that in which aid is payable. "Total net tax capacity" means the net tax capacities for all property within the unique taxing jurisdiction. The total net tax capacity used shall be reduced by the sum of (1) the unique taxing jurisdiction's net tax capacity of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 6, for the municipality, as defined in section 473F.02, subdivision 8, in which the unique taxing jurisdiction is located and, (2) the net tax capacity of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425. For purposes of determining the net tax capacity of property referred to in clauses (1) and (2), the net tax capacity before equalization shall equal the property's 1987 assessed value be multiplied by 42 percent the ratio of the highest class rate for class 3a property for taxes payable in the year in which the aid is payable to the highest class rate for class 3a property in the prior year. Net tax capacity cannot be less than zero.

(e) "Equalized market values" are market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the department of revenue pursuant to section 124.2131 in the second year prior to that in which the aid is payable. For computation of aids payable in 1989 only, if the aggregate assessment sales ratio is less than or equal to 92 percent, the assessment sales ratios by class shall be adjusted proportionally so that the aggregate ratio of the unequalized market values to the equalized market values equals 92 percent; otherwise The equalized market values shall equal the unequalized market values divided by the assessment sales ratio.

(f) "Homestead effective Local tax rate" means the product of (i) 46 percent; (ii) 2.17 percent; and (iii) the total tax capacity rate for taxes payable in 1989 within a unique taxing jurisdiction multiplied by the 1988 aggregate assessment sales ratio. A sales ratio of .92 is used if the actual sales ratio is less than .92 the quotient derived by dividing the gross taxes levied within a unique taxing jurisdiction for taxes payable in 1989 by the gross tax capacity of the unique taxing jurisdiction for taxes payable in 1989. For computation of the local tax rate for aid payable in 1991 and subsequent years, gross taxes for taxes payable in 1989 exclude equalized levies as defined in article 6, section 8. For purposes of computation of the local tax rate only, gross taxes shall not be adjusted by inflation or household growth.

(g) For purposes of calculating the homestead and agricultural credit aid authorized pursuant to subdivision 2, the "subtraction factor" is the product of

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(i) a unique taxing jurisdiction's homestead effective local tax rate; (ii) its total net tax capacity; and (iii) ~~403~~ 9767.

(h) For purposes of calculating and allocating homestead and agricultural credit aid authorized pursuant to subdivision 2 and the disparity reduction aid authorized in subdivision 3, "gross taxes levied on all properties" or "gross taxes" means the total gross taxes levied on all properties except that levied on the captured value of tax increment districts as defined in section 469.177, subdivision 2, and that levied on the portion of commercial industrial properties' assessed value or gross tax capacity, as defined in section 473F.02, subdivision 3, subject to the areawide tax as provided in section 473F.08, subdivision 6, in a unique taxing jurisdiction before reduction by any credits for taxes payable in the year prior to that in which the aids are payable 1989. For purposes of disparity reduction aid only, total gross taxes shall be reduced by the taxes levied for any school district referendum levies authorized pursuant to section ~~124A.03~~, subdivision 2, and any school district debt levies authorized pursuant to section ~~475.61~~. Gross taxes are before any reduction for disparity reduction aid. Gross taxes levied cannot be less than zero.

For homestead and agricultural credit aid payable in 1991 and subsequent years, "gross taxes" or "gross taxes levied on all properties" shall mean gross taxes payable in 1989, excluding taxes defined as "equalized levies" in article 6, section 8, multiplied by the cost-of-living adjustment factor and the household adjustment factor.

(i) "Income maintenance Human services aids" means:

(1) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(2) preadmission screening and alternative care grants under section 256B.091, subdivision 8;

(3) general assistance, and work readiness under section 256D.03, subdivision 2;

(4) general assistance medical care under section 256D.03, subdivision 6;

(5) aid to families with dependent children under section 256.82, subdivision 1, including emergency assistance under section 256.871, subdivision 6; and funeral expense payments under section 256.935, subdivision 1; and

(6) supplemental aid under section 256D.36, subdivision 1.

(1) Aid to Families with Dependent Children under sections 256.82, subdivision 1, and 256.935, subdivision 1;

(2) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

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- (3) general assistance medical care under section 256D.03, subdivision 6;
- (4) general assistance under section 256D.03, subdivision 2;
- (5) work readiness under section 256D.03, subdivision 2;
- (6) emergency assistance under section 256.871, subdivision 6;
- (7) Minnesota supplemental aid under section 256D.36, subdivision 1;
- (8) preadmission screening and alternative care grants under section 256B.091;
- (9) work readiness services under section 256D.051;
- (10) case management services under section 256.736, subdivision 13;
- (11) general assistance claims processing, medical transportation and related costs; and
- (12) medical assistance, medical transportation and related costs.

(j) "Adjustment factor" means one plus the percentage change in (1) the ratio of estimated market value of residential homesteads to the estimated market value of all taxable property within the city or township containing the unique taxing jurisdiction based on the assessment one year prior to the year in which the aid is payable when compared to the same ratio based on the assessment two years prior to the year in which the aid is payable. If the market value of farm homesteads exceeds the market value of residential homesteads in the city or township containing the unique taxing jurisdiction, "adjusted factor" means one plus the percentage change in the ratio of the estimated market value of farm homesteads to the estimated market value of all taxable property within the city or township containing the unique taxing jurisdiction based on the assessment one year prior to the year in which the aid is payable when compared to the same ratio based on the assessment two years prior to the year in which the aid is payable. The adjustment factor cannot be less than one. Estimates of market value for the assessment one year prior to the year in which the aid is paid will be made on the basis of the abstract submitted pursuant to section 270.11. Discrepancies between the estimate and actual market values will not result in increased or decreased aid in the year in which the estimates are used to compute aid.

(k) "Cost-of-living adjustment factor" means one plus the percentage, if any, by which:

(1) the consumer price index for the calendar year preceding that in which aid is payable, exceeds

(2) the consumer price index for calendar year 1989.

(l) "Consumer price index for any calendar year" means the average of the

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consumer price index as of the close of the 12-month period ending on May 31 of such calendar year.

(m) "Consumer price index" means the last consumer price index for all-urban consumers published by the department of labor. For purposes of the preceding sentence, the revision of the consumer price index which is most consistent with the consumer price index for calendar year 1989 shall be used.

(n) "Household adjustment factor" means the number of households for the most recent year preceding that in which the aids are payable divided by the 1988 number of households. The household adjustment factor cannot be less than one.

Sec. 15. Minnesota Statutes 1988, section 273.1398, subdivision 2, is amended to read:

Subd. 2. **TRANSITION HOMESTEAD AND AGRICULTURAL CREDIT AID.** (a) Transition Initial homestead and agricultural credit aid for each unique taxing jurisdiction for taxes payable in 1990 equals the total gross taxes levied on all properties, minus the unique taxing jurisdiction's subtraction factor. Transition The commissioner of revenue may, in computing the amount of the homestead and agricultural credit aid paid in 1990, adjust the gross tax capacity, net tax capacity, and gross taxes of a taxing jurisdiction for taxes payable in 1989 to reflect auditor's errors in computing taxes payable for 1989 in unique taxing jurisdictions within independent school district Nos. 720 and 792. Homestead and agricultural credit aid cannot be less than zero. The transition aid so determined for school districts for purposes of general education and transportation levies shall be multiplied by the ratio of the adjusted gross tax capacity based upon the 1988 adjusted gross tax capacity to the estimated 1987 adjusted gross tax capacity based upon the 1987 adjusted assessed value. Each county assessor and the city assessors of Minneapolis, Duluth, and St. Cloud shall furnish the commissioner of revenue with the 1988 market values for taxes payable in 1989 for any new classes of property established in this article. The commissioner shall use those values, and estimate values where needed, in developing the 1988 tax capacity for each unique taxing jurisdiction under this section.

(b)(1) The transition homestead and agricultural credit aid is allocated to each local government levying taxes in the unique taxing jurisdiction in the proportion that the local government's gross taxes bears to the total gross taxes levied within the unique taxing jurisdiction.

(2) The 1990 homestead and agricultural credit aid so determined for school districts for purposes of general education levies pursuant to section 124A.23, subdivisions 2 and 2a, and transportation levies pursuant to section 275.125, subdivisions 5 and 5c, shall be multiplied by the ratio of the adjusted gross tax capacity based upon the 1988 adjusted gross tax capacity to the estimated 1987 adjusted gross tax capacity based upon the 1987 adjusted assessed value.

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(3) If a local government's total tax capacity rate for all funds for taxes payable in 1989 varies within the area in which it exercises taxing authority, the local government's allocated ~~transition~~ homestead and agricultural credit aid must be further allocated between the part of its levy in respect to which the tax capacity rate is constant throughout the area in which it exercises taxing authority and the part of its levy in respect to which the tax capacity rate varies throughout the area in which it exercises taxing authority.

(c) ~~In 1991 and subsequent years, a local government shall receive transition aid equal to that it received in 1990 subject to the requirement of the last sentence of subdivision 6.~~

(d) The difference between (1) the income maintenance aids payable to a county and (2) the income maintenance aids that would be payable to the county pursuant to the rates in effect for calendar year 1989 shall be reduced by the sum of the amount of transition aid a county receives under this subdivision for all unique taxing jurisdictions located within its borders. The reduction must not reduce the difference to less than zero. The reduction shall be prorated among all payments of the increased income maintenance aids so that each payment is reduced by an equal percentage amount. The commissioner of revenue shall certify each county's transition aid to the commissioner of human services for purposes of this adjustment. The calendar year 1990 homestead and agricultural credit aid shall be adjusted by the adjustment factor.

(d) Payments under this subdivision to counties in 1990 and subsequent years shall be reduced by the amount provided in section 477A.012, subdivision 3, paragraph (d), and subdivision 4, paragraph (d).

(e) Payments under this subdivision to cities and towns shall be annually reduced by the amount of the homestead and agricultural credit aid adjustment, if any, determined for 1990 under section 477A.013, subdivision 6.

Sec. 16. Minnesota Statutes 1988, section 273.1398, is amended by adding a subdivision to read:

Subd. 2b. FISCAL DISPARITY HOMESTEAD AND AGRICULTURAL CREDIT AID. For aids payable in 1991 and subsequent years, each local government subject to the provisions of chapter 473F shall receive fiscal disparity homestead and agricultural credit aid. The aid shall be computed for each affected local government in a manner consistent with that computed under subdivision 2 except that:

(1) "total gross taxes" shall mean the local government's levy on its distribution value pursuant to section 473F.08 for taxes payable in 1990, excluding a school district's equalized levies as defined in article 6, section 8, and adjusted for inflation and household growth subsequent to 1990;

(2) "total net tax capacity" shall mean its distribution value for taxes payable in the year prior to that in which the aid is payable times the ratio of the class rate applicable to class 3a property in excess of \$100,000 of estimated market value for taxes payable in the year preceding that in which the aid is payable to 5.25 percent; and

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(3) "local tax rate" shall mean the rate used to determine its areawide portion of the levy pursuant to section 473F.08, subdivisions 3, paragraph (a), and 8a, for taxes payable in 1990, excluding that portion of the rate attributable to a school district's equalized levies as defined in article 6 section 8.

Sec. 17. Minnesota Statutes 1988, section 273.1398, subdivision 3, is amended to read:

Subd. 3. **DISPARITY REDUCTION AID.** (a) For taxes payable in 1989, a disparity reduction aid shall be calculated for each unique taxing jurisdiction. The aid is the greater of:

(1) the difference between (i) the total 1988 gross tax payable on all taxable property within the unique taxing jurisdiction; and (ii) the gross tax capacity of the unique taxing jurisdiction; or

(2) 20 percent of the difference between (i) the 1988 gross tax of the city or township; and (ii) 23 percent of the city's or township's gross tax capacity.

In no case can the aid be less than \$0. For taxes payable in 1990, and subsequent years, the amount of disparity aid originally certified for each unique taxing jurisdiction for taxes payable in the prior year shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for taxes payable in the year for which aid is being computed, to (2) its tax capacity using the class rates for taxes payable in the year prior to that for which aid is being computed, both based upon market values for taxes payable in the year prior to that for which aid is being computed.

(b) The disparity reduction aid is allocated to each local government levying taxes in the unique taxing jurisdiction in the proportion that the local government's payable gross taxes bears to the total payable gross taxes levied within the unique taxing jurisdiction.

(c) ~~In 1990 and subsequent years, a local government shall receive disparity reduction aid equal to that it received in 1989.~~

Sec. 18. Minnesota Statutes 1989 Supplement, section 273.1398, subdivision 5, is amended to read:

Subd. 5. **ADDITIONAL HOMESTEAD AND AGRICULTURAL CREDIT GUARANTEE.** Beginning with taxes payable in 1990, each unique taxing jurisdiction may receive additional homestead and agricultural credit guarantee payments.

(1) Each year, the commissioner shall certify to the county auditor determine the total education aids paid under chapters 124 and 124A, homestead and agricultural credit aid and disparity reduction aid paid under section 273.1398, local government aid to cities, counties, and towns paid under chapter 477A, and income maintenance aid paid to counties for each taxing jurisdiction. The

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~~county auditor~~ commissioner shall apportion each local government's aids to the unique taxing jurisdiction based upon the proportion that the unique taxing jurisdiction's tax capacity bears to the total tax capacity of the local government.

(2) Each year, the ~~county auditor~~ commissioner will compute a gross tax capacity rate for each taxing jurisdiction equal to its total levy divided by its gross tax capacity under Minnesota Statutes 1988, section 273.13. For each unique taxing jurisdiction, a total gross tax capacity rate will be determined. This total gross tax capacity rate will be applied against the gross tax capacity of ~~each~~ property that would have been eligible for the homestead credit or the agricultural credit for taxes payable in 1989. A ~~An~~ estimated credit amount will be determined for each parcel all qualifying parcels based upon the credit rate structure in effect for taxes payable in 1989. The resulting credit amounts will be summed for all parcels in the unique taxing jurisdiction.

If the amount determined in clause (2) is greater than the amount determined in clause (1), the difference will be additional homestead and agricultural credit guarantee payments for the unique taxing jurisdiction. The additional credit amount shall proportionately reduce the tax capacity rates of all local governments levying taxes within the unique taxing jurisdiction in the following year. The ~~county auditor~~ commissioner shall certify the amounts of additional credits determined under this subdivision in a form prescribed by the commissioner to the county auditor at the time provided in subdivision 6.

Sec. 19. Minnesota Statutes 1988, section 273.1398, is amended by adding a subdivision to read:

Subd. 5a. AID ADJUSTMENT FOR COUNTY HUMAN SERVICES AID. (a) There shall be transferred to the human services aid account from the payment to a county under subdivision 2 an amount representing a county's human services aid increase as calculated in subdivision 5b, paragraphs (a) to (c). The amount calculated for each county shall be deducted from the first payment to the county under this section in 1991 and subsequent years. If the deduction exceeds the amount of the first payment, the balance shall be subtracted from the second payment. The amount of the payments under subdivision 2 shall not be less than zero as a result of this adjustment.

Sec. 20. Minnesota Statutes 1988, section 273.1398, is amended by adding a subdivision to read:

Subd. 5b. STATE AID FOR COUNTY HUMAN SERVICES COSTS. (a) Human services aid increase for each county equals an amount representing the county's costs for human services programs cited in subdivision 1, paragraph (i). The amount of the aid increase is calculated as provided in this section. The aid increase shall be deposited in the human services account created pursuant to section 273.1392.

(b) On July 15, 1990, each county shall certify to the department of revenue the estimated difference between the county's base amount costs as defined in

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section 256.025 for human services programs cited in subdivision 1, paragraph (i), for calendar year 1990 and human services program revenues from all non-property tax sources excluding revenue from state and federal payments for the programs listed in section 273.1398, subdivision 1, paragraph (i), and revenue from incentive programs pursuant to sections 256.019, 256.98, subdivision 7, 256D.06, subdivision 5, 256D.15, and 256D.54, subdivision 3, used at the time the levy was certified in 1989. At that time each county may revise its estimate for taxes payable in 1990 for purposes of this subdivision. The human services program estimates provided pursuant to this clause shall only include those costs and related revenues up to the extent the county provides benefits within statutory mandated standards. This amount shall be the county's human services aid amount under this section.

(c) On July 15, 1991, each county shall certify to the department of revenue the actual difference between the county's human services program costs and nonproperty tax revenues as provided in paragraph (b) for calendar year 1990. If the actual difference is larger than the estimated difference as calculated in paragraph (b), the aid amount for the county shall be increased by that amount. If the actual difference is smaller than the estimated difference as calculated in paragraph (b), the aid amount to the county shall be reduced by that amount.

(d) On January 1, 1991, the department of finance shall certify to the department of revenue the estimated amount of county receipts deducted from county human services expenditures pursuant to Minnesota Statutes 1988, section 287.12, in calendar year 1990. This amount shall be added to the human services aid increase amount under this section.

Sec. 21. Minnesota Statutes 1989 Supplement, section 273.1398, subdivision 6, is amended to read:

Subd. 6. **PAYMENT.** The commissioner shall certify the aids provided in subdivisions 2 ~~and~~, 2a, 3, ~~and~~ 5 before ~~September 30~~ December 1, 1989, and October 1 thereafter of the year preceding the distribution year to the county auditor of the affected local government and pay them and the credit reimbursements to local governments other than school districts at the times provided in section 477A.015 for payment of local government aid to taxing jurisdictions. Aids and credit reimbursements to school districts must be certified to the commissioner of education and paid under section 273.1392. Except for education districts and secondary cooperatives that receive revenue according to section 124.2721 or 124.575, payment shall not be made to any taxing jurisdiction that has ceased to levy a property tax nor shall homestead and agricultural credit aid be payable on the part of a levy to which homestead and agricultural credit aid was separately allocated under subdivision 2, paragraph (b), clause (2), which is no longer levied.

Sec. 22. **[274.20] MANUFACTURED HOME HOMESTEAD AND AGRICULTURAL CREDIT AID.**

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Subdivision 1. DEFINITIONS. (a) The term "total gross taxes" means the total gross taxes levied on manufactured homes assessed pursuant to section 274.19 in a unique taxing jurisdiction as defined in section 273.1398 before reduction by any credits for taxes in 1989. For aid payable in 1991 and subsequent years total gross taxes for 1989 shall be multiplied by the cost of living adjustment factor as defined in section 273.1398.

(b) "Local tax rate" means the total tax capacity tax rate for taxes payable in 1989 within a unique taxing jurisdiction.

(c) "Total net tax capacity" means the net tax capacities as defined in section 273.1398 of all manufactured homes assessed pursuant to section 274.19 except the market value used shall be for the assessment one year prior to that in which aid is payable.

(d) "Subtraction factor" means the product of (i) a unique taxing jurisdictions local tax rate; (ii) its total net tax capacity; and (iii) 0.9767.

Subd. 2. MANUFACTURED HOME HOMESTEAD AND AGRICULTURAL CREDIT AID. Manufactured home homestead and agricultural credit aid for each unique taxing jurisdiction equals total gross taxes minus the unique taxing jurisdiction's subtraction factor. The aid shall be allocated to each local government levying taxes in the unique taxing jurisdiction in the proportion that the local government's gross taxes bear to the total gross taxes.

Subd. 3. AID CALCULATION. The commissioner of revenue shall make the calculation required in subdivision 2 and annually pay manufactured home homestead and agricultural credit aid to the local governments at the times provided in section 477A.015 for local governments other than school districts. Aid payments to the school districts must be certified to the commissioner of education and paid under section 273.1392.

Subd. 4. APPROPRIATION. There is annually appropriated from the general fund to the commissioner of revenue a sum sufficient to pay the aids provided under this section.

Sec. 23. Minnesota Statutes 1989 Supplement, section 275.07, subdivision 3, is amended to read:

Subd. 3. The county auditor shall adjust each local government's levy certified under subdivision 1 by the amount of homestead and agricultural credit aid certified by section 273.1398, subdivision 2, reduced by the amount under section 273.1398, subdivision 5a. If a local government's homestead and agricultural credit aid was further allocated between portions of its levy pursuant to section 273.1398, subdivision 2, paragraph (b)(2), the levy or fund to which the homestead and agricultural credit aid was allocated is the levy or fund which must be adjusted.

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Sec. 24. Minnesota Statutes 1989 Supplement, section 287.12, is amended to read:

287.12 TAXES, HOW APPORTIONED.

All taxes paid to the county treasurer under the provisions of sections 287.01 to 287.12 shall be credited to the county revenue fund apportioned, 97 percent to the general fund of the state, and three percent to the county revenue fund.

On or before the tenth day of each month the county treasurer shall determine the receipts from the mortgage registration tax during the preceding month. The treasurer shall report to the county welfare agency on or before the tenth day of each month 97 percent of the receipts attributable to the statutory rate in section 287.05. That amount, in addition to 97 percent of the amount determined under section 287.29, must be shown as a deduction from the report filed with the department of human services as required by section 256.82. The net receipts from the preceding month must be credited to the county welfare fund by the tenth day of each month. If a county's mortgage and deed tax receipts exceed the state share of AFDC grants for the county, the excess amount must be offset against state payments to the county for the state share of the income maintenance programs. Any excess remaining after offsetting all state payments for income maintenance programs must be paid to the commissioner of human services and credited to the AFDC account and pay to the commissioner of revenue for deposit in the state treasury and credit to the general fund the state's portion of the receipts from the mortgage registration tax during the preceding month. The county treasurer shall provide any related reports requested by the commissioner of revenue.

Sec. 25. Minnesota Statutes 1988, section 287.29, is amended to read:

287.29 PAYMENT OF RECEIPTS TO COUNTY STATE GENERAL FUND; REPORT; RECORD REPORTS.

Subdivision 1. On or before the tenth day of each month, the county treasurer shall determine and report pay to the county welfare agency the receipts attributable to the tax imposed during the preceding month. The report must accompany the report required in section 287.12. The receipts shall be deposited in the county treasury and credited to the county revenue fund. The net receipts from the preceding month must be credited to the county welfare fund by the tenth day of each month commissioner of revenue for deposit in the state treasury and credit to the general fund the receipts from the sale of documentary stamps during the preceding month. The county treasurer shall provide any related reports requested by the commissioner of revenue.

Sec. 26. [290A.045] COMMERCIAL/INDUSTRIAL EQUALIZATION REFUND.

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Subdivision 1. DEFINITIONS. (a) "Eligible property" means that portion of property classified as commercial or industrial property under section 273.13, subdivision 24, paragraph (a), which is subject to the highest class rate within class 3a.

(b) "Eligible property market value" means the assessor's estimated market value of eligible property.

(c) "Eligible tax" means the net property tax payable on eligible property market value that is in excess of the tax capacity of the eligible property market value.

(d) "Net property tax payable" means the property tax payable on eligible property value, less

(1) special assessments, penalties, and interest payable on the property; and

(2) any state-paid credits other than the refund provided under this section. The taxes are considered payable in the year prescribed by law for payment of the taxes.

Subd. 2. NOTIFICATION BY COUNTY AUDITOR. For taxes payable in 1990 and 1991 only, the county auditor shall notify the owners of commercial and industrial properties with eligible tax amounts that they are eligible for a state-paid refund. This notification shall be provided to taxpayers either along with the tax statements mailed under section 276.04, subdivision 3, or in a separate mailing to the taxpayer during the same time period. The notification shall include the amount of the eligible tax, eligible property market value, and instructions for submitting a claim for the commercial/industrial equalization refund under this section.

Subd. 3. FILING OF CLAIM. A claim for a commercial/industrial equalization refund under this section must be filed with the commissioner of revenue on or before June 1 of the year the property taxes are payable. Claims under this section must be made in the form and contain the information required by the commissioner of revenue. Eligible property consisting of contiguous parcels owned by the same person or entity are considered a single parcel for the purposes of this section and must be filed on a single claim.

Subd. 4. CALCULATION OF REFUND AMOUNT. The refund amount under this section for each eligible property is equal to 75 percent of the eligible tax up to a maximum of \$4,000 for each claim. If the amount appropriated under subdivision 7 is insufficient to pay the refund amounts calculated under this subdivision, the commissioner of revenue shall proportionately reduce the refund amount for each eligible property so that the sum of the refund amounts paid under this section equals the amount appropriated in subdivision 7.

Subd. 5. PAYMENT OF CLAIM. Allowable claims filed under this section shall be paid by the commissioner prior to October 1. If the initial refund amounts were proportionately reduced under subdivision 4, the commissioner shall attach an explanation of the calculation of the refund amount.

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Subd. 6. ADMINISTRATION. Sections 290A.11, 290A.111, 290A.112, 290A.12, 290A.14, 290A.15, 290A.17, 290A.18, and 290A.20, including the penalties imposed on the claimants and tax return preparers in those sections, apply to claims allowed under this section. The commissioner of revenue has the powers granted in those sections to administer the refund under this section.

Subd. 7. APPROPRIATION. \$10,000,000 is appropriated for fiscal year 1991 from the general fund to the commissioner of revenue to pay the refund under this section for taxes payable in 1990. \$10,000,000 is appropriated for fiscal year 1992 from the general fund to the commissioner of revenue to pay the refund under this section for taxes payable in 1991.

Sec. 27. Minnesota Statutes 1988, section 298.28, subdivision 6, is amended to read:

Subd. 6. PROPERTY TAX RELIEF. (a) ~~Twelve~~ Fifteen cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), must be allocated to St. Louis county acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(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, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) 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 school district other than a school district in which the mining and concentrating processes are conducted, .5625 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

Sec. 28. Minnesota Statutes 1988, section 473F.08, is amended by adding a subdivision to read:

Subd. 8a. FISCAL DISPARITIES ADJUSTMENT. In any year in which the highest class rate for class 3a property changes from the rate in the previous year, the following adjustments shall be made to the procedures described in sections 473F.06 to 473F.08.

(1) An initial contribution tax capacity shall be determined for each municipality based on the previous year's class rates.

(2) Each jurisdiction's distribution tax capacity shall be determined based upon the areawide tax base determined by summing the tax capacities computed under clause (1) for all municipalities and apportioning the resulting sum pursuant to section 473F.07, subdivision 5.

(3) Each jurisdiction's distribution levy shall be determined by applying the

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procedures described in subdivision 3, clause (a), to the distribution tax capacity determined pursuant to clause (2).

(4) Each municipality's final contribution tax capacity shall be determined equal to its initial contribution tax capacity multiplied by the ratio of the new highest class rate for class 3a property to the previous year's highest class rate for class 3a property.

(5) The areawide tax capacity rate shall be determined by dividing the sum of the amounts determined in clause (3) by the sum of the values determined in clause (4).

(6) The final contribution tax capacity determined in clause (4) shall also be used to determine the portion of each commercial/industrial property's tax capacity subject to the areawide tax capacity rate pursuant to subdivision 6.

Sec. 29. NOTIFICATION OF ADMINISTRATIVE DIRECTIVES.

The commissioner of revenue shall notify the chairs of the senate committee on taxes and tax laws and the house committee on taxes of administrative directives or interpretations of the provisions of this article. The notice must be given at least five days before a directive or interpretation is released to the public or provided to a local government to allow time for the chairs to provide advice or to comment on the commissioner's directive or interpretation of the law. An administrative directive or interpretation includes an explanation of a provision, a clarification of its application to a particular circumstance, a directive on how to apply or administer a provision, and other similar communications that are intended to direct or guide local government officials in administering the law. This section applies only to written materials that are either released to the public or mailed, sent, or provided to a local government or a local government official.

Sec. 30. [6.76] LOCAL GOVERNMENTAL EXPENDITURES FOR LOBBYISTS.

On or before January 31, 1990, and each year thereafter, all counties, cities, school districts, metropolitan agencies, regional railroad authorities, and the regional transit board shall report to the state auditor, on forms prescribed by the auditor, their estimated expenditures paid for the previous calendar year to a lobbyist as defined in section 10A.01, subdivision 11, and to any staff person not registered as a lobbyist but who spends over 25 percent of his or her time during the legislative session on legislative matters.

Sec. 31. PROPERTY TAX REFUNDS FOR TENANTS OF DISQUALIFIED LEASEHOLD COOPERATIVES.

Property tax refunds payable under Minnesota Statutes, chapter 290A, for rent paid in 1988 and property taxes payable in 1989 to residents of a leasehold cooperative that is disqualified from classification as a leasehold cooperative

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under Minnesota Statutes, section 273.124, subdivision 6, effective for assessment year 1989 shall not be reduced by the commissioner of revenue because of the disqualification.

Sec. 32. ASSESSMENT OF MANUFACTURED HOME PARKS.

Subdivision 1. NO VALUATION INCREASE. (a) Notwithstanding Minnesota Statutes, section 273.11, or any other law to the contrary, the estimated market value of manufactured home parks as defined in section 327.14, subdivision 3, and assessed under section 273.13, subdivision 25, paragraph (a) or (b), for taxes levied in 1989, may not exceed its estimated market value for taxes levied in 1988.

(b) This subdivision does not apply to increases in value attributable to improvements made to the real estate since the January 2, 1988, assessment. It does not apply to property becoming subject to taxation since the January 2, 1988, assessment. The limitation in this subdivision applies to any increase in valuation imposed by the local boards of review under section 274.01, the county boards of equalization under section 274.13, and the state board of equalization and the commissioner of revenue under sections 270.11, 270.12, and 270.16.

Subd. 2. NOTICE TO PROPERTY OWNER. If an assessor has increased the estimated market value of property over that allowed in subdivision 1, the assessor must reduce the estimated market value to the amount allowed under subdivision 1. On or before November 1, 1989, the assessor must mail notices to all owners of property subject to subdivision 1. The notice must state that any increase in the estimated market value of manufactured home park land for taxes levied in 1989 over that for taxes levied in 1988 has been limited by this act.

Subd. 3. STUDY. The department of revenue shall study the valuation and assessment of manufactured home parks. It shall compile information on valuation and assessment practices, evaluate alternative valuation and assessment methods, and report its findings, along with recommendations and proposals for legislation in the 1990 session, to the chair of the house of representatives tax committee and to the chair of the senate committee on taxes and tax laws. The report must be submitted by February 12, 1990.

Sec. 33. [273.1398] [Subd. 5c.] APPROPRIATION.

Pursuant to section 273.1398, subdivision 5b, paragraph (d), there shall be appropriated on January 1 and July 1, 1991, and each year thereafter, from the general fund to the county human services aid account under Minnesota Statutes, section 273.1392, subdivision 2, an amount equal to the amount certified by the department of human services to the department of revenue under Minnesota Statutes, section 273.1398, subdivision 5b, clause (d). Each of the two appropriations shall equal one-half of the certified amount.

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Sec. 34. REPEALER.

Minnesota Statutes 1988, sections 273.135, subdivision 2a; and 273.1391, subdivision 2a, are repealed.

Sec. 35. EFFECTIVE DATE.

Section 1 is effective the day following final enactment and is intended to confirm and clarify the original intent of the legislature in the taxation and equalization of state-assessed public utility property.

Sections 2 and 7 are effective for taxes payable in 1991 and thereafter.

Sections 3, 5, 8, 11, 12, 23, 26, and 28 are effective for taxes payable in 1990 and thereafter.

Section 4 is effective January 1, 1989.

Sections 6, 9, 21, 29 to 32, and 34 are effective the day following final enactment.

Section 10 is effective for taxes levied in 1989, payable in 1990 and thereafter, provided that cooperatives that qualified under Minnesota Statutes, section 273.124, subdivision 6, on January 2, 1989, shall meet the board membership requirements of paragraph (a) by December 1, 1989, and shall meet the requirements of section 501(c)(3) or 501(c)(4) status under the Internal Revenue Code in the first paragraph and in paragraph (e) by January 1, 1990, and that the notice and filing requirements of paragraphs (f) and (g) shall apply only to leasehold cooperatives created later than 60 days after the date of enactment of this act.

Sections 13, 19, and 20 are effective January 1, 1991.

Section 14, paragraph (i), clauses (1) to (12), are effective for aids paid in 1991 and thereafter. The rest of section 14 and sections 15, 17, 18, and 22 are effective for aids paid in 1990 and thereafter, except as otherwise provided in those sections.

Section 16 is effective for aids payable in 1991 and thereafter.

Sections 24 and 25 are effective for mortgage registration and deed taxes collected after November 30, 1990.

Section 27 is effective for taconite produced in 1989, proceeds distributed in 1990, and thereafter.

Section 33 is effective July 1, 1991.

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ARTICLE 4

LOCAL GOVERNMENT AIDS

Section 1. Minnesota Statutes 1988, section 275.07, subdivision 1, is amended to read:

Subdivision 1. The taxes voted by cities, towns, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before October 25 in each year. The taxes certified shall not be adjusted by the aid received under section 273.1398, subdivisions 2 and 3 and section 477A.013, subdivision 5. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year. If the local unit notifies the commissioner of revenue before October 25 of its inability to certify its levy by that date, and the commissioner is satisfied that the delay is unavoidable and is not due to the negligence of the local unit's officials or staff, the commissioner shall extend the time within which the local unit shall certify its levy up to 15 calendar days beyond the date of request for extension.

Sec. 2. Minnesota Statutes 1989 Supplement, section 275.07, subdivision 3, is amended to read:

Subd. 3. The county auditor shall adjust each local government's levy certified under subdivision 1 by the amount of homestead and agricultural credit aid certified by section 273.1398, subdivision 2 and equalization aid certified by section 477A.013, subdivision 5. If a local government's homestead and agricultural credit aid was further allocated between portions of its levy pursuant to section 273.1398, subdivision 2, paragraph (b)(2), the levy or fund to which the homestead and agricultural credit aid was allocated is the levy or fund which must be adjusted.

Sec. 3. Minnesota Statutes 1988, section 477A.011, subdivision 1a, is amended to read:

Subd. 1a. **CITY.** City means a statutory or home rule charter city. City also means a town having a population of 5,000 or more for purposes of the aid payable under section 477A.013, subdivision 3. Towns and cities of the first class are not eligible to be treated as cities for purposes of aid payable under section 477A.013, subdivision 5.

Sec. 4. Minnesota Statutes 1988, section 477A.011, is amended by adding a subdivision to read:

Subd. 1b. TOWN. "Town" means a township with a population of less than 5,000.

Sec. 5. Minnesota Statutes 1988, section 477A.011, subdivision 20, is amended to read:

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Subd. 20. **CITY TAX CAPACITY.** "City tax capacity" means (1) 23 percent of the net tax capacity computed using the net tax capacity rates listed in Minnesota Statutes 1988, section 273.13, for aids payable in 1990 and the net tax capacity rates listed in Minnesota Statutes 1989, section 273.13, for aids payable in 1991 and subsequent years for all taxable property within the city based on the assessment two years prior to that for which aids are being calculated, plus (2) a city's levy on the fiscal disparities distribution under section 473F.08, subdivision 3, paragraph (a), for taxes payable in the year prior to that for which aids are being calculated. The market value utilized in computing net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 2, paragraph (a), ~~and~~ (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The net tax capacity will be computed using equalized market values.

Sec. 6. Minnesota Statutes 1988, section 477A.011, is amended by adding a subdivision to read:

Subd. 25. **NET TAX CAPACITY.** "Net tax capacity" means for aids payable under section 477A.013, subdivision 5, (1) the net tax capacity of a city computed using the net tax capacity rates in Minnesota Statutes 1988, section 273.13, and based on 1988 estimated market values plus (2) a city's fiscal disparities distribution tax capacity under section 473F.08, subdivision 2, paragraph (b), for taxes payable in 1989. The market value utilized in computing net tax capacity shall be reduced by the sum of (1) a city's market value of commercial industrial property as defined in section 473F.02, subdivision 3, multiplied by the ratio determined pursuant to section 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value of tax increment financing districts as defined in section 469.177, subdivision 2, and (3) the market value of transmission lines deducted from a city's total net tax capacity under section 273.425. The net tax capacity will be computed using equalized market values.

Sec. 7. Minnesota Statutes 1988, section 477A.012, is amended by adding a subdivision to read:

Subd. 3. **AID OFFSET FOR COURT COSTS.** (a) There shall be deducted from the payment to a county under this section an amount representing the cost to the state for assumption of the cost of district court administration and operation of the trial court information system in the county and, in the case of Hennepin and Ramsey counties, of public defense services in juvenile and misdemeanor cases in the county. The amount of the deduction shall be computed as provided in this subdivision.

(b) By October 15, 1989, the board of public defense shall determine and

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certify to the department of revenue the cost of the state-financed public defense services in juvenile and misdemeanor cases for Hennepin and Ramsey counties during the fiscal year beginning the following July 1. By October 15, 1989, the supreme court shall determine and certify to the department of revenue for each county, except counties located in the eighth judicial district, the pro rata estimated share for each county of district court administration and trial court information system costs during the fiscal year beginning on the following July 1.

(c) One-half of the amount computed under paragraph (b) for each county shall be deducted from each payment to the county under section 477A.015 in 1990 and each subsequent year.

(d) If the amount computed under paragraph (b) plus, if applicable, the amount deducted under paragraph (e), exceeds the amount payable to a county under subdivision 1, the excess shall be deducted from the aid payable to the county under section 273.1398, subdivision 2.

(e) By July 15, 1990, the board of public defense and the supreme court shall determine and certify to the department of revenue the final actual budgeted amounts for the activities described in paragraph (b). If the amount certified under paragraph (b) is greater than the amount certified under this paragraph, the excess shall be deducted from the aid payable to the county in 1991 and each subsequent year under this section. If the amount certified under paragraph (b) is less than the amount certified under this paragraph, the difference shall be added to the aid payable to the county in 1991 and each subsequent year under this section.

Sec. 8. Minnesota Statutes 1988, section 477A.012, is amended by adding a subdivision to read:

Subd. 4. AID OFFSET FOR 1992 COURT COSTS. (a) There shall be deducted from the payment to a county under this section an amount representing the cost to the state for assumption of the cost of court reporters, judicial officers, and district court referees and the expenses of law clerks and court reporters as authorized in Laws 1989, chapter 335, article 3, sections 17 and 26. The amount of the deduction is computed as provided in this subdivision.

(b) By June 30, 1991, the supreme court shall determine and certify to the department of revenue for each county, except counties located in the eighth judicial district, the pro rata share for each county of court reporter, judicial officer, and district court referee costs and law clerk and court reporter expenses during the calendar year beginning on January 1, 1992.

(c) One-half of the amount computed under paragraph (b) for each county shall be deducted from each aid payment to the county under section 477A.015 in 1992 and each subsequent year.

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(d) If the amount computed under paragraph (b) exceeds the amount payable to a county under subdivision 1, the excess shall be deducted from the aid payable to the county under section 273.1398, subdivision 2.

Sec. 9. Minnesota Statutes 1989 Supplement, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. **TOWNS.** In calendar year 1988, each town which had levied for taxes payable in the previous year at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to the greater of: (a) 60 percent of the amount received in 1983 pursuant to Minnesota Statutes 1982, sections 273.138, 273.139, and 477A.011 to 477A.03; or (b) the amount certified in 1987 pursuant to sections 477A.011 to 477A.03. In calendar year 1989, each town that had levied for taxes payable in 1988 at least one mill on the dollar of the assessed value of the town shall receive a distribution equal to 106 percent of the distribution received under Minnesota Statutes 1987 Supplement, section 477A.013, subdivision 1, in 1988. In calendar year 1990 and subsequent years, each town that had levied for taxes payable in the prior year a tax capacity rate of at least .008 shall receive a distribution equal to 106 percent of the amount received in 1989 under this subdivision. In calendar year 1991 and subsequent years, each town that had levied for taxes payable in the prior year a tax capacity rate of at least .008 shall receive a distribution equal to the amount it received in 1990 under this subdivision less the amount deducted in 1989 under section 477A.013, subdivision 6.

Sec. 10. Minnesota Statutes 1988, section 477A.013, subdivision 3, is amended to read:

Subd. 3. **CITY AID DISTRIBUTION.** In 1989, a city whose initial aid is greater than \$0 will receive the following aid increases in addition to an amount equal to the local government aid it received in 1988 under Minnesota Statutes 1987 Supplement, section 477A.013:

(1) for a city whose expenditure/unlimited aid ratio is at least 1.5, two percent of city revenue;

(2) for a city whose expenditure/unlimited aid ratio is at least 1.4 but less than 1.5, 2.5 percent of city revenue;

(3) for a city whose expenditure/unlimited aid ratio is at least 1.3 but less than 1.4, three percent of city revenue;

(4) for a city whose expenditure/unlimited aid ratio is at least 1.2 but less than 1.3, four percent of city revenue;

(5) for a city whose expenditure/unlimited aid ratio is at least 1.1 but less than 1.2, five percent of city revenue;

(6) for a city whose expenditure/unlimited aid ratio is at least 1.05 but less than 1.1, six percent of city revenue;

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(7) for a city whose expenditure/unlimited aid ratio is at least 1.0 but less than 1.05, seven percent of city revenue;

(8) for a city whose expenditure/unlimited aid ratio is at least .95 but less than 1.0, 7.5 percent of city revenue;

(9) for a city whose expenditure/unlimited aid ratio is at least .75 but less than .95, 8.5 percent of city revenue; and

(10) for a city whose expenditure/unlimited aid ratio is less than .75, nine percent of city revenue.

In 1990 ~~and subsequent years~~, a city whose initial aid is greater than \$0 will receive an amount equal to the aid it received under this ~~subdivision and subdivision 4 section~~ in the year prior to that for which aids are being calculated plus an aid increase equal to 50 percent of the rates listed in clauses (1) to (10) multiplied by city revenue.

In 1991 and subsequent years, a city whose initial aid is greater than \$0 will receive an amount equal to the aid it received under this section in the year prior to that for which aids are being calculated plus an aid increase equal to 25 percent of the rates listed in clauses (1) to (10) multiplied by city revenue.

A city's aid increase under this subdivision is limited to the lesser of (1) 20 percent of its levy for taxes payable in the year prior to that for which aids are being calculated after the adjustments provided in section 273.1398, subdivision 2, or (2) its initial aid amount, or (3) 15 percent of the total amount received under this section in the previous year, provided that no city will receive an increase that is less than two percent of its ~~1988~~ 1989 local government aid for aids payable in ~~1989~~ 1990.

A city whose initial aid is \$0 will receive in ~~1989~~ 1990 an amount equal to 102 percent of the local government aid it received in ~~1988~~ 1989 under Minnesota Statutes ~~1987 Supplement~~ 1988, section 477A.013. A city whose initial aid is \$0 will receive in ~~1990~~ 1991 and subsequent years an amount equal to the aid it received in the previous year under this ~~subdivision and subdivision 4 section~~. For purposes of this subdivision the term "local government aid" includes equalization aid for aids payable in 1991 and thereafter.

Sec. 11. Minnesota Statutes 1988, section 477A.013, is amended by adding a subdivision to read:

Subd. 5. EQUALIZATION AID. A city is eligible for equalization aid in 1990 only. The amount of the aid is equal to (1) the product of (i) a city's average levy for the three immediately preceding years less the disparity reduction aids allocated to the city pursuant to Minnesota Statutes 1988, section 273.1398, subdivision 3, (ii) .36, and (iii) one minus the ratio of the net tax capacity per capita to 900; less (2) the local government aid increase for the city

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under subdivision 3. The aid under this section is limited to 15 percent of the total local government aid the city received in 1989. The aid under this section cannot be less than zero. For the purposes of this subdivision "levy" includes a city's levy on fiscal disparities distribution under section 473F.08, subdivision 3, paragraph (a).

Sec. 12. Minnesota Statutes 1988, section 477A.013, is amended by adding a subdivision to read:

Subd. 6. AID ADJUSTMENT. For calendar year 1990, there shall be an amount equal to 3.4 percent of the town's or city's adjusted net tax capacity computed using the net class rates for taxes payable in 1990 and equalized market values as defined in section 273.1398, subtracted from the aid amounts computed under subdivision 1, in the case of towns, and under subdivisions 3 and 5 in the case of cities. For cities, the subtraction will be made first from the aid computed under subdivision 3. If the subtraction amount under this section is greater than the aid amount computed under subdivision 3, the remaining amount will be subtracted from the aid computed under subdivision 5. The resulting amounts shall be the town's local government aid or the city's local government aid and equalization aid for calendar year 1990. The local government aid and equalization aid amount for any city or town cannot be less than zero. If the subtraction amount under this section is greater than the amount for any town or city computed under subdivisions 1, 3, and 5, the remaining amount shall be subtracted from the town's or city's homestead and agricultural credit aid under section 273.1398, subdivision 2.

For purposes of this subdivision, "adjusted net tax capacity" means the city's total net tax capacity using the net class rates for taxes payable in 1990 and equalized market values as defined in section 273.1398, as adjusted for the contributions and distributions required by chapter 473F in the case of a city or town located within the metropolitan area and less the captured value in any tax increment district.

An increase in a city's property tax levy for taxes payable in 1990 attributable to the amount deducted from the city's aids under this subdivision is exempt from the city's per capita levy limit under section 275.11 and from the city's percentage of market value levy limit under section 412.251 or 426.04.

Sec. 13. Minnesota Statutes 1988, section 477A.014, subdivision 1, is amended to read:

Subdivision 1. CALCULATIONS AND PAYMENTS. The commissioner of revenue shall make all necessary calculations and make payments pursuant to sections 477A.012, 477A.013 and 477A.03 directly to the affected taxing authorities annually. In addition, the commissioner shall notify the authorities of their aid amounts, as well as the computational factors used in making the calculations for their authority, and those statewide total figures that are pertinent, before August 15 of the year preceding the aid distribution year, except that for

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aid payable in 1990 the commissioner of revenue must notify the authorities of their aid amounts as well as the computational factors used in the calculation before October 23, 1989.

Sec. 14. 1990 TOWN LEVY ADJUSTMENT.

For 1990 only, for all towns, except towns subject to levy limits under Minnesota Statutes, sections 275.50 and 275.51, the commissioner of revenue will certify to the county auditor an amount equal to the reduction in local government aid under section 12 at the same time that the homestead and agricultural credit aid is certified. The county auditor shall add this amount to the town's certified levy before subtraction of the homestead and agricultural credit aid under section 275.07, subdivision 3, unless otherwise directed by the town clerk.

Sec. 15. REPEALER.

Minnesota Statutes 1988, sections 477A.011, subdivision 24, and 477A.013, subdivision 4, are repealed.

Sec. 16. EFFECTIVE DATE.

Sections 1 and 2 are effective for taxes levied in 1989 and thereafter, payable in 1990, and thereafter. Sections 3 to 7 and 9 to 12 and 14 are effective for local government aid paid in 1990. Section 8 is effective for local government aid paid in 1992. Section 13 is effective the day following final enactment. Section 15 is effective January 1, 1991.

ARTICLE 5

LEVY LIMITS

Section 1. Minnesota Statutes 1988, section 6.62, subdivision 1, is amended to read:

Subdivision 1. **LEVY OF TAX.** Counties, cities and towns are authorized, if necessary, to levy; ~~over and above tax levy limitations for other governmental purposes;~~ an amount sufficient to pay the expense of a postaudit by the state auditor.

A school district is authorized to levy an amount sufficient to pay for the expense of a postaudit by the state auditor if the audit is performed at the discretion of the state auditor pursuant to section 6.51 or if the audit has been requested through a petition by eligible voters pursuant to section 6.54. A school district is not authorized to levy these amounts if the postaudit by the state auditor is requested by the school board pursuant to section 6.55.

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Sec. 2. Minnesota Statutes 1988, section 18.023, subdivision 8, is amended to read:

Subd. 8. **DEPOSIT OF PROCEEDS IN SEPARATE FUND.** The proceeds of any tax levied, assessments and interest collected, or any bonds or certificates of indebtedness issued under subdivision 7 ~~and section 275.50, subdivision 6,~~ and any grants received under subdivision 3a, shall be deposited in the municipal treasury in a separate fund and expended only for the purposes authorized by this section.

Sec. 3. Minnesota Statutes 1988, section 110B.15, subdivision 4, is amended to read:

Subd. 4. **SPECIAL TAXING DISTRICT.** (a) A tax district authorized under subdivision 3, clause (4), must be established by resolution adopted by the county board after a hearing. Notice of the time, place, and purpose of the hearing must be published for two successive weeks in the official newspaper of the county, ending at least seven days before the day of the hearing. The resolution must describe with particularity the territory or area to be included in the tax district. After adoption, the resolution must be filed with the county auditor and county recorder. The district may be dissolved by following the procedures prescribed for the establishment of the district.

(b) After adoption of the resolution under paragraph (a), a county may annually levy a tax on all taxable property in the district for the purposes for which the tax district was established. The proceeds of the tax must be paid into a fund reserved for these purposes. Any proceeds remaining in the reserve fund at the time the tax is terminated or the district is dissolved must be transferred and irrevocably pledged to the debt service fund of the county to be used only to reduce tax levies for bonded indebtedness of taxable property in the district. ~~A tax levied in accordance with this subdivision for paying capital costs is a levy for the payment of principal and interest on bonded indebtedness within the meaning of section 275.50, subdivision 5, clause (e).~~

(c) After adoption of the resolution under paragraph (a), and after a contract for the construction of all or part of an improvement has been entered into or the work has been ordered to be done by hired labor, the county may issue obligations in the amount determined by the county board to be necessary to pay in whole or in part the capital cost incurred and estimated to be incurred in making the improvement. The obligations are payable out of the proceeds of the tax levied under this subdivision. The county board may, by resolution adopted prior to the sale of obligations, pledge the full faith, credit, and taxing power of the county to assure payment of the principal and interest in the event the proceeds of the tax levy in the district are insufficient to pay principal and interest. The amount of any taxes that are required to be levied outside of the territory of the tax district or taken from the general funds of the county to pay principal and interest on the obligations must be reimbursed to the county from

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taxes levied within the territory of the tax district. Obligations must be issued in accordance with chapter 475, except that an election is not required and the amount of any obligations must not be included in determining the net indebtedness of the county under the provisions of any law or charter limiting indebtedness.

Sec. 4. Minnesota Statutes 1988, section 115.34, subdivision 1, is amended to read:

Subdivision 1. The board may authorize the borrowing of money for any district purpose and provide for the repayment thereof, subject to chapter 475. The taxes initially levied by any district in accordance with section 475.61 for the payment of its bonds, upon property within each municipality included in the district, shall be included in computing the limitations upon the levy of such municipality under section 275.11. ~~If the tax required by section 475.61 to be levied for any year of the term of a bond issue upon property within any municipality included in the district would, when added to the taxes levied by such municipality for all purposes in the year preceding such issue, exceed the limitations prescribed in section 275.11, the bonds shall not be issued without the consent by resolution of the governing body of such municipality.~~

Sec. 5. Minnesota Statutes 1988, section 129A.06, subdivision 2, is amended to read:

Subd. 2. In order to provide the necessary funds for extended employment programs offered by a rehabilitation facility, the governing body of any city, town, or county may expend money which may be available for such purposes in the general fund, and may levy a tax which, except when levied by a county, shall not exceed in any one year the following amounts per capita of the population, based upon the last federal census: Cities of the first class, not to exceed ten cents per capita; cities of other than the first class, and towns, not to exceed 30 cents per capita. ~~A tax levied pursuant to this subdivision is not a special levy as defined in section 275.50, subdivision 5, and shall be subject to the limitation provided in sections 275.51 to 275.56.~~ Any city, town, county, or nonprofit corporation may accept gifts or grants from any source for the rehabilitation facility. Any money appropriated, taxed, or received as a gift or grant may be used to match funds available on a matching basis.

Sec. 6. Minnesota Statutes 1988, section 145A.08, subdivision 3, is amended to read:

Subd. 3. **TAX LEVY AUTHORIZED.** A city council or county board that has formed or is a member of a board of health may levy taxes ~~under sections 275.50 to 275.56~~ on all taxable property in its jurisdiction to pay the cost of performing its duties under this chapter.

Sec. 7. Minnesota Statutes 1988, section 164.041, is amended to read:

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164.041 REMOVAL OF LEVY LIMIT; ROAD AND BRIDGE PURPOSES.

It is the intent of this legislation to remove all limitations relating specifically to the authority of a town to levy taxes for road and bridge purposes and any act for a single town or for a group of towns relating specifically to a limitation on the authority of a town to levy taxes for road and bridge purposes, however stated in mills, dollars, or a per capita amount is hereby superseded; ~~provided that nothing in Laws 1975, chapter 268, shall be construed to permit a levy in excess of the limitations imposed by sections 275.50 to 275.58.~~

Sec. 8. Minnesota Statutes 1988, section 273.123, subdivision 7, is amended to read:

Subd. 7. LOCAL OPTION; OTHER PROPERTY. The owner of homestead property not qualifying for an adjustment in valuation pursuant to subdivisions 1 to 5 or of nonhomestead property may receive a reduction in the amount of taxes payable for the year in which the destruction occurs on the property if:

(a) 50 percent or more of the homestead dwelling or other structure, as established by the county assessor, is unintentionally or accidentally destroyed and the homestead is uninhabitable or the other structure is not usable;

(b) the owner of the property makes written application to the county assessor as soon as practical after the damage has occurred; and

(c) the owner of the property makes written application to the county board.

The county board may grant a reduction in the amount of property tax which the owner must pay on the qualifying property in the year of destruction. Any reduction in the amount of tax payable which is authorized by county board action shall be calculated based upon the number of months that the home is uninhabitable or the other structure is unusable. The amount of net tax due from the taxpayer shall be multiplied by a fraction, the numerator of which is the number of months the dwelling was occupied by that taxpayer, or the number of months the other structure was used by the taxpayer, and the denominator of which is 12. For purposes of this subdivision, if a structure is occupied or used for a fraction of a month, it is considered a month. "Net tax" is defined as the amount of tax after the subtraction of all of the state paid property tax credits. If application is made following payment of all property taxes due for the year of destruction, the amount of the reduction granted by the county board shall be refunded to the taxpayer by the county treasurer as soon as practical.

Any reductions or refunds approved by the county board shall not be subject to approval by the commissioner of revenue.

The county board may levy in the following year the amount of tax dollars

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lost to the county government as a result of the reductions granted pursuant to this subdivision. ~~Any amount levied for this purpose shall be exempt from the levy limit provisions of sections 275.50 to 275.56.~~

Sec. 9. Minnesota Statutes 1989 Supplement, section 275.14, is amended to read:

275.14 CENSUS.

For the purposes of sections ~~124.2713 and 275.11~~ 275.124 to 275.16, the population of a city shall be that established by the last federal census, by a special census taken by the United States Bureau of the Census, by an estimate made by the metropolitan council, or by the state demographer made according to section 116K.04, subdivision 4, whichever has the latest stated date of count or estimate, before July 2 of the current levy year. The population of a school district must be as certified by the department of education from the most recent federal census.

In any year in which no federal census is taken pursuant to law in any school district affected by sections ~~275.11~~ 275.124 to 275.16 a population estimate may be made and submitted to the state demographer for approval as hereinafter provided. The school board of a school district, in case it desires a population estimate, shall pass a resolution by September 1 containing a current estimate of the population of the school district and shall submit the resolution to the state demographer. The resolution shall describe the criteria on which the estimate is based and shall be in a form and accompanied by the data prescribed by the state demographer. The state demographer shall determine whether or not the criteria and process described in the resolution provide a reasonable basis for the population estimate and shall inform the school district of that determination within 30 days of receipt of the resolution. If the state demographer determines that the criteria and process described in the resolution do not provide a reasonable basis for the population estimate, the resolution shall be of no effect. If the state demographer determines that the criteria and process do provide a reasonable basis for the population estimate, the estimate shall be treated as the population of the school district for the purposes of sections ~~275.11~~ 275.124 to 275.16 until the population of the school district has been established by the next federal census or until a more current population estimate is prepared and approved as provided herein, whichever occurs first. The state demographer shall establish guidelines for acceptable population estimation criteria and processes. The state demographer shall issue advisory opinions upon request in writing to cities or school districts as to proposed criteria and processes prior to their implementation in an estimation. The advisory opinion shall be final and binding upon the demographer unless the demographer can show cause why it should not be final and binding.

In the event that a census tract employed in taking a federal or local census overlaps two or more school districts, the county auditor shall, on the basis of

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the best information available, allocate the population of said census tract to the school districts involved.

The term "council," as used in sections ~~275.14~~ 275.124 to 275.16, means any board or body, whether composed of one or more branches, authorized to make ordinances for the government of a city within this state.

Sec. 10. Minnesota Statutes 1988, section 275.15, is amended to read:

275.15 NOT TO INCREASE LEVIES.

Sections ~~275.14~~ 275.124 to 275.16 shall not authorize, nor be construed as, in any instance, authorizing the levy of total amounts of taxes in any year in excess of the amount allowed by law at the time of the passage of these sections, but shall be considered an additional limitation.

Sec. 11. Minnesota Statutes 1988, section 275.16, is amended to read:

275.16 COUNTY AUDITOR TO FIX AMOUNT OF LEVY.

If any such municipality shall return to the county auditor a levy greater than permitted by sections ~~275.14~~ 275.124 to 275.16, such county auditor shall extend only such amount of taxes as the limitations herein prescribed will permit; provided, if such levy shall include any levy for the payment of bonded indebtedness or judgments, such levies for bonded indebtedness or judgments shall be extended in full, and the remainder of the levies shall be reduced so that the total thereof, including levies for bonds and judgments, shall not exceed such amount as the limitations herein prescribed will permit.

Sec. 12. Minnesota Statutes 1988, section 275.50, subdivision 5, is amended to read:

Subd. 5. Notwithstanding any other law to the contrary for taxes levied in ~~1988~~ 1989 payable in ~~1989~~ 1990 and subsequent years, "special levies" means those portions of ad valorem taxes levied by governmental subdivisions to:

(a) for taxes levied in 1990, payable in 1991 and subsequent years, pay the costs not reimbursed by the state or federal government, of payments made to or on behalf of recipients of aid under any public assistance program authorized by law, and the costs of purchase or delivery of social services. ~~Except for the costs of general assistance as defined in section 256D.02, subdivision 4, general assistance medical care under section 256D.03 and the costs of hospital care pursuant to section 261.21, The aggregate amounts levied pursuant to under this clause for the costs of purchase or delivery of social services and income maintenance programs, other than those identified in section 273.1398, subdivision 1, paragraph (i) are subject to a maximum increase over the amount levied for the previous year of 18 12 percent over the amount levied for these purposes in the previous year for counties within the metropolitan area as defined in section 473.121, subdivision 2, or counties outside the metropolitan area but containing~~

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a city of the first class, and 15 percent for other counties. For purposes of this clause, "income maintenance programs" include income maintenance programs in section 273.1398, subdivision 1, paragraph (i), to the extent the county provides benefits under those programs over the statutory mandated standards. Effective with taxes levied in ~~1989~~ 1990, the portion of this special levy for ~~income maintenance programs~~ human service programs identified in section 273.1398, subdivision 1, paragraph (i), is eliminated;

(b) pay the costs of principal and interest on bonded indebtedness except on bonded indebtedness issued under section 471.981, subdivisions 4 to 4c or to reimburse for the amount of liquor store revenues used to pay the principal and interest due in the year preceding the year for which the levy limit is calculated on municipal liquor store bonds;

(c) pay the costs of principal and interest on certificates of indebtedness, except tax anticipation or aid anticipation certificates of indebtedness, issued for any corporate purpose except current expenses or funding an insufficiency in receipts from taxes or other sources or funding extraordinary expenditures resulting from a public emergency; and to pay the cost for certificates of indebtedness issued pursuant to sections 298.28 and 298.282;

(d) fund the payments made to the Minnesota state armory building commission pursuant to section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(e) provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(f) pay the amounts required, in accordance with section 275.075, to correct for a county auditor's error of omission but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(g) pay amounts required to correct for an error of omission in the levy certified to the appropriate county auditor or auditors by the governing body of a city or town with statutory city powers in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(h) pay amounts required by law to be paid to pay the interest on and to reduce the unfunded accrued liability of public pension funds in accordance with the actuarial standards and guidelines specified in sections 356.215 and 356.216 reduced by 106 percent of the amount levied for that purpose in 1976, payable in 1977. For the purpose of this special levy, the estimated receipts expected from the state of Minnesota pursuant to sections 69.011 to 69.031 or

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any other state aid expressly intended for the support of public pension funds shall be considered as a deduction in determining the required levy for the normal costs of the public pension funds. No amount of these aids shall be considered as a deduction in determining the governmental subdivision's required levy for the reduction of the unfunded accrued liability of public pension funds;

(i) to compensate the state for the cost of a reassessment ordered by the commissioner of revenue pursuant to section 270.16; ~~and~~

(j) pay the debt service on tax increment financing revenue bonds to the extent that revenue to pay the bonds or to maintain reserves for the bonds is insufficient as a result of the provisions of Laws 1988, chapter 719, article 5;

(k) pay the cost of hospital care under section 261.21;

(l) pay the unreimbursed costs incurred in the previous year to satisfy judgments rendered against the governmental subdivision by a court of competent jurisdiction in any tort action, or to pay the costs of settlements out of court against the governmental subdivision in a tort action when substantiated by a stipulation for the dismissal of the action filed with the court of competent jurisdiction and signed by both the plaintiff and the legal representative of the governmental subdivision, provided that an appeal for the unreimbursed costs under this clause was approved by the commissioner of revenue under section 16;

(m) pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes such as earthquake, fire, flood, wind storm, wave action, oil spill, water contamination, air contamination, or drought in accordance with standards formulated by the emergency services division of the state department of public safety, provided that an appeal for the expenses incurred under this clause were approved by the commissioner of revenue under section 16;

(n) pay a portion of the losses in tax receipts to a city due to tax abatements or court actions in the year preceding the current levy year, provided that an appeal for the tax losses was approved by the commissioner of revenue under section 16. This special levy is limited to the amount of the losses times the ratio of the nonspecial levies to total levies for taxes payable in the year the abatements were granted. County governments are not authorized to claim this special levy;

(o) pay the operating cost of regional library services authorized under section 134.34, subject to a maximum increase over the previous year of the greater of (1) 103 percent multiplied by one plus the percentage increase determined for the governmental subdivision under section 275.51, subdivision 3h, clause (b), or (2) six percent. If a governmental subdivision elected to include some or all of its levy for libraries within its adjusted levy limit base in the prior year, but elects to claim the levy as a special levy in the current levy year, the

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allowable increase is determined by applying the greater percentage determined under clause (1) or (2) to the total amount levied for libraries in the prior levy year. After levy year 1989, the increase must not be determined using a base amount other than the amount that could have been levied as a special levy in the prior year. In no event shall the special levy be less than the minimum levy required under sections 134.33 and 134.34, subdivisions 1 and 2;

(p) pay the amount of the county building fund levy permitted under section 373.40, subdivision 6;

(q) pay the county's share of the costs levied in 1989, 1990, and 1991 for the Minnesota cooperative soil survey under Minnesota Statutes 1988, section 40.07, subdivision 15;

(r) for taxes levied in 1989, payable in 1990 only, pay the cost incurred for the minimum share required by counties levying for the first time under section 134.34 as required under section 134.341. For taxes levied in 1990, and thereafter, counties levying under this provision must levy under clause (o), and their allowable increase must be determined with reference to the amount levied in 1989 under this paragraph;

(s) for taxes levied in 1989, payable in 1990 only, provide an amount equal to 50 percent of the estimated amount of the reduction in aids to a county under sections 273.1398, subdivision 2, paragraph (d), and 477A.012, subdivision 3, for aids payable in 1990;

(t) for taxes levied in 1990 only by a county in the eighth judicial district, provide an amount equal to the amount of the levy, if any, that is required under Laws 1989, chapter 335, article 3, section 54, subdivision 8; and

(u) for taxes levied in 1989, payable in 1990 only, pay the costs not reimbursed by the state or federal government;

(i) for the costs of purchase or delivery of social services. The aggregate amounts levied under this item are subject to a maximum increase over the amount levied in the previous year of 12 percent for counties within the metropolitan area as defined in section 473.121, subdivision 2, or counties outside the metropolitan area but containing a city of the first class, and 15 percent for other counties.

(ii) for payments made to or on behalf of recipients of aid under any public assistance program authorized by law. The aggregate amounts levied under this item are subject to a maximum increase over the amount levied in the previous year of 12 percent and must be used only for the public assistance programs.

If the amount levied in 1989 is less than the actual expenditures needed for these programs for 1990, the difference between the actual expenditures and the amount levied may be levied in 1990 as a special levy. If the amount levied in

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1989 is greater than the actual expenditures needed for these programs for 1990, the difference between the amount levied and the actual expenditures shall be deducted from the 1990 levy limit, payable in 1991.

Sec. 13. Minnesota Statutes 1988, section 275.51, subdivision 3f, is amended to read:

Subd. 3f. **LEVY LIMIT BASE.** (a) The property tax levy limit base for governmental subdivisions for taxes levied in 1988 shall be equal to the total actual levy for taxes payable in 1988 plus the amount of any payments the governmental subdivision was certified to receive in 1988 under sections 477A.011 to 477A.014 and minus any special levies claimed for taxes payable in 1988 pursuant to Laws 1987, chapter 268, article 5, section 12, subdivision 4, clauses (1), (2), (3), and (4). A county's levy limit base will be increased by the amount of any increase in its levy under section 134.07 over that levied under section 134.07 for taxes payable in 1988 which is required under section 134.341. For governmental subdivisions located in the seven-county metropolitan area, the total actual levy for taxes payable in 1988 shall include the fiscal disparities distribution levy pursuant to Minnesota Statutes 1986, section 473F.08, subdivision 7a with additions and subtractions as specified in paragraphs (b) and (c).

(b) The amounts to be added to the actual 1988 levy are (1) the amount of local government aid the governmental subdivision was certified to receive in 1988 under sections 477A.011 to 477A.014, (2) its 1988 taconite aids under sections 298.28 and 298.282, and (3) its 1988 wetlands and native prairie reimbursements under Minnesota Statutes 1986, sections 273.115, subdivision 3, and 273.116, subdivision 3.

(c) The amounts to be subtracted from the actual 1988 levy are (1) any special levies claimed for taxes payable in 1988 pursuant to Laws 1987, chapter 268, article 5, section 12, subdivision 4, clauses (1), (2), (3), and (4); and (2) for a governmental subdivision participating in a regional library system receiving grants from the department of education under section 134.34, the amount levied for taxes payable in 1988 for the operating costs of a public library service.

(b) (d) For taxes levied in 1989 and subsequent years, a governmental subdivision's levy limit base is equal to its adjusted levy limit base for the preceding year not including the adjustment made under subdivision 3h, paragraph (e); plus, provided that for taxes levied in 1989, the amount of the administrative reimbursement aid received in 1988 shall be added to the base.

(e) For taxes levied by a county in 1989, the levy limit base determined under paragraph (d) shall be reduced by an amount equal to 90 percent of the cost of public defender services for felonies and gross misdemeanors and the costs of law clerks in the county that are assumed by the state during calendar year 1990, less 103 percent of one-half the amount of fees collected by the courts in the county during calendar year 1988. For taxes levied in 1990, the levy limit base determined under paragraph (d) shall be reduced by an amount equal to the cost of public defender services for felonies and gross misdemeanors and the cost of law clerks in the county that are assumed by the state during calendar year 1991, less the amount of fees collected by the courts in the county during

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calendar year 1989, computed at the rate of \$30 for civil and probate filings and \$20 for marriage dissolutions.

(f) For taxes levied in 1989 only, by a county that is located in the eighth judicial district, the levy limit base determined under paragraphs (d) and (e) shall be further reduced by an amount equal to 90 percent of the cost of operation of the trial courts in the county during calendar year 1990 that are assumed by the state and for which an appropriation is provided, less 103 percent of the sum of (1) the remaining one-half of the amount of fees and (2) 100 percent of the amount of fines collected by the courts in the county during calendar year 1988. For taxes levied in 1990 only by those counties, the levy limit base determined under paragraphs (d) and (e) shall be further reduced by an amount equal to the cost of operation of the trial courts in the county during the first six months of calendar year 1991 that are assumed by the state less 50 percent of the amount of fines collected by the courts during calendar year 1989.

(g) By October 15, 1989, the board of public defense shall determine and certify to the commissioner of revenue the pro rata share for each county of the state-financed public defense services described in paragraph (e) during the six-month period beginning July 1, 1990. By October 15, 1989, the supreme court shall determine and certify to the department of revenue for each county the pro rata share for each county of the cost of providing law clerks during the three-month period beginning October 1, 1990, plus, for each county located in the eighth judicial district, the cost of operation of the trial courts during calendar year 1990.

By July 15, 1990, the board of public defense shall determine and certify to the department of revenue the pro rata share for each county of the state-financed public defense services described in paragraph (e) during calendar year 1991. By July 15, 1990, the supreme court shall determine and certify to the department of revenue for each county the pro rata share for each county of the cost of providing law clerks during calendar year 1991 plus, for each county located in the eighth judicial district, the cost of operation of the trial courts during the first six months of 1991.

(h) For taxes levied in a county in 1991, the levy limit base shall be reduced by an amount equal to the cost in the county of court reporters, judicial officers, and district court referees and the expenses of law clerks and court reporters as authorized in Laws 1989, chapter 335, article 3, sections 17 and 26 as certified by the supreme court pursuant to section 477A.012, subdivision 4.

(i) If a governmental subdivision received an adjustment to its levy limit base for taxes levied in 1988 under section 275.51, subdivision 3j, its levy limit base for taxes levied in 1989 must be reduced by the lesser of (1) the adjustment under section 275.51, subdivision 3j, or (2) the difference between its (i) levy limit for taxes levied in 1988 and its (ii) total actual levy for taxes levied in 1988 minus any special levies claimed for taxes levied in 1988 under section 275.50, subdivision 5.

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Sec. 14. Minnesota Statutes 1988, section 275.51, subdivision 3h, is amended to read:

Subd. 3h. **ADJUSTED LEVY LIMIT BASE.** For taxes levied in ~~1988~~ 1989 and thereafter, the adjusted levy limit base is equal to the levy limit base computed pursuant to subdivision 3f, increased by:

(a) a ~~percentage equal to four percent for taxes levied in 1988 and three percent for taxes levied in 1989 and subsequent years; and~~

(b) a percentage equal to (1) one-half of the greater of the percentage increases in population or in number of households, if any, for the most recent 12-month period for which data is available, for cities and towns and (2) the lesser of the percentage increase in population or the number of households, if any, for counties, using figures derived pursuant to subdivision 6;

For taxes levied in 1989 and subsequent years, to the resulting product must be added the estimated reduction in a county's income maintenance aids as defined in section 273.1398, subdivision 1, pursuant to section 273.1398, subdivision 2, paragraph (d). The department of human services shall annually estimate the increase in income maintenance aids referred to in section 273.1398, subdivision 2, paragraph (d), and certify it by county to the department of revenue by July 15 of the levy year preceding that in which the aids are payable. If the actual increase in a county's income maintenance aid referred to in section 273.1398, subdivision 2, paragraph (d), is less than or greater than the amount added to a county's adjusted levy limit base in the prior year, its adjusted levy limit base for the subsequent year will be increased or decreased by the appropriate amount.

(c) the amount of a permanent increase in the levy limit base approved at a general or special election held during the 12-month period ending September 30 of the levy year under section 275.58, subdivisions 1 and 2;

(d) for levy year 1989, for a county which incurred costs since October 1978, for the litigation of federal land claims under United States Code, title 18, section 1162; United States Code, title 25, section 331; and United States Code, title 28, section 1360; an amount of up to the actual costs incurred by the county for this purpose. This adjustment shall not exceed \$250,000;

(e) for levy year 1989, an amount of \$1,724,000 for Ramsey county for implementing the local government pay equity act under sections 471.991 to 471.999. Furthermore, in levy years 1990 and 1991, an additional amount of \$862,000 shall be added to Ramsey county's adjusted levy limit base under this clause for each of the two years; and

(f) for levy year 1989, an amount equal to the decrease in a county's 50 percent share of the powerline taxes extended between taxes payable years 1988 and 1989 under section 273.42, subdivision 1. The adjustment shall be determined by the department of revenue.

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For taxes levied in 1989, the adjusted levy limit base is reduced by an amount equal to the estimated amount of the reduction in aids to a county under sections 273.1398, subdivision 2, paragraph (d), and 477A.012, subdivision 3, for aids payable in 1990.

Sec. 15. Minnesota Statutes 1988, section 275.51, subdivision 3i, is amended to read:

Subd. 3i. **LEVY LIMITATION.** The levy limitation for a governmental subdivision shall be equal to the adjusted levy limit base determined pursuant to subdivision 3h, reduced by:

(1) the local government aid that the governmental subdivision has been certified to receive pursuant to sections 477A.011 to 477A.014, excluding the aid received pursuant to section 477A.013, subdivision 5; and

(2) taconite aids under sections 298.28 and 298.282 including any aid received in the levy year that was required to be placed in a special fund for expenditure in the next succeeding year.

As provided in section 298.28, one cent per taxable ton of the amount distributed under section 298.28, subdivision 5, paragraph (d), must not be deducted from the levy limit base of a county that receives the aid.

This amount is the amount of property taxes which a governmental subdivision may levy for all purposes other than those for which special levies and special assessments are made.

For taxes levied in 1989 and later years, the levy limit for a county calculated under clause (1) must be decreased by an additional amount equal to the difference between what would have been a county's production year 1986 payable 1987 distribution under Minnesota Statutes 1984, section 298.28, based on 1986 production and its actual distribution for production year 1986, payable 1987.

Sec. 16. Minnesota Statutes 1988, section 275.51, subdivision 3j, is amended to read:

Subd. 3j. **APPEALS.** ~~(a) A governmental subdivision subject to the limitations in this section~~ county may appeal to the commissioner of revenue for an adjustment in its levy limit base ~~under this section.~~ If the ~~governmental subdivision~~ county can provide evidence satisfactory to the commissioner that its levy for taxes payable in 1988 ~~had been reduced because it had made expenditures from reserve funds 1989 under Minnesota Statutes 1988, section 275.50, subdivision 5, paragraph (a), included a levy for the cost of administration of the programs listed in that paragraph,~~ the commissioner may permit the ~~governmental subdivision~~ county to increase its levy limit base under this section by the amount determined by the commissioner to have been levied for that purpose.

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provided that the total adjustment shall not be in excess of three percent of the total expense for income maintenance programs within the county. The commissioner's decision is final.

(b) A governmental subdivision subject to the limitations in this section may appeal to the commissioner of revenue for authorization to levy for the special levies as contained in section 275.50, subdivision 5, clauses (l), (m), and (n). If the governmental subdivision can provide evidence satisfactory to the commissioner that it incurred costs for the specified purposes of those levies, the commissioner may allow the governmental subdivision to levy under section 275.50, subdivision 5, clause (l), (m), or (n), by the amount determined by the commissioner. The commissioner's decision is final.

(c) A county may appeal to the commissioner of revenue for an adjustment to its levy limit base for taxes levied in 1989. If the county can provide evidence satisfactory to the commissioner that the percentage adjustments to the costs, fees, or fines described in subdivision 3f, paragraph (e) or (f), do not provide accurate adjustments for that county, the commissioner may permit the county to increase its levy limit base by the amount determined by the commissioner. The commissioner's decision is final.

(d) A county may appeal to the commissioner of revenue for an increase in its levy base for the 12 or 15 percent limit under section 275.50, subdivision 5, clause (u), item (i) for the portion of the amount of its payable 1989 special levy under Minnesota Statutes 1988, section 275.50, subdivision 5, clause (a) for the income maintenance programs that was actually used to finance social services and social services administration subject to the 18 percent limit under Minnesota Statutes 1988, section 275.50, subdivision 5, clause (a) for payable 1989. If the county can provide evidence satisfactory to the commissioner in support of this claim, the commissioner may permit the county to increase its levy base for the 12 or 15 percent limit under section 275.50, subdivision 5, clause (u), item (i) in the amount determined by the commissioner. The commissioner's decision is final.

(e) A county may appeal to the commissioner of revenue for an adjustment in its special levy for 1990 under section 275.50, subdivision 5, clause (u), item (ii), if the difference between the county share of costs not reimbursed by the state or federal government of payments made in 1989 to or on behalf of recipients of aid under any public assistance program authorized by law and the amount levied in 1988 to pay those costs is greater than 30 percent of the 1989 costs. The adjustment may not exceed the amount of the difference between the county share of these costs and the amount levied in 1988 to pay these costs.

Sec. 17. Minnesota Statutes 1988, section 275.51, subdivision 4, is amended to read:

Subd. 4. If the levy made by a governmental subdivision exceeds the limitation provided in sections 275.50 to 275.56, except when such excess levy

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is due to the rounding of the tax capacity rates of the governmental subdivision in accordance with section 275.28, subsequent distributions required to be made by the commissioner of finance from any formula aids pursuant to sections 477A.011 to 477A.014 or homestead and agricultural credit aid under section 273.1398, shall be reduced 33 cents for each full dollar the levy exceeds the limitation.

Sec. 18. Minnesota Statutes 1988, section 275.51, subdivision 6, is amended to read:

Subd. 6. **POPULATION AND HOUSEHOLD ESTIMATES.** For the purpose of determining the amount of tax that a governmental subdivision may levy in accordance with limitation established by this chapter, the population or the number of households of the governmental subdivision shall be that established by the last federal census, by a census taken pursuant to section 275.14, or by an estimate made by the metropolitan council, or by the state demographer made pursuant to section 116K.04, subdivision 4, whichever is the most recent as to the stated date of count or estimate, up to and including July 1 of for the calendar year preceding the current levy year.

Sec. 19. Minnesota Statutes 1989 Supplement, section 275.58, subdivision 1, is amended to read:

Subdivision 1. ~~Notwithstanding~~ Subject to the provisions of sections 275.50 to 275.56, ~~but subject and~~ to other law or charter provisions establishing per capita, mill, tax capacity rate, or other limitations on the amount of taxes that may be levied, the levy of a governmental subdivision, as defined by section 275.50, subdivision 1, may be increased ~~above the limitation imposed by sections 275.50 to 275.56~~ in any per capita or dollar amount which is approved by the majority of voters of the governmental subdivision voting on the question at a general or special election. When the governing body of the governmental subdivision resolves to increase the levy of the governmental subdivision pursuant to this section, it shall provide for submission of the proposition of an increase in the levy limit base per capita or the proposition of an additional levy, as the case may be, at a general or special election. Notice of the election shall be given in the manner required by law. If the proposition is for an adjustment to the governmental subdivision's levy limit base per capita, increasing the levy limit base per capita over the per capita amount established pursuant to section 275.51, subdivision 3, the notice shall state the purpose of the per capita adjustment and the per capita amount of the adjustment. If the proposition is for an additional levy, the notice shall state the purpose and maximum yearly amount of the additional levy.

Sec. 20. Minnesota Statutes 1988, section 298.28, subdivision 12, is amended to read:

Subd. 12. **ESTIMATES.** On or before October 10 of each calendar year each producer of taconite or iron sulphides subject to taxation under section

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298.24 (hereinafter called "taxpayer") shall file with the commissioner of revenue 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 provided in subdivision 13. The commissioner of revenue shall annually on or before October 10 report an estimated distribution amount to each taxing district and 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 or city in the year in which such estimate is made, and payable in the next ensuing calendar year, except that one cent per taxable ton of the amount distributed under subdivision 5, paragraph (d) shall not be deducted in calculating the permissible levy. In any calendar year in which a general property tax levy ~~subject to sections 275.50 to 275.58~~ has been made, if the taxes distributable to any such county or city are greater than the amount estimated by the commissioner to be paid to any such county or city in such year, the excess of such distribution shall be held in a special fund by the county or city and shall not be expended until the succeeding calendar year, and shall be included in computing the permissible levies ~~under sections 275.50 to 275.58~~ of such county or city payable in such year. If the amounts distributable to any such county or city after final determination by the commissioner of revenue under this section are less than the amounts by which a taxing district's levies were reduced pursuant to this section, such county or city 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 275.50 to 275.58~~ an amount sufficient to pay such certificates of indebtedness and interest thereon, or, if no certificates were issued, an amount equal to such shortage.

Sec. 21. Minnesota Statutes 1989 Supplement, section 298.282, subdivision 2, is amended to read:

Subd. 2. (a) Each year following the final determination of the amount of taxes payable under section 298.24, the commissioner of revenue shall determine the amount in the taconite municipal aid account as of July 1 of that year and the amount to be distributed to each qualifying municipality during the year. The amount to be distributed to each qualifying municipality shall be determined by determining an index for each qualifying municipality by subtracting its local effort tax capacity rate, multiplied by its equalized gross tax capacity, from its fiscal need factor. For the purposes of this subdivision, the following terms have the meanings given them herein. A municipality's "local effort tax capacity rate" means its fiscal need factor per capita divided by \$21 per capita for each one percent of the gross tax capacity rate or \$17 per capita for each one percent of the net tax capacity rate for the first \$350 of its fiscal need factor per capita; plus its fiscal need factor per capita divided by \$18 per capita for each one percent of the gross tax capacity rate or \$15 per capita for each one percent of the net tax capacity rate on that part of its fiscal need factor

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per capita, if any, in excess of \$350. In no case shall a municipality's local effort tax capacity rate be less than a gross tax capacity rate of 6.56 percent or a net tax capacity rate of 8.16 percent. A municipality's "equalized gross tax capacity" means its previous year tax capacity, less the tax capacity in any tax increment district, divided by the municipality's aggregate sales ratio covering the period ending two years prior to the year of aid distribution. A municipality's "fiscal need factor" means the three-year average of the sum of its municipal levy, taconite aids received under section 298.28, subdivisions 2, 11, paragraph (b), and this section and its local government aid distribution amount, for taxes payable and distribution amounts receivable in the three years immediately preceding the aid distribution year.

The ratio of the resulting index for each qualifying municipality to the sum of all qualifying municipalities' indexes shall be multiplied by the total amount in the taconite municipal aid account less the amount distributed pursuant to subdivision 5.

(b) If the distribution under this section, sections 273.138, 298.26 and 298.28, and chapter 477A, to any municipality would exceed that municipality's levy limit base for that year, ~~computed pursuant to sections 275.50 to 275.58,~~ the amount in excess of the levy limit base for that year shall reduce the amount distributed to the municipality under this section and this excess amount shall be distributed to the other qualifying municipalities in the same manner as the distribution made pursuant to subdivision 2, except that the qualifying municipality receiving an initial distribution when added to that received pursuant to sections 273.138, 298.26, 298.28, and chapter 477A in excess of the qualifying municipality's levy limit base, shall not receive a distribution nor shall its index be used in computing the distribution pursuant to this clause. The distributions to be received in the year in which the taxes are payable shall be compared to the levy limit base for that same year. Upon completion of the determination, the commissioner of revenue shall certify to the chief clerical officer of each qualifying municipality the amount which will be distributed to the municipality from the taconite municipal aid account that year.

Sec. 22. Minnesota Statutes 1988, section 298.282, subdivision 3, is amended to read:

Subd. 3. If the amount certified by the commissioner of revenue as distributable to any qualifying municipality is greater than the amount previously estimated to have been distributable to such qualifying municipality in such year, the excess distributed to such municipality shall be held in a separate fund by the qualifying municipality and shall not be expended until the succeeding calendar year. If the amount distributable to any qualifying municipality, after final determination by the commissioner of revenue is less than the amount estimated to have been distributable to such qualifying municipality, such municipality may issue certificates of indebtedness in the amount of the shortage and may include in its next tax levy ~~in excess of the limitations under sections~~

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~~275.50 to 275.56~~; an amount sufficient to pay such certificates of indebtedness and interest thereon or, if no certificates were issued, an amount equal to such shortage.

Sec. 23. Minnesota Statutes 1988, section 298.39, is amended to read:

298.39 DISTRIBUTION OF PROCEEDS.

The proceeds of the tax collected under section 298.35 shall be distributed by the state treasurer, upon certificate of the commissioner of revenue to the general fund of the state and to the various taxing districts in which the lands from which the semitaconite was mined or quarried were located in the following proportions: 22 percent thereof to the city or town; 50 percent thereof to the school district; 22 percent thereof to the county; six percent thereof to the state. If the mining 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 or towns among such subdivisions, and the part going to school districts among such districts, and the part going to counties among such counties, upon the basis of attributing 40 percent of the proceeds of the tax to the operation of mining or quarrying the semitaconite, 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. The commissioner's order making such apportionment shall be subject to review by the tax court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner. The amount so distributed shall be divided among the various funds of the state, or of the taxing districts in the same proportion as the general ad valorem tax thereof. If in any year the state shall not spread any general ad valorem tax levy against real property, the state's proportion of the tax shall be paid into the general fund. ~~The amount distributed to any city shall be included in computing the permissible levies of such city under section 275.11, but shall not be included in computing tax capacity rate limitations, including cost of living adjustments thereof, so long as the levies do not exceed the limitations provided by section 275.11.~~ On or before October 10 of each calendar year each producer of semitaconite subject to taxation under section 298.35, 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 or city 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 such next

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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 on deeming it improper, notice of such correction being given by the commissioner 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, ~~pursuant to section 275.11~~, the permissible tax levy of such city in the year in which such estimate is made, and payable in the next ensuing calendar year. Such taxpayer shall then pay, at the times payments are required to be made pursuant to section 298.36, as the amount of tax payable under section 298.35, 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 298.35, 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 chapter 124 or 124A ~~or section 275.11~~ or 275.125 has been made, if the taxes distributable to any such city or school district are greater than the amount estimated to be paid to any such city or school district in such year, the excess of such distribution shall be held in a special fund by the city or school district and shall not be expended until the succeeding calendar year, and shall be included in computing the permissible levies under chapter 124 or 124A ~~or section 275.11~~ or 275.125 of such city or school district payable in such year. If the amounts distributable to any such 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 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 chapters 124 and 124A and ~~sections 275.11 and section~~ 275.125 an amount sufficient to pay such certificates of indebtedness and interest thereon, or, if no certificates were issued, an amount equal to such shortage.

There is hereby appropriated to such taxing districts as are stated herein, from any fund or account in the state treasury to which the money was credited, an amount sufficient to make the payment or transfer.

Sec. 24. Minnesota Statutes 1988, section 298.396, is amended to read:

298.396 DISTRIBUTION OF PROCEEDS.

The proceeds of the tax collected under section 298.393 shall be distributed by the state treasurer, upon certificate of the commissioner to the general fund of the state and to the various taxing districts in which the agglomerating facility

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is located in the following proportions: 22 percent thereof to the city or town; 50 percent thereof to the school district; 22 percent thereof to the county; 6 percent thereof to the state. If the agglomerating facility is located in more than one tax district, the commissioner shall apportion equitably the proceeds of the part of the tax going to cities or towns among such subdivisions, and the part going to school districts among such districts, and the part going to counties among such counties, giving due consideration to the relative extent of the facilities located in each such taxing district. The commissioner's order making such apportionment shall be subject to review by the tax court at the instance of any of the interested taxing districts, in the same manner as other orders of the commissioner. The amount to be distributed among the several taxing districts of the state shall be divided by such districts among the funds of such districts in the same proportion as the general ad valorem tax thereof. ~~The amount distributed to any city shall be included in computing the permissible amount of the levies of such city under section 275.11, but shall not be included in computing tax capacity rate limitations, including cost of living adjustments thereof, so long as the levies do not exceed the limitations provided by section 275.11.~~

Sec. 25. Minnesota Statutes 1988, section 353A.10, subdivision 3, is amended to read:

Subd. 3. **LEVY AND BONDING AUTHORITY.** A municipality in which was located a local police or firefighters relief association that has consolidated with the fund may issue general obligation bonds of the municipality to defray all or a portion of the principal amounts specified in section 353A.09, subdivisions 2 to 6, or certify to the county auditor ~~an additional special~~ a levy in the amount necessary to defray all or a portion of the principal amount specified in section 353A.09, subdivisions 2 to 6, or the annual amount specified in section 353A.09, subdivisions 2 to 6. The municipality may pledge the full faith, credit, and taxing power of the municipality for the payment of the principal of and interest on the general obligation bonds. ~~Notwithstanding any law to the contrary, any additional special levy may not be included in any limitation concerning rate or amount established by charter or law and must be a special levy for the purposes of section 275.50, subdivision 5, clause (e); and Any municipal bond may be issued without an election under section 475.58 and may not be included in the net debt of the municipality for purposes of any charter or statutory debt limitation, nor may any tax levy for the payment of bond principal or interest be subject to any limitation concerning rate or amount established by charter or law.~~

Sec. 26. Minnesota Statutes 1988, section 360.037, subdivision 2, is amended to read:

Subd. 2. **IN EXCESS OF TAX LIMITATION.** ~~Irrespective of any limitation, by general or special law or charter, as to the amount or total of taxes that may be levied;~~ A municipality may levy taxes for the purposes authorized by sections 360.011 to 360.076, ~~in excess of such limitations;~~ in such amount as

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may be authorized by an ordinance or resolution referred to and approved by the voters of such municipality by popular vote; ~~provided, such levies shall be within the limits fixed by section 275.11.~~

Sec. 27. Minnesota Statutes 1989 Supplement, section 373.40, subdivision 6, is amended to read:

Subd. 6. **BUILDING FUND LEVY.** (a) If a county other than Hennepin or Ramsey has an approved capital improvement plan, the county board may annually levy 0.05367 percent of taxable market value, less the amount levied to pay principal and interest on bonds issued under this section. If the Hennepin county board has an approved capital improvement plan, the county board may annually levy 0.02684 percent of taxable market value, less the amount levied to pay principal and interest on bonds issued under this section. If the Ramsey county board has an approved capital improvement plan, the county board may annually levy 0.06455 percent of taxable market value, less the amount levied to pay principal and interest on bonds issued under this section. The proceeds of this levy must be deposited in the county building fund under section 373.25 and may only be expended for capital improvements as provided in the approved capital improvement plan.

(b) The maximum amount of the levy, when added to the unexpended balance in the building fund, must not exceed the projected cost of the remaining improvements in the capital improvement plan. A levy made under this section is not subject to any other levy limitation, nor may the levy be included in the computation of any other levy limitation.

(c) This subdivision and the exercise of levy authority under it does not supersede or preempt the authority to levy under section 373.25 or any other law.

Sec. 28. Minnesota Statutes 1989 Supplement, section 412.251, is amended to read:

412.251 ANNUAL TAX LEVY.

The council shall make its annual tax levy by resolution ~~within the per capita limits established by statute.~~ The amount of taxes levied for general city purposes shall not exceed ~~0.28207~~ percent of taxable market value in cities having a taxable market value of less than \$6,200,000 and ~~0.24177~~ percent of taxable market value in cities having a taxable market value of more than \$6,200,000. The following taxes may be levied ~~in addition to the levies above~~ as authorized:

(1) a tax for the payment of principal and interest on outstanding obligations of the city as provided by sections 475.61, 475.73, and 475.74;

(2) a tax for the payment of judgments as authorized by section 465.14;

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(3) a maximum of 0.00805 percent of taxable market value but not to exceed \$500 to provide musical entertainment to the public in public buildings or on public grounds;

(4) a tax for band purposes as authorized by section 449.09;

(5) a tax for the support of a municipal forest, as authorized by section 459.06;

(6) a tax for advertising purposes, as authorized by section 469.189;

(7) a tax for forest fire protection in any city in a forest area, as authorized by section 88.04;

(8) a maximum of 0.04030 percent of taxable market value for the utilities fund in any city whose utilities are under the jurisdiction of a public utilities commission. The tax shall be levied for the purpose of paying the cost of the utility service or other services supplied to the city;

(9) a tax for the support of a public library, as authorized by section 134.07;

(10) a tax for firefighters' relief association purposes as authorized by sections 69.772, subdivision 4, 69.773, subdivision 5, or other statutes; and

(11) other special taxes authorized by law.

Nothing in this section shall be construed to reduce levies of any municipality below the per capita levy spread in 1970.

Sec. 29. Minnesota Statutes 1988, section 414.01, subdivision 15, is amended to read:

Subd. 15. When a board order enlarges an existing municipality or creates a new municipality, the board may indicate in its order the estimated increased costs to the municipality as the result of the boundary adjustment, and the time period that the municipality would be allowed a ~~special~~ levy for these increased costs ~~pursuant to section 275.50, subdivision 5.~~

Sec. 30. Minnesota Statutes 1989 Supplement, section 426.04, is amended to read:

426.04 TAXES FOR GENERAL PURPOSES.

The governing body of any home rule charter city of the third or fourth class in this state may levy taxes for all general fund purposes, ~~not exceeding 0.32237 percent of taxable market value unless the charter of the city authorizes it to levy taxes for general fund purposes in excess of that amount.~~ This section does not apply to a third class city which is contiguous to a city of the first class located in a different county or to a fourth class city in a county containing a first class city.

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Sec. 31. Minnesota Statutes 1988, section 444.075, subdivision 4, is amended to read:

Subd. 4. **LEVY ASSESSMENTS.** The governing body of a municipality or county may also levy assessments against property within the municipal or county limits benefited by the facilities under the procedure authorized by law or charter with reference to other assessments for benefits of local improvements, may transfer and use for the purposes hereof surplus funds of the municipality or county not specifically dedicated to another purpose, and may levy taxes on property within the municipal or county limits for the purposes ~~within the limitations of section 275.11; except that of the taxes levied, including taxes initially levied under section 475.61 for the payment of the principal and interest on the bonds issued; an amount equal to 35 percent of the total cost of the construction; reconstruction; repair, enlargement; improvement; or other obtainment of the facilities; plus an amount sufficient to pay the interest on the bonds issued in an amount equal to 35 percent of the total cost of the construction; reconstruction; repair, enlargement; improvement; or other obtainment of any the facilities; shall not be included in computing the levies subject to the limitations of section 275.11.~~ A municipality or county may contract with any person, company or corporation for the purposes and under the restrictions set forth in subdivision 5. The contract shall be binding upon the parties to it for the full term agreed upon but in no event more than 30 years, and shall not be changed by either party without the consent of the other party.

Sec. 32. Minnesota Statutes 1988, section 447.34, subdivision 1, is amended to read:

Subdivision 1. **EXPENSES PAID FROM REVENUE, TAXES, AND APPROPRIATIONS; TAX LIMITS.** Expenses of acquiring, improving, and running hospital and nursing home facilities operated by a hospital district, expenses incurred under section 447.331, subdivision 1, and expenses of organization and administration of the district and of planning and financing the facilities, must be paid from the revenues derived from them, and to the extent necessary, from ad valorem taxes levied by the hospital board on all taxable property within the district, and, to the extent determined from time to time by the board of county commissioners of any county containing territory of the district, from appropriations made by the county board in accordance with section 376.08. Money appropriated by the board of county commissioners to acquire or improve facilities of the hospital district may be transferred in the discretion of the hospital board to a sinking fund for bonds issued for that purpose. The hospital board may agree to repay to the county any sums appropriated by the board of county commissioners for this purpose, out of the net revenues to be derived from operation of its facilities, and subject to the terms agreed on.

Taxes levied by a hospital district in any year, other than taxes levied for payment of bonded indebtedness, must not exceed \$1.50 per capita of the population of the district according to the last federal census, if the amount

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~~proposed to be levied in excess of that amount, when added to the levy subject to the limitations of section 275.11, of any of the municipalities within the district, would cause the municipal levy to exceed the limitations of that section.~~

Sec. 33. Minnesota Statutes 1988, section 447.35, is amended to read:

447.35 BONDS.

A hospital district may borrow money by the issuance of its general obligation bonds:

(1) to acquire and better hospital and nursing home facilities including the provision of an adequate working capital for a new hospital or nursing home;

(2) for ambulances and related equipment;

(3) for refunding its outstanding bonds; and

(4) for funding valid outstanding orders.

Bonds must be issued by the procedure and subject to the limitations and conditions in chapter 475 for the issuance of bonds by municipalities. Except for revenue bonds issued under sections 447.45 to 447.50, no bonds of a hospital district are excluded from its net debt by virtue of section 475.51, subdivision 4, clause (5). Except as authorized by special law, the taxes initially levied by any district in accordance with section 475.61, for the payment of its bonds, upon property within each municipality included in the hospital district, must be included in computing the limitations upon the levy of the municipality under section 275.11, as the case may be; but nothing here limits the taxes required by section 475.74, to be levied by the district for payment of any deficiency in its bond sinking funds. ~~If the tax required by section 475.61 to be levied for any year of the term of a bond issue upon property within any municipality included in the district would, when added to the taxes levied by the municipality for all purposes in the year before the issue, exceed the limitations prescribed in section 275.11, the bonds must not be issued without the consent by resolution of the governing body.~~ An election is required before the issuance of all bonds except funding or refunding bonds. The proposition submitted at the election must be whether the hospital board shall be authorized to issue bonds of the district in a specified maximum amount, for the purpose of financing the acquisition and betterment of hospital and nursing home facilities, or of facilities of other stated types if it is not proposed to use the bond proceeds for hospital and nursing home facilities. Bonds issued by a hospital district do not constitute indebtedness for any purpose of any county, city, or town whose territory is included in the district.

Sec. 34. Minnesota Statutes 1988, section 465.73, is amended to read:

465.73 TOWN HALLS; FIRE HALLS OR EQUIPMENT; DIRECT LOANS TO POLITICAL SUBDIVISIONS.

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For purposes of constructing or acquiring town halls, fire halls or fire equipment any city, county or town may borrow up to \$100,000 directly from the Farmers Home Administration on a note secured by a mortgage on the real or personal property purchased with the borrowed funds. The city, county or town may assign revenues from the town halls, fire department or fire hall or any other available funds to the Farmers Home Administration to repay the loan. ~~When the full faith and credit of the city, county or town is irrevocably pledged for the redemption of the note and mortgage, the taxes levied to pay principal and interest thereon shall be considered special levies within the meaning of section 275.50, subdivision 5, clause (j).~~ The amount of the obligation shall be included when computing the net debt of the city or county but not the town. Unless expressly provided otherwise in the mortgage instrument, when a city, county or town borrows on a mortgage and fails to repay all or a part of the mortgage, the agency is confined to the remedy of recovery of the property purchased with the borrowed funds. An election shall be required to authorize the note and mortgage unless the agency is confined to the remedy of recovery of the property.

Sec. 35. Minnesota Statutes 1989 Supplement, section 469.033, subdivision 6, is amended to read:

Subd. 6. OPERATION AREA AS TAXING DISTRICT, SPECIAL TAX. All of the territory included within the area of operation of any authority shall constitute a taxing district for the purpose of levying and collecting special benefit taxes as provided in this subdivision. All of the taxable property, both real and personal, within that taxing district shall be deemed to be benefited by projects to the extent of the special taxes levied under this subdivision. Subject to the consent by resolution of the governing body of the city in and for which it was created, an authority may levy each year a tax upon all taxable property within that taxing district. The authority shall certify the tax to the auditor of the county in which the taxing district is located on or before October 10 each year. The tax shall be extended, spread, and included with and as a part of the general taxes for state, county, and municipal purposes by the county auditor, to be collected and enforced therewith, together with the penalty, interest, and costs. As the tax, including any penalties, interest, and costs, is collected by the county treasurer it shall be accumulated and kept in a separate fund to be known as the "housing and redevelopment project fund." The money in the fund shall be turned over to the authority at the same time and in the same manner that the tax collections for the city are turned over to the city, and shall be expended only for the purposes of sections 469.001 to 469.047. It shall be paid out upon vouchers signed by the chair of the authority or an authorized representative. The amount of the levy shall be an amount approved by the governing body of the city, but shall not exceed ~~.0084~~ .0131 percent of taxable market value except that in cities of the first class having a population of less than 200,000, the levy shall not exceed ~~.00403~~ .0065 percent of taxable market value. The authority may levy an additional levy, not to exceed ~~.0008~~ .0013 percent of taxable market value, to be used to defray costs of providing informa-

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tional service and relocation assistance as set forth in section 462.445, subdivision 4. The authority shall each year formulate and file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city or, if no budgets are required to be filed, by August 1. The amount of the tax levy for the following year shall be based on that budget and shall be approved by the governing body.

Sec. 36. Minnesota Statutes 1989 Supplement, section 471.1921, is amended to read:

**471.1921 CITIES AND TOWNS; PLAYGROUNDS AND RECREATION;
TAX LEVY.**

Whenever any city or town in which the net tax capacity consists in part of iron ore or lands containing taconite or semitaconite operates a program of public recreation and playgrounds or other recreational facilities and expends funds for the operation of the program pursuant to sections 471.15 to 471.19, in addition to funds otherwise provided therefor, the governing body of the city or town may levy a tax ~~in excess of any charter or statutory limitation; except the limitation imposed in sections 275.50 to 275.58;~~ for the support of this program of public recreation and playgrounds as follows:

(1) in cities the council or governing body may levy a tax not exceeding the lesser of (i) 0.00537 percent of taxable market value; (ii) \$3 per capita; or (iii) \$15,000; and

(2) in towns the governing body may levy a tax not exceeding the lesser of (i) 0.00537 percent of taxable market value; or (ii) \$10,000.

Sec. 37. Minnesota Statutes 1988, section 471.572, subdivision 2, is amended to read:

Subd. 2. **TAX LEVY.** The governing body of a city may establish, by a two-thirds vote of all its members, by ordinance or resolution a reserve fund and may annually levy a property tax for the support of the fund. The proceeds of taxes levied for its support must be paid into the reserve fund. Any other revenue from a source not required by law to be paid into another fund for purposes other than those provided for the use of the reserve fund may be paid into the fund. ~~A tax levied by the city in accordance with this section is a special levy within the meaning of section 275.50, subdivision 5.~~ Before a tax is levied under this section, the city must publish in the official newspaper of the city an initial resolution authorizing the tax levy. If within ten days after the publication a petition is filed with the city clerk requesting an election on the tax levy signed by a number of qualified voters greater than ten percent of the number who voted in the city at the last general election, the tax may not be levied until the levy has been approved by a majority of the votes cast on it at a regular or special election.

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Sec. 38. Minnesota Statutes 1988, section 471.74, subdivision 2, is amended to read:

Subd. 2. The governing body of any municipality issuing bonds under sections 471.71 to 471.83 shall, at the time of the issuance thereof, by resolution, provide for a levy of taxes for the payment thereof, such levy to be in accordance with the provisions of chapter 475. ~~Levies for the payment of these bonds shall be within the limitations upon tax levies for the payment of funding bonds in the particular municipality issuing the bonds.~~ Such levies shall be subject to the provisions of ~~sections 275.11 and section 275.125~~, to the extent that ~~these sections are applicable~~ this section applies to the municipality issuing such bonds. In all cases the levies for these bonds shall be spread by the county auditor in full and the levy of the municipality for other purposes shall be reduced, if necessary, so that the total amount levied for the municipality does not exceed said limitations.

Sec. 39. Minnesota Statutes 1988, section 471A.03, subdivision 4, is amended to read:

Subd. 4. **SOURCES OF PAYMENT; COLLECTION PROCEDURE.** (a) For the payment of a service fee or other monetary obligation under an existing service contract or in anticipation of need under a future service contract, the municipality may:

(1) levy property taxes, impose rates and charges, levy special assessments, and exercise any other revenue producing authority granted to it and apply public funds for the payment of the service fee and any other monetary obligations under the service contract in the same manner, and subject to the same conditions ~~and limitations, except as provided in section 471A.04~~, that would apply if the related facilities were acquired, constructed, owned, and operated exclusively by the municipality; and

(2) establish by ordinance, revise when considered advisable, and collect just and reasonable rates and charges for the capital intensive public services provided under the service contract. The ordinance may obligate the owners, lessees, or occupants of property, or any or all of them, to pay charges for the capital intensive public services available for their properties and may obligate the user of a related facility to pay a reasonable charge for the use of the related facility. Rates and charges may take into account the character, kind, and quality of the capital intensive public service and all other factors that enter into the cost of the capital intensive public service, including but not limited to the service fee payable with respect to it, depreciation, and payment of principal and interest on money borrowed for the acquisition or betterment of related facilities.

(b) The rates and charges may be billed and collected in a manner the municipality shall determine consistent with this paragraph and other applicable law. On or before October 15 in each year, the municipality shall certify to the

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county auditor all unpaid outstanding charges for services provided under the service contract and a statement of the description of the lands against which the charges arose. It is the duty of the county auditor, upon order of the governing body of the municipality, to extend the rates and charges with interest as provided for by ordinance upon the tax rolls of the county for the taxes of the year in which the rate or charge is filed. For each year ending October 15 the rates and charges with interest shall be carried into the tax becoming due and payable in January of the following year, and shall be enforced and collected in the manner provided for the enforcement and collection of real property taxes in accordance with the provisions of the laws of the state. The rates and charges, if not paid, shall become delinquent and be subject to the same penalties and the same rate of interest as the taxes under the general laws of the state. All rates and charges shall be uniform in their application to use and service of the same character or quantity.

(c) An ordinance establishing rates and charges shall also establish a procedure by which a person obligated to pay the rates and charges may, each year at a public hearing held before August 1 of each year, protest the payment of the rates and charges on the grounds that services to be provided under the service contract are not available to the person. The services shall be deemed available for the property of the person if the vendor agrees, and the related facilities have the capacity, to provide the services to the person as soon as the municipality or any other entity provides the property of the person with access to the services. Notice of the hearing shall be published at least 30 days prior to the hearing in an official newspaper in general circulation in the municipality. A person protesting the assessment of rates and charges under this paragraph shall file the objection in writing with the municipality at least five days prior to the hearing. Within ten days after the hearing, the municipality shall determine whether the rates and charges were properly assessed. A person protesting the assessment of rates and charges may appeal the assessment, and a private vendor may appeal a reduction in rates and charges for any person, to the district court in the same manner as appeal of other civil cases. Rates and charges erroneously collected shall be refunded with the same rate of interest as taxes refunded with interest under the general laws of this state.

(d) A public hearing on the proposed ordinance shall be held prior to the meeting at which it is to be considered by the governing body of the municipality and after notice of the hearing has been published in the official newspaper of the municipality not less than ten days prior to the hearing. The notice shall state the subject matter and the general purpose of the proposed ordinance.

Sec. 40. Minnesota Statutes 1988, section 473.87, is amended to read:

473.87 ~~EXEMPTION FROM LEVY LIMIT FOR INCREASED COSTS.~~

~~Subdivision 1.~~ The increased costs to a municipality of implementing sections 473.175; 473.858, subdivisions 1 to 3; 473.859 to 473.862; and 473.866 shall be deemed a ~~special~~ levy ~~under section 275.50, subdivision 5.~~

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Subd. 2: and the proceeds of any tax levied under this section shall be deposited in the municipal treasury in a separate fund and expended only for the purposes authorized by this section.

Sec. 41. Minnesota Statutes 1989 Supplement, section 473.882, subdivision 3, is amended to read:

Subd. 3. **TAX.** After adoption of the ordinance under subdivision 2, a local government unit may annually levy a tax on all taxable property in the district for the purposes for which the tax district is established. The tax may not exceed 0.02418 percent of market value on taxable property located in rural towns other than urban towns, unless allowed by resolution of the town electors. The proceeds of the tax shall be paid into a fund reserved for these purposes. Any proceeds remaining in the reserve fund at the time the tax is terminated or the district is dissolved shall be transferred and irrevocably pledged to the debt service fund of the local unit to be used solely to reduce tax levies for bonded indebtedness of taxable property in the district. ~~A tax levied in accordance with this subdivision for paying capital costs is a levy for the payment of principal and interest on bonded indebtedness within the meaning of section 275.50, subdivision 5, clause (c).~~

Sec. 42. Minnesota Statutes 1988, section 473F.08, subdivision 3a, is amended to read:

Subd. 3a. Beginning in 1987 and each subsequent year through 1998, the city of Bloomington shall determine the interest payments for that year for the bonds which have been sold for the highway improvements pursuant to Laws 1986, chapter 391, section 2, paragraph (g). Effective for property taxes payable in 1988 through property taxes payable in 1999, after the Hennepin county auditor has computed the areawide portion of the levy for the city of Bloomington pursuant to subdivision 3, clause (a), the auditor shall annually add a dollar amount to the city of Bloomington's areawide portion of the levy equal to the amount which has been certified to the auditor by the city of Bloomington for the interest payments for that year for the bonds which were sold for highway improvements. The total areawide portion of the levy for the city of Bloomington including the additional amount for interest repayment certified pursuant to this subdivision shall be certified by the Hennepin county auditor to the administrative auditor pursuant to subdivision 5. The Hennepin county auditor shall distribute to the city of Bloomington the additional areawide portion of the levy computed pursuant to this subdivision at the same time that payments are made to the other counties pursuant to subdivision 7a. ~~This additional areawide portion of the levy which is distributed to the city of Bloomington shall be exempt from the city's levy limit provisions contained in sections 275.50 to 275.56.~~ For property taxes payable from the year 2000 through 2009, the Hennepin county auditor shall adjust Bloomington's contribution to the areawide gross tax capacity upward each year by a value equal to ten percent of the total additional areawide levy distributed to Bloomington under this subdivision from

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1988 to 1999, divided by the areawide tax capacity rate for taxes payable in the previous year.

Sec. 43. Minnesota Statutes 1988, section 475.74, is amended to read:

475.74 PER CAPITA LIMITATION NOT APPLICABLE.

The provisions of any law limiting taxes ~~on a per capita basis or otherwise~~ shall not limit the power of any city of the first or second class or any independent school district in any city of the first class, or any special school district in a city of the second class having a population of not less than 28,000 nor more than 32,000 according to the 1950 federal census, to levy taxes to pay its general obligation bonds nor shall such provisions limit the power of any municipality to levy taxes to make good any deficiency in any prior levies made pursuant to section 475.61. The governing body shall levy such taxes without limitation as to rate or amount.

Sec. 44. Minnesota Statutes 1988, section 475.754, is amended to read:

475.754 DISASTERS OR PUBLIC EMERGENCIES, CERTIFICATES OF INDEBTEDNESS.

If in any fiscal year the receipts from taxes or other sources are insufficient to meet the expenses incurred or to be incurred in said year by any city however organized, county or town by reason of any natural disaster or other public emergency requiring the making of extraordinary expenditures, the governing body of any such city, county or town may authorize the sale of certificates of indebtedness to mature within three years and to bear interest at a rate not to exceed the amount prescribed in this chapter. The certificates may be issued with or without advertising for bids on such terms and conditions as the governing body may determine and shall be in such form as the state auditor in cooperation with the commissioner of commerce shall prescribe. All certificates and interest thereon shall be payable from taxes levied within existing limitations or from other available revenue. ~~Certificates of indebtedness issued under the provisions of this section shall not be considered bonded indebtedness for the purposes of section 275.50, subdivision 5, clause (h).~~ The certificates shall not be included in the net debt of the issuing city, county or town.

Sec. 45. Laws 1976, chapter 162, section 1, as amended by Laws 1982, chapter 474, section 1, and Laws 1983, chapter 338, section 1, is amended to read:

Section 1. RED RIVER WATERSHED; TAX BY WATERSHED DISTRICTS.

Each watershed district located within the counties of Kittson, Marshall, Polk, Pennington, Red Lake, Norman, Clay, Mahnomen, Clearwater, Roseau, Wilkin, Otter Tail, Becker, Koochiching, Beltrami, and Itasca, which district is a

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member of the lower Red River watershed management board, established by a joint powers agreement in accordance with Minnesota Statutes, Section 471.59, may levy an ad valorem tax not to exceed ~~two mills on each dollar of assessed valuation of all taxable~~ 0.04836 percent of the taxable market value of all property within the district. This levy shall be in excess of any levy authorized by Minnesota Statutes, Section 112.61. The proceeds of one-half of this levy shall be credited to the district's administrative fund and shall be used for the construction and maintenance of projects of common benefit to the district. The proceeds of the remaining one-half of this levy shall be credited to the construction fund of the lower Red River watershed management board and shall be used for the construction and maintenance of projects of common benefit.

Sec. 46. Laws 1986, chapter 399, article 1, section 1, is amended to read:

Section 1. AITKIN COUNTY; DEVELOPMENT LEVY.

The Aitkin county board may annually levy a tax of not more than ~~one and one third mills~~ 0.03224 percent of market value on taxable property in the county, to provide funds to be used by the county for tourist, agricultural, industrial, and economic development. ~~A levy under this section is in addition to any other permitted by law and shall be disregarded in the calculation of any other levies or limits on levies provided by Minnesota Statutes, sections 275.50 to 275.56 or other law.~~

For 1989 and 1990 only, the annual appropriation limitation in Minnesota Statutes, section 375.83 is increased to \$100,000 for Aitkin county only.

Sec. 47. Laws 1989, chapter 335, article 3, section 54, subdivision 8, is amended to read:

Subd. 8. **LEVY.** During the pilot project the counties that make up the eighth judicial district shall continue to levy for and pay the costs to operate the eighth judicial district and public defense services that the state does not fund during the eighth district project. The supreme court shall certify to the counties on or before October 1 of each year the amount necessary in excess of the state-funded eighth district project costs. The counties are responsible on a per capita prorated basis for the costs that the state is not assuming. These include but are not limited to ~~capital costs~~, rent, and other associated costs. The county administrator of each of the counties shall consult with the supreme court and the eighth judicial district administrator regarding these costs before setting county budgets and levies for calendar year 1990.

Sec. 48. Laws 1989, chapter 335, article 3, section 58, as amended by Laws 1989, chapter 356, section 67, is amended to read:

Sec. 58. EFFECTIVE DATES.

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Subdivision 1. **JANUARY 1, 1992; EXCEPTIONS.** (a) In all judicial districts except the eighth, sections 1, 2, 3, 4, 5, 14, 17, 18, 19, 20, 21, and 26, are effective January 1, 1992; except that these sections are effective to make affected district administration staff, other than district administration staff in the second and fourth judicial districts, state employees on July 1, 1990, and law clerks state employees October 1, 1990.

(b) The sections listed in paragraph (a) are effective January 1, 1990, for all court employees in the eighth judicial district including court administrators and staff.

(c) Section 1 is effective July 1, 1989, for guardians ad litem.

Subd. 2. **JULY 1, 1990; ~~OUTSIDE 8TH.~~** (a) Except as provided in paragraph (b) and subdivision 3, in all judicial districts except the eighth, sections 6, 8, 13, 15, 22, 23, 30, 31, 32, 33, 34, 35, 36, 37, 38, and 56, are effective July 1, 1990.

(b) For all judicial districts, section 6 is effective July 1, 1989, with respect to the increase in fees under section 7. For all judicial districts, sections 7 and 11 are effective July 1, 1989.

(c) Except as otherwise provided in this section, section 6 is effective for counties in the eighth judicial district on January 1, 1990.

Subd. 3. **JANUARY 1, 1991; ALL DISTRICTS.** That portion of section 6 which amends the first sentence of Minnesota Statutes 1989 Supplement, section 357.021, subdivision 1a, requiring counties to pay filing fees in district court actions is effective January 1, 1991, for counties in all judicial districts.

Sec. 49. ITASCA COUNTY; LEVY LIMIT PENALTY EXEMPTION.

The amount of any tax levied by Itasca county under Laws 1988, chapter 517, is not subject to a penalty imposed under Minnesota Statutes, section 275.51, subdivision 4, for exceeding levy limits under Minnesota Statutes, sections 275.50 to 275.56.

Sec. 50. LEVY LIMIT EXCEPTION.

For taxes levied in 1989 and 1990 only, payable in 1990 and 1991 only, a levy by the Itasca county board under Laws 1988, chapter 517, is not subject to the levy limitations of Minnesota Statutes, sections 275.50 to 275.56, or other law.

Sec. 51. REPEALER.

Minnesota Statutes 1988, sections 134.34, subdivision 6; 275.11; 275.50; 275.51; 275.54; 275.55; 275.56; 275.561; 275.58; and 471A.04, are repealed.

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Sec. 52. EFFECTIVE DATE.

Except as otherwise provided, sections 12 to 19, 27, 35, 45, and 47 are effective for taxes levied in 1989, payable in 1990 and subsequent years. Section 49 is effective upon approval by the Itasca county board for taxes levied in 1988, payable in 1989 only. Sections 1, 5, 6, 20, 31, 34, 41, 44, and 51 are effective for taxes levied by cities and towns in 1991, payable in 1992 and thereafter, and for taxes levied by counties in 1992, payable in 1993 and thereafter. Sections 2, 4, 7, 9 to 11, 21 to 26, 28 to 30, 32, 33, 36 to 40, 42, and 43 are effective for taxes levied in 1991, payable in 1992 and thereafter. Sections 3 and 8 are effective for taxes levied in 1992, payable in 1993 and thereafter. Section 50 is effective for taxes payable in 1989 and 1990 only.

ARTICLE 6**EDUCATION**

Section 1. Minnesota Statutes 1989 Supplement, section 121.904, subdivision 4a, is amended to read:

Subd. 4a. **LEVY RECOGNITION.** (a) "School district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district, including distributions made pursuant to section 279.37, subdivision 7, and excluding the amount levied pursuant to sections 124.2721, subdivision 3; 124.575, subdivision 3; and 275.125, subdivision 9a; and Laws 1976, chapter 20, section 4.

(b) In June of each year, the school district shall recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the June and July school district tax settlement revenue received in that calendar year; or

(2) the sum of the state aids and credits enumerated in section 124.155, subdivision 2, which are for the fiscal year payable in that fiscal year plus ~~27.8~~ 31.0 percent of the amount of the levy certified in the prior calendar year according to section 124A.03, subdivision 2, plus or minus auditor's adjustments, not including levy portions that are assumed by the state; or

(3) ~~27.8~~ 31 percent of the amount of the levy certified in the prior calendar year, plus or minus auditor's adjustments, not including levy portions that are assumed by the state, which remains after subtracting, by fund, the amounts levied for the following purposes:

(i) reducing or eliminating projected deficits in the reserved fund balance accounts for unemployment insurance and bus purchases;

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(ii) statutory operating debt pursuant to section 275.125, subdivision 9a, and Laws 1976, chapter 20, section 4; and

(iii) retirement and severance pay pursuant to sections 124.4945 and 275.125, subdivision 6a, and Laws 1975, chapter 261, section 4; and

(iv) amounts levied for bonds issued and interest thereon, amounts levied for debt service loans and capital loans, amounts levied for down payments under section 124.82, subdivision 3, amounts levied for education district bonds under section 122.96, subdivision 5, and amounts levied pursuant to section 275.125, subdivision 14a.

(c) In July of each year, the school district shall recognize as revenue that portion of the school district tax settlement revenue received in that calendar year and not recognized as revenue for the previous fiscal year pursuant to clause (b).

(d) All other school district tax settlement revenue shall be recognized as revenue in the fiscal year of the settlement. Portions of the school district levy assumed by the state, including prior year adjustments and the amount to fund the school portion of the reimbursement made pursuant to section 273.425, shall be recognized as revenue in the fiscal year beginning in the calendar year for which the levy is payable.

Sec. 2. Minnesota Statutes 1989 Supplement, section 121.904, subdivision 4e, is amended to read:

Subd. 4e. **COOPERATION LEVY RECOGNITION.** (a) A cooperative district is a district or cooperative that receives revenue according to section 124.2721 or 124.575.

(b) In June of each year, the cooperative district shall recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of the state aids and credits enumerated in section 124.155, subdivision 2, that are for the fiscal year payable in that fiscal year; or

(2) ~~27.8~~ 31.0 percent of the difference between

(i) the sum of the amount of levies certified in the prior year according to sections 124.2721, subdivision 3, and 124.575, subdivision 3; and

(ii) the amount of transition aid paid to the cooperative unit according to section 273.1392 for the fiscal year to which the levy is attributable.

Sec. 3. Minnesota Statutes 1989 Supplement, section 124.243, subdivision 3, is amended to read:

Subd. 3. **CAPITAL EXPENDITURE FACILITIES LEVY.** To obtain capi-

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tal expenditure facilities revenue, a district may levy an amount not to exceed the capital expenditure facilities revenue determined in subdivision 2 multiplied by the lesser of one, or the ratio of:

(1) the quotient derived by dividing the adjusted ~~gross~~ net tax capacity of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to

(2) ~~70~~ 100 percent of the equalizing factor for the school year to which the levy is attributable.

Sec. 4. Minnesota Statutes 1989 Supplement, section 124.244, subdivision 2, is amended to read:

Subd. 2. **CAPITAL EXPENDITURE EQUIPMENT LEVY.** To obtain capital expenditure equipment revenue, a district may levy an amount not to exceed the district's capital expenditure equipment revenue as determined in subdivision 1 multiplied by the lesser of one, or the ratio of:

(1) the quotient derived by dividing the adjusted ~~gross~~ net tax capacity of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to

(2) ~~70~~ 100 percent of the equalizing factor for the school year to which the levy is attributable.

Sec. 5. **[124.2442] CAPITAL EXPENDITURE PRORATION.**

Subdivision 1. INSUFFICIENT FUNDS. If the total appropriation for capital expenditure equipment aid or capital expenditure facilities aid for any fiscal year is insufficient to pay all districts the full amount of aid earned, the department of education shall reduce each district's capital expenditure facilities and equipment revenue according to the calculations in subdivisions 2 to 4.

Subd. 2. ALLOWANCE REDUCTION. If there are insufficient capital expenditure equipment and facility aid funds, the department must recompute the capital expenditure equipment and facility revenue by reducing the formula allowances to the levels that eliminate the deficiencies. The levy amounts must not be recomputed.

Subd. 3. AID REDUCTION. A district's proration aid reduction is equal to the lesser of zero, or the difference of the existing aid calculation minus the aid amount computed under subdivision 2.

Subd. 4. LEVY REDUCTION. If a district's proration aid reduction is less than its revenue reduction, its capital expenditure levy authority for the following year must be reduced by the amount of the difference between its revenue reduction and its aid reduction.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 6. Minnesota Statutes 1989 Supplement, section 124.83, subdivision 4, is amended to read:

Subd. 4. **HEALTH AND SAFETY LEVY.** To receive health and safety revenue, a district may levy an amount equal to the district's health and safety revenue as defined in subdivision 3 multiplied by the lessor of one, or the ratio of:

(1) the quotient derived by dividing the adjusted gross tax capacity of the district for the year preceding the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to

(2) ~~70 percent of the equalizing factor for the school year to which the levy is attributable~~ \$7,128.10.

Sec. 7. Minnesota Statutes 1989 Supplement, section 124A.23, subdivision 1, is amended to read:

Subdivision 1. **GENERAL EDUCATION TAX CAPACITY RATE.** The general education tax capacity rate for fiscal year 1991 is 26.3 percent. Beginning in 1990, the commissioner of revenue shall establish the general education tax capacity rate and certify it to the commissioner of education by September July 1 of each year for levies payable in the following year. The general education tax capacity rate shall be a rate, rounded up to the nearest tenth of a percent, that, when applied to the adjusted ~~gross net~~ tax capacity for all districts, raises the amount specified in this subdivision. The general education tax capacity rate shall be the rate that raises ~~\$1,156,000,000~~ \$845,000,000 for fiscal year ~~1991~~ 1992 and ~~\$1,213,800,000~~ for subsequent fiscal years. The general education tax capacity rate certified by the commissioner of revenue may not be changed due to changes or corrections made to a district's adjusted ~~gross net~~ tax capacity after the tax capacity rate has been certified.

Sec. 8. Minnesota Statutes 1988, section 273.1398, is amended by adding a subdivision to read:

Subd. 2a. **EDUCATION LEVY REDUCTION.** (a) As used in this subdivision, "equalized levies" means the sum of the maximum amounts that may be levied for:

(1) general education under section 124A.23, subdivision 2;

(2) supplemental revenue under section 124A.23, subdivision 2a;

(3) capital expenditure facilities revenue under section 124.243, subdivision 3;

(4) capital expenditure equipment revenue under section 124.44, subdivision 2; and

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(5) basic transportation under section 275.125, subdivision 5.

(b) By December 1, the commissioner of education shall determine and certify to the commissioner of revenue the amount of the education levy reduction. The reduction shall be equal to the amount by which:

(1) the amount that would have been computed as the district's total maximum levy for property taxes payable in 1990, if the equalized levies had been based upon the district's adjusted gross tax capacity, the general education tax capacity rate had been 29.1 percent, the taconite levy reduction limit according to section 275.125, subdivision 9, had been 10.22 percent of adjusted gross tax capacity, and the capital expenditure equipment and facilities levies had been calculated using 70 percent of the equalizing factor, exceeds

(2) the amount that would have been computed as the district's total maximum levy for property taxes payable in 1990, if the equalized levies had been based upon the district's adjusted net tax capacity, the general education tax capacity rate had been 29.1 percent, the taconite levy reduction limit according to section 275.125, subdivision 9, had been 10.22 percent of adjusted net tax capacity, and the capital expenditure equipment and facilities levies had been calculated using 70 percent of the equalizing factor.

(c) For property taxes payable in 1990, the amount of the education levy reduction shall be deducted from the homestead and agricultural credit aid payable to each school district under subdivision 2.

Homestead and agricultural credit aid shall not be reduced below zero.

Sec. 9. Minnesota Statutes 1989 Supplement, section 275.125, subdivision 5, is amended to read:

Subd. 5. **BASIC TRANSPORTATION LEVY.** Each year, a school district may levy for school transportation services an amount not to exceed the amount raised by the basic transportation tax capacity rate times the adjusted ~~gross~~ net tax capacity of the district for the preceding year. The basic transportation tax capacity rate for fiscal year 1991 is 2.04 percent. Beginning in 1990, the commissioner of revenue shall establish the basic transportation tax capacity rate and certify it to the commissioner of education by ~~September~~ July 1 of each year for levies payable in the following year. The basic transportation tax capacity rate shall be a rate, rounded up to the nearest hundredth of a percent, that, when applied to the adjusted ~~gross~~ net tax capacity of taxable property for all districts, raises the amount specified in this subdivision. The basic transportation tax capacity rate for transportation shall be the rate that raises ~~\$82,063,200 for fiscal year 1991 and \$86,166,400~~ \$66,700,000 for fiscal year 1992 and subsequent fiscal years. The basic transportation tax capacity rate certified by the commissioner of revenue must not be changed due to changes or corrections made to a district's adjusted ~~gross~~ net tax capacity after the tax capacity rate has been certified.

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Sec. 10. Minnesota Statutes 1989 Supplement, section 275.125, subdivision 9, is amended to read:

Subd. 9. **LEVY REDUCTIONS; TACONITE.** (1) Reductions in levies pursuant to subdivision 10, and section 273.138, shall be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 298.018; 298.23 to 298.28, except an amount distributed under section 298.28, subdivision 4, paragraph (c), clause (ii); 298.34 to 298.39; 298.391 to 298.396; 298.405; and any law imposing a tax upon severed mineral values, or recognized revenue pursuant to section 477A.15; shall not include a portion of these aids in their permissible levies pursuant to those sections, but instead shall reduce the permissible levies authorized by this section and chapters 124 and 124A by the greater of the following:

(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year less the product of the same dollar amount of payments or revenue times the ratio of the maximum levy allowed the district under Minnesota Statutes 1986, sections 124A.03, subdivision 2, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, and 124A.14, subdivision 5a, to the total levy allowed the district under this section and Minnesota Statutes 1986, sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 124A.20, subdivision 2, for levies certified in 1986.

(3) No reduction pursuant to this subdivision shall reduce the levy made by the district pursuant to section 124A.23, to an amount less than the amount raised by a levy of a ~~gross tax capacity rate of 10.22 percent times the adjusted gross tax capacity for taxes payable in 1990~~ gross tax capacity rate of 12.71 percent times the adjusted net tax capacity for taxes payable in 1991 or a net tax capacity rate of 6.82 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter of that district for the preceding year as determined by the commissioner. The amount of any increased levy authorized by referendum pursuant to section 124A.03, subdivision 2, shall not be reduced pursuant to this subdivision. The amount of any levy authorized by subdivision 4, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision.

(4) Before computing the reduction pursuant to this subdivision of the capital expenditure facilities levy authorized by section 124.243, the capital expenditure equipment levy authorized by section 124.244, the health and safety levy authorized by section 124.83, and subdivision 12a, and the community

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education levy authorized by subdivisions 8 and 8b, the commissioner shall ascertain from each affected school district the amount it proposes to levy under each section or subdivision. The reduction shall be computed on the basis of the amount so ascertained.

(5) Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 298.018; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values; and not deducted from general education aid pursuant to section 124A.035, subdivision 5, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the St. Louis county auditor in the following amount by March 15 of each year, the amount required to be subtracted from the previous fiscal year's general education aid pursuant to section 124A.035, subdivision 5, which is in excess of the general education aid earned for that fiscal year. The county auditor shall deposit any amounts received pursuant to this clause in the St. Louis county treasury for purposes of paying the taconite homestead credit as provided in section 273.135.

Sec. 11. Minnesota Statutes 1988, section 275.125, subdivision 18, is amended to read:

Subd. 18. **NOTICE OF CERTIFIED LEVIES.** By ~~November 1~~ September 15 of each year each district shall notify the commissioner of education of the proposed levies certified in compliance with the levy limitations of this section and ~~chapter chapters 124 and 124A.~~ By January 15 of each year each district shall notify the commissioner of education of the final levies certified. The commissioner of education shall prescribe the form of ~~this notification~~ these notifications.

Sec. 12. Laws 1989, chapter 329, article 1, section 17, subdivision 2, is amended to read:

Subd. 2. **GENERAL AND SUPPLEMENTAL EDUCATION AID.** For general and supplemental education aid:

~~\$1,222,815,000~~ \$1,237,064,000 1990

~~\$1,223,366,000~~ \$1,600,994,000 1991

The 1990 appropriation includes \$174,824,000 for 1989 and ~~\$1,047,991,000~~ \$1,062,240,000 for 1990.

The 1991 appropriation includes \$177,889,000 for 1990 and ~~\$1,115,477,000~~ \$1,423,105,000 for 1991.

The 1991 appropriation recognizes an entitlement of \$285,744,000 attributable to homestead and agricultural credit aid.

Sec. 13. Laws 1989, chapter 329, article 2, section 8, subdivision 2, is amended to read:

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Subd. 2. **TRANSPORTATION AID.** For transportation aid under Minnesota Statutes, section 124.225:

\$91,979,000 1990

~~\$99,265,000~~ \$114,157,000 1991

The 1990 appropriation includes \$12,773,000 for 1989 and \$79,206,000 for 1990.

The 1991 appropriation includes \$13,978,000 for 1990 and ~~\$85,287,000~~ \$100,179,000 for 1991.

The 1991 appropriation recognizes an entitlement of \$20,452,000 attributable to homestead and agricultural credit aid.

Sec. 14. Laws 1989, chapter 329, article 5, section 21, subdivision 2, is amended to read:

Subd. 2. **CAPITAL EXPENDITURE FACILITIES AID.** For capital expenditure facilities aid according to Minnesota Statutes, section 124.243, subdivision 5:

\$33,800,000 1990

~~\$41,039,000~~ \$67,844,000 1991

The 1990 appropriation includes \$33,800,000 for 1990.

The 1991 appropriation includes \$5,965,000 for 1990 and ~~\$35,074,000~~ \$61,879,000 for 1991.

The 1991 appropriation recognizes an entitlement of \$13,957,000 attributable to homestead and agricultural credit aid.

Sec. 15. Laws 1989, chapter 329, article 5, section 21, subdivision 3, is amended to read:

Subd. 3. **CAPITAL EXPENDITURE EQUIPMENT AID.** For capital expenditure equipment aid according to Minnesota Statutes, section 124.244, subdivision 3:

\$16,900,000 1990

~~\$20,520,000~~ \$33,922,000 1991

The 1990 appropriation includes \$16,900,000 for 1990.

The 1991 appropriation includes \$2,983,000 for 1990 and ~~\$17,537,000~~ \$30,939,000 for 1991.

The 1991 appropriation recognizes an entitlement of \$6,978,000 attributable to homestead and agricultural credit aid.

Sec. 16. **CONVERSION OF REFERENDUM LEVIES.**

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For a referendum levy authorized under Minnesota Statutes, section 124A.03, on November 7, 1989, the department of education shall convert the net tax capacity rate specified on the ballot to a revised net tax capacity rate by dividing the approved levy amount by the 1988 net tax capacity of the school district, as determined by the provisions of this act.

Sec. 17. NOVEMBER 1989 REFERENDUM LEVY ELECTIONS.

In 1989, a school board in a district holding a referendum levy election may not represent to the voters that education property taxes will be lowered because of the transfer of state appropriations from cities and townships to education funding. If this representation is made by the school board, the election shall be subject to contest under Minnesota Statutes, chapter 209, and the court may invalidate the election results.

Sec. 18. ADJUSTED GROSS TAX CAPACITY.

For purposes of computing 1989 payable 1990 school district levies under Minnesota Statutes, chapters 124 and 124A and section 275.125, adjusted gross tax capacity means adjusted gross tax capacity as defined in Minnesota Statutes 1988, section 273.13.

Sec. 19. EFFECTIVE DATE.

Sections 1 to 18 are effective the day following final enactment.

ARTICLE 7

PROPERTY TAX REFUND AND TARGETING

Section 1. Minnesota Statutes 1988, section 290A.04, subdivision 2, is amended to read:

Subd. 2. **HOMEOWNERS.** A claimant whose property taxes payable ~~or~~ rent constituting property taxes are in excess of the percentage of the household income stated below shall pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of property taxes payable ~~or rent constituting property taxes~~. The state refund ~~will be equal to~~ equals the amount of property taxes payable ~~or rent constituting property taxes~~ that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 999	1.0 percent	10 percent	\$1,100
1,000 to 1,999	1.1 percent	11 percent	\$1,100
2,000 to 2,999	1.2 percent	12 percent	\$1,100
3,000 to 3,499	1.3 percent	13 percent	\$1,100

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3,500 to 3,999	1.3 percent	13 percent	\$1,100
4,000 to 4,499	1.4 percent	14 percent	\$1,100
4,500 to 4,999	1.4 percent	14 percent	\$1,100
5,000 to 5,999	1.5 percent	15 percent	\$1,100
6,000 to 6,999	1.5 percent	16 percent	\$1,100
7,000 to 7,999	1.6 percent	17 percent	\$1,100
8,000 to 8,999	1.6 percent	18 percent	\$1,100
9,000 to 9,999	1.7 percent	19 percent	\$1,100
10,000 to 10,999	1.7 percent	20 percent	\$1,075
11,000 to 11,999	1.8 percent	22 percent	\$1,075
12,000 to 12,999	1.8 percent	24 percent	\$1,075
13,000 to 13,999	1.9 percent	26 percent	\$1,075
14,000 to 14,999	2.0 percent	28 percent	\$1,075
15,000 to 15,999	2.1 percent	30 percent	\$1,075
16,000 to 16,999	2.2 percent	32 percent	\$1,075
17,000 to 17,999	2.3 percent	34 percent	\$1,050
18,000 to 18,999	2.4 percent	36 percent	\$1,050
19,000 to 19,999	2.6 percent	38 percent	\$1,050
20,000 to 20,999	2.8 percent	40 percent	\$1,050
21,000 to 21,999	3.0 percent	42 percent	\$1,050
22,000 to 22,999	3.2 percent	44 percent	\$1,050
23,000 to 23,999	3.3 percent	46 percent	\$1,025
24,000 to 24,999	3.4 percent	48 percent	\$1,025
25,000 to 25,999	3.5 percent	50 percent	\$1,025
26,000 to 26,999	3.6 percent	52 percent	\$1,025
27,000 to 27,999	3.7 percent	54 percent	\$1,000
28,000 to 28,999	3.8 percent	56 percent	\$ 900
29,000 to 29,999	3.9 percent	58 percent	\$ 800
30,000 to 30,999	4.0 percent	60 percent	\$ 700
31,000 to 31,999	4.0 percent	60 percent	\$ 600
32,000 to 32,999	4.0 percent	60 percent	\$ 500
33,000 to 33,999	4.0 percent	60 percent	\$ 300
34,000 to 34,999	4.0 percent	60 percent	\$ 100
<u>\$0 to 999</u>	<u>1.2 percent</u>	<u>22 percent</u>	<u>\$400</u>
<u>1,000 to 1,999</u>	<u>1.3 percent</u>	<u>24 percent</u>	<u>\$400</u>
<u>2,000 to 2,999</u>	<u>1.4 percent</u>	<u>26 percent</u>	<u>\$400</u>
<u>3,000 to 3,999</u>	<u>1.6 percent</u>	<u>28 percent</u>	<u>\$400</u>
<u>4,000 to 4,999</u>	<u>1.7 percent</u>	<u>30 percent</u>	<u>\$400</u>
<u>5,000 to 5,999</u>	<u>1.9 percent</u>	<u>33 percent</u>	<u>\$400</u>
<u>6,000 to 6,999</u>	<u>1.9 percent</u>	<u>35 percent</u>	<u>\$400</u>
<u>7,000 to 7,999</u>	<u>2.1 percent</u>	<u>38 percent</u>	<u>\$400</u>
<u>8,000 to 8,999</u>	<u>2.2 percent</u>	<u>40 percent</u>	<u>\$400</u>
<u>9,000 to 9,999</u>	<u>2.3 percent</u>	<u>42 percent</u>	<u>\$400</u>
<u>10,000 to 10,999</u>	<u>2.4 percent</u>	<u>45 percent</u>	<u>\$400</u>
<u>11,000 to 11,999</u>	<u>2.5 percent</u>	<u>48 percent</u>	<u>\$400</u>
<u>12,000 to 13,999</u>	<u>2.6 percent</u>	<u>48 percent</u>	<u>\$400</u>

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<u>14,000 to 14,999</u>	<u>2.8 percent</u>	<u>48 percent</u>	<u>\$400</u>
<u>15,000 to 15,999</u>	<u>3.0 percent</u>	<u>50 percent</u>	<u>\$400</u>
<u>16,000 to 16,999</u>	<u>3.2 percent</u>	<u>50 percent</u>	<u>\$400</u>
<u>17,000 to 20,999</u>	<u>3.3 percent</u>	<u>50 percent</u>	<u>\$400</u>
<u>21,000 to 23,999</u>	<u>3.4 percent</u>	<u>50 percent</u>	<u>\$400</u>
<u>24,000 to 24,999</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$400</u>
<u>25,000 to 27,999</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$400</u>
<u>28,000 to 29,999</u>	<u>3.5 percent</u>	<u>50 percent</u>	<u>\$400</u>
<u>30,000 to 34,999</u>	<u>3.5 percent</u>	<u>55 percent</u>	<u>\$400</u>
<u>35,000 to 39,999</u>	<u>3.7 percent</u>	<u>55 percent</u>	<u>\$400</u>
<u>40,000 to 56,999</u>	<u>4.0 percent</u>	<u>55 percent</u>	<u>\$400</u>
<u>57,000 to 57,999</u>	<u>4.0 percent</u>	<u>55 percent</u>	<u>\$300</u>
<u>58,000 to 58,999</u>	<u>4.0 percent</u>	<u>55 percent</u>	<u>\$200</u>
<u>59,000 to 59,999</u>	<u>4.0 percent</u>	<u>55 percent</u>	<u>\$100</u>

The payment made to a claimant shall be the amount of the state refund calculated pursuant to under this subdivision. ~~For taxes payable in 1989, the amount of the refund must be reduced by the homestead credit.~~ No payment is allowed if the claimant's household income is ~~\$35,000~~ \$60,000 or more.

Sec. 2. Minnesota Statutes 1988, section 290A.04, is amended by adding a subdivision to read:

Subd. 2a. RENTERS. A claimant whose rent constituting property taxes exceeds the percentage of the household income stated below must pay an amount equal to the percent of income shown for the appropriate household income level along with the percent to be paid by the claimant of the remaining amount of rent constituting property taxes. The state refund equals the amount of rent constituting property taxes that remain, up to the maximum state refund amount shown below.

<u>Household Income</u>	<u>Percent of Income</u>	<u>Percent Paid by Claimant</u>	<u>Maximum State Refund</u>
<u>\$0 to 999</u>	<u>1.0 percent</u>	<u>9 percent</u>	<u>\$1,000</u>
<u>1,000 to 1,999</u>	<u>1.1 percent</u>	<u>9 percent</u>	<u>\$1,000</u>
<u>2,000 to 2,999</u>	<u>1.2 percent</u>	<u>10 percent</u>	<u>\$1,000</u>
<u>3,000 to 3,999</u>	<u>1.3 percent</u>	<u>10 percent</u>	<u>\$1,000</u>
<u>4,000 to 4,999</u>	<u>1.4 percent</u>	<u>11 percent</u>	<u>\$1,000</u>
<u>5,000 to 5,999</u>	<u>1.5 percent</u>	<u>12 percent</u>	<u>\$1,000</u>
<u>6,000 to 6,999</u>	<u>1.5 percent</u>	<u>13 percent</u>	<u>\$1,000</u>
<u>7,000 to 7,999</u>	<u>1.6 percent</u>	<u>14 percent</u>	<u>\$1,000</u>
<u>8,000 to 8,999</u>	<u>1.6 percent</u>	<u>15 percent</u>	<u>\$1,000</u>
<u>9,000 to 9,999</u>	<u>1.7 percent</u>	<u>16 percent</u>	<u>\$1,000</u>
<u>10,000 to 10,999</u>	<u>1.7 percent</u>	<u>17 percent</u>	<u>\$1,000</u>
<u>11,000 to 11,999</u>	<u>1.8 percent</u>	<u>19 percent</u>	<u>\$1,000</u>
<u>12,000 to 12,999</u>	<u>1.8 percent</u>	<u>21 percent</u>	<u>\$1,000</u>
<u>13,000 to 13,999</u>	<u>1.9 percent</u>	<u>23 percent</u>	<u>\$1,000</u>

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<u>14,000 to 14,999</u>	<u>2.0 percent</u>	<u>24 percent</u>	<u>\$1,000</u>
<u>15,000 to 15,999</u>	<u>2.0 percent</u>	<u>26 percent</u>	<u>\$1,000</u>
<u>16,000 to 16,999</u>	<u>2.1 percent</u>	<u>27 percent</u>	<u>\$1,000</u>
<u>17,000 to 17,999</u>	<u>2.2 percent</u>	<u>28 percent</u>	<u>\$1,000</u>
<u>18,000 to 18,999</u>	<u>2.3 percent</u>	<u>30 percent</u>	<u>\$1,000</u>
<u>19,000 to 19,999</u>	<u>2.5 percent</u>	<u>32 percent</u>	<u>\$1,000</u>
<u>20,000 to 20,999</u>	<u>2.7 percent</u>	<u>34 percent</u>	<u>\$1,000</u>
<u>21,000 to 21,999</u>	<u>2.9 percent</u>	<u>36 percent</u>	<u>\$1,000</u>
<u>22,000 to 22,999</u>	<u>3.0 percent</u>	<u>37 percent</u>	<u>\$1,000</u>
<u>23,000 to 23,999</u>	<u>3.1 percent</u>	<u>38 percent</u>	<u>\$1,000</u>
<u>24,000 to 24,999</u>	<u>3.2 percent</u>	<u>40 percent</u>	<u>\$1,000</u>
<u>25,000 to 25,999</u>	<u>3.3 percent</u>	<u>43 percent</u>	<u>\$1,000</u>
<u>26,000 to 26,999</u>	<u>3.4 percent</u>	<u>43 percent</u>	<u>\$1,000</u>
<u>27,000 to 27,999</u>	<u>3.5 percent</u>	<u>45 percent</u>	<u>\$1,000</u>
<u>28,000 to 28,999</u>	<u>3.6 percent</u>	<u>47 percent</u>	<u>\$ 900</u>
<u>29,000 to 29,999</u>	<u>3.7 percent</u>	<u>47 percent</u>	<u>\$ 800</u>
<u>30,000 to 30,999</u>	<u>3.8 percent</u>	<u>48 percent</u>	<u>\$ 700</u>
<u>31,000 to 31,999</u>	<u>3.9 percent</u>	<u>48 percent</u>	<u>\$ 600</u>
<u>32,000 to 32,999</u>	<u>4.0 percent</u>	<u>50 percent</u>	<u>\$ 500</u>
<u>33,000 to 33,999</u>	<u>4.0 percent</u>	<u>50 percent</u>	<u>\$ 300</u>
<u>34,000 to 34,999</u>	<u>4.0 percent</u>	<u>50 percent</u>	<u>\$ 100</u>

The payment made to a claimant is the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is \$35,000 or more.

Sec. 3. Minnesota Statutes 1988, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. (a) If the ~~net~~ gross property taxes payable ~~in 1989~~ on a homestead increase more than ten percent over the net property taxes payable in ~~1988~~ the prior year on the same property that is owned by the same owner in both years, and the amount of that increase is \$40 or more for taxes payable in 1990 and 1991, \$60 or more for taxes payable in 1992, \$80 or more for taxes payable in 1993, and \$100 or more for taxes payable in 1994, a claimant who is a homeowner shall be allowed an additional refund equal to ~~75 percent of the amount by which the increase exceeds ten percent the sum of (1) 75 percent of the first \$250 of the amount of the increase over ten percent for taxes payable in 1990 and 1991, 75 percent of the first \$275 of the amount of the increase over ten percent for taxes payable in 1992, 75 percent of the first \$300 of the amount of the increase over ten percent for taxes payable in 1993, and 75 percent of the first \$325 of the amount of the increase over ten percent for taxes payable in 1994, and (2) 90 percent of the amount of the increase over ten percent plus \$250 for taxes payable in 1990 and 1991, 90 percent of the amount of the increase over ten percent plus \$275 for taxes payable in 1992, 90 percent of the amount of the increase over ten percent plus \$300 for taxes payable in 1993, and 90 percent of the amount of the increase over ten percent plus \$325 for~~

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taxes payable in 1994. This subdivision shall not apply to any increase in the net property taxes payable attributable to improvements made to the homestead.

~~A refund under this subdivision shall not exceed \$250.~~

(b) For purposes of this subdivision, the following terms have the meanings given:

(1) "Net property taxes payable" means property taxes payable after reductions made ~~pursuant to~~ under sections 273.13, subdivisions 22 and 23; 273.132; 273.135; 273.1391; and 273.42, subdivision 2, and any other state paid property tax credits and after the deduction of tax refund amounts for which the claimant qualifies pursuant to subdivision 2 and this subdivision.

(2) "Gross property taxes" means net property taxes payable determined without regard to the refund allowed under this subdivision.

(c) In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the property tax refund return a copy of the property tax statement for taxes payable in the preceding year or other documents required by the commissioner.

On or before December 1, 1990, and December 1 of each of the following three years, the commissioner shall estimate the cost of making the payments provided by this subdivision for taxes payable in the following year. Notwithstanding the open appropriation provision of section 290A.23, if the estimated total refund claims exceed the following amounts for the taxes payable year designated, the commissioner shall decrease the percentages of the excess taxes the state will pay and increase the dollar amount of tax increase which must occur before a taxpayer qualifies for a refund.

Taxes payable in:

Appropriation limit

<u>1991</u>	<u>\$7,000,000</u>
<u>1992</u>	<u>\$6,500,000</u>
<u>1993</u>	<u>\$6,000,000</u>
<u>1994</u>	<u>\$5,500,000</u>

The commissioner shall make the adjustments so that half of the estimated savings come from decreasing the percentages of the excess taxes the state will pay and half of the estimated savings come from increasing the dollar amount of the tax increase which must occur before a taxpayer qualifies for a refund. The determinations of the revised percentages and thresholds by the commissioner are not rules subject to chapter 14.

Sec. 4. Minnesota Statutes 1988, section 290A.04, is amended by adding a subdivision to read:

Subd. 2i. If the net property taxes payable in 1990 on a seasonal residential and recreational property, not devoted to commercial use, increase more than

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ten percent over the net property taxes payable in 1989 and if the amount is \$40 or more, one claimant who is an owner of the property in both years is allowed a refund equal to 75 percent of the first \$250 of the excess of the increase over ten percent. This subdivision does not apply to the portion of an increase in taxes payable that are attributable to improvements to the property.

In addition to the other proofs required by this chapter, each claimant under this subdivision shall file with the application a copy of the property tax statement for property taxes payable in 1989 and 1990 and any other documents required by the commissioner.

Sec. 5. Minnesota Statutes 1988, section 290A.04, subdivision 3, is amended to read:

Subd. 3. The commissioner of revenue shall construct and make available to taxpayers a comprehensive table showing the property taxes to be paid and refund allowed at various levels of income and assessment. The table shall follow the schedule of income percentages, maximums and other provisions specified in subdivision 2, except that the commissioner may graduate the transition between income brackets. All refunds shall be computed in accordance with tables prepared and issued by the commissioner of revenue.

The commissioner shall include on the form an appropriate space or method for the claimant to identify if the property taxes paid are for a manufactured home, as defined in section 274.19, subdivision 8, paragraph (c).

Sec. 6. Minnesota Statutes 1988, section 290A.07, subdivision 2a, is amended to read:

Subd. 2a. A claimant who is a renter or a homeowner who occupies a manufactured home, as defined in section 274.19, subdivision 8, paragraph (c), shall receive full payment after August 1 and prior to August 15 or 60 days after receipt of the application, whichever is later. Interest shall be added at the rate specified in section 270.76 from August 15 or 60 days after receipt of the application whichever is later.

Sec. 7. GOVERNOR'S RECOMMENDATION; PROPERTY TAX REFUND.

The legislature finds that it is a desirable policy to improve the protection for low income persons and low value homes from future property tax increases. Therefore, the governor, by February 15, 1990, shall submit to the legislature recommendations regarding

(1) modifications to the property tax refund schedule for homeowners that will improve eligibility for and the amount of refunds that will provide up to \$10,000.000 in additional refunds over the amount provided by the schedule in effect for taxes payable in 1990, (2) other modifications to the program to make it simpler and more understandable to the general public, (3) a proposal for increasing public awareness of and participation in the program by eligible homeowners, and (4) a separate effective tax rate credit to be administered as

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part of the property tax refund which would provide state refunds to homeowners who have high effective tax rates on modest or low value homes and who have low or moderate household incomes.

It is the intent of the legislature that this act not increase the net cost of rental housing to tenants after taking into consideration the combined effect of the reductions in property tax, rent, and property tax refund. Article 2 will significantly reduce the property tax burden on rental housing. Since the property tax refund for renters is based on the property tax paid on the rental unit, the reductions in article 2 will also reduce the amount of property tax refunds. However, because of conditions in the market for rental housing units in some or many areas, the property tax reductions may not affect the amount of rent the tenant must pay. As a result, the net effect of the provisions of this act may not improve the net cost of housing to some tenants. The property tax refund schedule for renters in this article was increased to partially offset this effect. In order to insure that this act does not adversely affect the net cost of housing to tenants, the department of revenue is directed to study this issue and to prepare a property tax refund schedule for renters that increases the eligibility for and amount of refunds in a manner found necessary to prevent increases in overall rental housing costs resulting from the adoption of article 2 and this article, as compared with prior law. This schedule must be submitted to the 1990 legislature along with the governor's recommendations required by this section.

Sec. 8. INTEREST ON ADDITIONAL REFUNDS FOR PROPERTY TAXES PAID IN 1989.

Notwithstanding Minnesota Statutes, section 290A.07, subdivision 3, interest on the portion of a property tax refund generated by removing the \$250 maximum limit for taxes paid in 1989 shall be computed from the later of 60 days from the final day of enactment or 60 days from receipt of the application.

Sec. 9. REPEALER.

Minnesota Statutes 1988, section 290A.04, subdivision 2h, is repealed.

Sec. 10. EFFECTIVE DATE.

Sections 1 and 4 to 6 are effective beginning for property taxes paid in 1990. Section 2 is effective beginning for refunds based on rent paid in 1990. Section 3 is effective beginning for property taxes payable in 1990 except that the repeal of the \$250 maximum limitation is effective for taxes paid in 1989 and paragraph (b), clause (1), is effective for refunds for taxes payable in 1991. Section 7 is effective the day following final enactment. Section 8 is effective the day following final enactment. Section 9 is effective for property taxes payable in 1995 and thereafter.

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ARTICLE 8

LOCAL REVENUE OPTION

Section 1. Minnesota Statutes 1989 Supplement, section 469.190, subdivision 1, is amended to read:

Subdivision 1. **AUTHORIZATION.** Notwithstanding section 477A.016 or any other law, a statutory or home rule charter city may by ordinance, and a town may by the affirmative vote of the electors at the annual town meeting, or at a special town meeting, impose a tax of up to ~~three~~ six percent on the gross receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it for a continuous period of 30 days or more. A statutory or home rule charter city may by ordinance impose the tax authorized under this subdivision on the camping site receipts of a municipal campground.

Sec. 2. Minnesota Statutes 1988, section 469.190, subdivision 2, is amended to read:

Subd. 2. **EXISTING TAXES.** No statutory or home rule charter city or town may impose a tax under this section upon transient lodging that, when combined with any tax authorized by special law or enacted prior to 1972, exceeds a rate of ~~three~~ six percent.

Sec. 3. Minnesota Statutes 1988, section 469.190, subdivision 3, is amended to read:

Subd. 3. **DISPOSITION OF PROCEEDS.** Ninety-five percent of the gross proceeds from the first three percent of any tax imposed under subdivision 1 shall be used by the statutory or home rule charter city or town to fund a local convention or tourism bureau for the purpose of marketing and promoting the city or town as a tourist or convention center. This subdivision shall not apply to any statutory or home rule charter city or town that has a lodging tax authorized by special law or enacted prior to 1972 at the time of enactment of this section.

Sec. 4. **EFFECTIVE DATE.**

Sections 1 to 3 are effective January 1, 1990.

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ARTICLE 9

PROPOSED AND FINAL TAX NOTICE

Section 1. Minnesota Statutes 1989 Supplement, section 124.2131, subdivision 1, is amended to read:

Subdivision 1. **ADJUSTED GROSS TAX CAPACITY.** (a) **COMPUTATION.** The department of revenue shall annually conduct an assessment/sales ratio study of the taxable property in each school district in accordance with the procedures in paragraphs (b) and (c). Based upon the results of this assessment/sales ratio study, the department of revenue shall determine an aggregate equalized gross tax capacity and an aggregate equalized net tax capacity for the various classes of taxable property in each school district, which tax capacity shall be designated as the adjusted gross tax capacity and the adjusted net tax capacity, respectively. The department of revenue may incur the expense necessary to make the determinations. The commissioner of revenue may reimburse any county or governmental official for requested services performed in ascertaining the adjusted gross tax capacity and the adjusted net tax capacity. On or before March 15 annually, the department of revenue shall file with the chair of the tax committee of the house of representatives and the chair of the committee on taxes and tax laws of the senate a report of adjusted gross tax capacities and adjusted net tax capacities. On or before ~~June~~ April 15 annually, the department of revenue shall file its final report on the adjusted gross tax capacities and adjusted net tax capacities established by the previous year's assessment with the commissioner of education and each county auditor for those school districts for which the auditor has the responsibility for determination of tax capacity rates. A copy of the report so filed shall be mailed to the clerk of each district involved and to the county assessor or supervisor of assessments of the county or counties in which each district is located.

(b) **METHODOLOGY.** In making its annual assessment/sales ratio studies, the department of revenue shall use a methodology consistent with the most recent Standard on Assessment Ratio Studies published by the assessment standards committee of the International Association of Assessing Officers. The commissioner of revenue shall supplement this general methodology with specific procedures necessary for execution of the study in accordance with other Minnesota laws impacting the assessment/sales ratio study. The commissioner shall document these specific procedures in writing and shall publish the procedures in the State Register, but these procedures will not be considered "rules" pursuant to the Minnesota administrative procedure act.

(c) **AGRICULTURAL LANDS.** For purposes of determining the adjusted gross tax capacity and adjusted net tax capacity of agricultural lands for the calculation of adjusted gross tax capacities and adjusted net tax capacities, the market value of agricultural lands shall be the price for which the property would sell in an arms length transaction.

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Sec. 2. Minnesota Statutes 1988, section 124.42, subdivision 1, is amended to read:

Subdivision 1. **QUALIFICATION; APPLICATION; AWARD; INTEREST.** Any school district in which the required levy for debt service in any year will exceed its maximum effort debt service levy by ten percent or by \$5,000, whichever is less, is qualified for a debt service loan hereunder in an amount not exceeding the amount applied for, and not exceeding one percent of the net debt of the district, and not exceeding the difference between the required and the maximum effort debt service levy in that year. Applications shall be filed with the commissioner in each calendar year up to and including ~~September 15~~ July 1. The commissioner shall determine whether the applicant is entitled to a loan and the amount thereof, and on or before October 1 shall certify to each applicant district the amount granted and its due date. The commissioner shall notify the county auditor of each county in which the district is located that the amount certified is available and appropriated for payment of principal and interest on its outstanding bonds, and the auditors shall reduce by that amount the taxes otherwise leviable as the district's debt service levy on the tax rolls for that year. Each debt service loan shall bear interest from its date at a rate equal to the average annual rate payable on Minnesota state school loan bonds most recently issued prior to the disbursement of the loan to the district, but in no event less than 3-1/2 percent per annum on the principal amount from time to time remaining unpaid, payable on December 15 of the year following that in which the loan is received and annually thereafter.

Sec. 3. Minnesota Statutes 1988, section 124.42, subdivision 4, is amended to read:

Subd. 4. Each district receiving a debt service loan shall levy for debt service in that year and each year thereafter, until all its debts to the fund are paid, (a) the amount of its maximum effort debt service levy, or (b) the amount of its required debt service levy less the amount of any debt service loan in that year, whichever is greater. Whenever the maximum effort debt service levy is greater the district shall remit to the commissioner, within ten days after its receipt of the last regular tax distribution in the year in which it is collected, that portion of the maximum effort debt service tax collections, including penalties and interest, which exceeds the required debt service levy. On or before ~~November~~ September 1 in each year the commissioner shall notify the county auditor of each county containing taxable property situated within the school district of the amount of the maximum effort debt service levy of the district for that year, and said county auditor or auditors shall extend upon the tax rolls an ad valorem tax upon all taxable property within the district in the aggregate amount so certified.

Sec. 4. Minnesota Statutes 1988, section 124.83, subdivision 1, is amended to read:

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Subdivision 1. **HEALTH AND SAFETY PROGRAM.** To receive health and safety revenue a district must submit to the commissioner of education an application for aid and levy by ~~August 15~~ June 1 in the previous school year. The application may be for hazardous substance removal, fire code compliance, or life safety repairs. The application must include a health and safety program adopted by the school district board. The program must include the estimated cost of the program by fiscal year.

Sec. 5. Minnesota Statutes 1989 Supplement, section 124A.03, subdivision 2, is amended to read:

Subd. 2. **REFERENDUM LEVY.** (a) The levy authorized by section 124A.23, subdivision 2, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the school board or shall be called by the school board upon written petition of qualified voters of the district. The referendum must be held on the first Tuesday after the first Monday in November. The ballot shall state the maximum amount of the increased levy as a percentage of net tax capacity, the amount that will be raised by that tax capacity rate in the first year it is to be levied, and that the tax capacity rate shall be used to finance school operations. The ballot ~~may shall~~ designate a the specific number of years for which the referendum authorization shall apply. The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the levy proposed by (petition to) the board of, School District No. ..., be approved?"

If approved, the amount provided by the approved tax capacity rate applied to the net tax capacity for the year preceding the year the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The school board shall prepare and deliver by first class mail at least 15 days but no more than 30 days prior to the day of the election to each taxpayer at the address listed on the school district's current year's assessment roll, a notice of the referendum and the proposed levy increase. For the purpose of giving mailed notice under this subdivision, owners shall be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer shall be deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of increase in annual dollars and annual percentage for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

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The notice must include the following statement: "In 1989 the legislature reduced property taxes for education by increasing the state share of funding for education. However, state aid for cities and townships was reduced by a corresponding amount. As a result, property taxes for cities and townships may increase. Passage of this referendum will result in an increase in your property taxes."

(c) A referendum on the question of revoking or reducing the increased levy amount authorized pursuant to paragraph (a) may be called by the school board and shall be called by the school board upon the written petition of qualified voters of the district. A levy approved by the voters of the district pursuant to paragraph (a) must be made at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction election may be held to revoke or reduce a levy for any specific year and for years thereafter.

(e) ~~(d)~~ A petition authorized by paragraph (a) or ~~(b)~~ (c) shall be effective if signed by a number of qualified voters in excess of 15 percent of the registered voters of the school district on the day the petition is filed with the school board. A referendum invoked by petition shall be held on the date specified in paragraph (a).

~~(d)~~ (e) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) ~~(f)~~ Within 30 days after the district holds a referendum pursuant to this clause, the district shall notify the commissioner of education of the results of the referendum.

Sec. 6. Minnesota Statutes 1989 Supplement, section 124A.23, subdivision 1, is amended to read:

Subdivision 1. **GENERAL EDUCATION TAX CAPACITY RATE.** The commissioner of revenue shall establish the general education tax capacity rate and certify it to the commissioner of education by ~~September~~ July 1 of each year for levies payable in the following year. The general education tax capacity rate shall be a rate, rounded up to the nearest tenth of a percent, that, when applied to the adjusted gross tax capacity for all districts, raises the amount specified in this subdivision. The general education tax capacity rate shall be the rate that raises \$1,156,000,000 for fiscal year 1991 and \$1,213,800,000 for subsequent fiscal years. The general education tax capacity rate certified by the commissioner of revenue may not be changed due to changes or corrections made to a district's adjusted gross tax capacity after the tax capacity rate has been certified.

Sec. 7. Minnesota Statutes 1988, section 124A.26, subdivision 1, is amended to read:

Subdivision 1. **REVENUE REDUCTION.** A district's general education

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revenue for a school year shall be reduced if the estimated net unappropriated operating fund balance as of June 30 in the second prior school year exceeds \$600 times the actual pupil units in the ~~second~~ prior year. The amount of the reduction shall equal the lesser of:

- (1) the amount of the excess, or
- (2) \$150 times the actual pupil units for the school year.

The final adjustment payments made under section 124.195, subdivision 6, must be adjusted to reflect actual net operating fund balances as of June 30 of the prior school year.

Sec. 8. Minnesota Statutes 1988, section 270.11, subdivision 2, is amended to read:

Subd. 2. **COUNTY ASSESSOR'S REPORTS OF ASSESSMENT FILED WITH COMMISSIONER.** Each county assessor shall file by ~~June 15~~ April 1 with the commissioner of revenue a copy of the abstract that will be acted upon by the local and county board boards of review. The abstract must list the real and personal property in the county; ~~as equalized by the local board of review or equalization~~; itemized by assessment districts. ~~A printed or typewritten copy of the proceedings of the local board of review or equalization must also be filed with the commissioner.~~ The assessor of each county in the state shall file with the commissioner, within ~~five ten~~ working days following final action of the local board of review or equalization and within five days following final action of the county board of equalization, any changes made by the local or county board of equalization. The information must be filed in the manner prescribed by the commissioner. It must be accompanied by a printed or typewritten copy of the proceedings of the ~~county board of equalization~~ appropriate board.

The final abstract of assessments after adjustments by the state board of equalization and inclusion of any omitted property shall be submitted to the commissioner of revenue on or before ~~November 15~~ September 1 of each calendar year. The final abstract must separately report the captured tax capacity of tax increment financing districts under section 469.177, subdivision 2, the metropolitan revenue contribution value under section 473F.07, and the value subject to the power line credit under section 273.42.

Sec. 9. Minnesota Statutes 1989 Supplement, section 270.12, subdivision 2, is amended to read:

Subd. 2. The board shall meet annually between ~~July~~ April 15 and ~~October 1~~ June 30 at the office of the commissioner of revenue and examine and compare the returns of the assessment of the property in the several counties, and equalize the same so that all the taxable property in the state shall be assessed at its market value, subject to the following rules:

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(1) The board shall add to the aggregate valuation of the real property of every county, which the board believes to be valued below its market value in money, such percent as will bring the same to its market value in money;

(2) The board shall deduct from the aggregate valuation of the real property of every county, which the board believes to be valued above its market value in money, such percent as will reduce the same to its market value in money;

(3) If the board believes the valuation for a class or classes of the real property of any town or district in any county, or the valuation for a class or classes of the real property of any county not in towns or cities, should be raised or reduced, without raising or reducing the other real property of such county, or without raising or reducing it in the same ratio, the board may add to, or take from, the valuation of a class or classes in any one or more of such towns or cities, or of the property not in towns or cities, such percent as the board believes will raise or reduce the same to its market value in money;

(4) The board shall add to the aggregate valuation of any class of personal property of any county, town, or city, which the board believes to be valued below the market value thereof, such percent as will raise the same to its market value in money;

(5) The board shall take from the aggregate valuation of any class of personal property in any county, town or city, which the board believes to be valued above the market value thereof, such percent as will reduce the same to its market value in money;

(6) The board shall not reduce the aggregate valuation of all the property of the state, as returned by the several county auditors, more than one percent on the whole valuation thereof;

(7) When it would be of assistance in equalizing values the board may require any county auditor to furnish statements showing assessments of real and personal property of any individuals, firms, or corporations within the county. The board shall consider and equalize such assessments and may increase the assessment of individuals, firms, or corporations above the amount returned by the county board of equalization when it shall appear to be undervalued, first giving notice to such persons of the intention of the board so to do, which notice shall fix a time and place of hearing. The board shall not decrease any such assessment below the valuation placed by the county board of equalization; and

(8) In equalizing values pursuant to this section, the board shall utilize a 12-month assessment/sales ratio study conducted by the department of revenue containing only sales that are filed in the county auditor's office under section 272.115, by November 1 of the previous year and that occurred between October 1 of the year immediately preceding the previous year ~~to~~ and September 30 of the previous year. The sales prices used in the study must be discounted for terms of financing. The board shall use the median ratio as the statistical measure of the level of assessment for any particular category of property.

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Sec. 10. Minnesota Statutes 1988, section 270.12, subdivision 3, is amended to read:

Subd. 3. When a taxing jurisdiction lies in two or more counties, if the sales ratio studies prepared by the department of revenue show that the average levels of assessment in the several portions of the taxing jurisdictions in the different counties differ by more than five percent, the board may order the apportionment of the levy. When the sales ratio studies prepared by the department of revenue show that the average levels of assessment in the several portions of the taxing jurisdictions in the different counties differ by more than ten percent, the board shall order the apportionment of the levy unless (a) the proportion of total adjusted gross tax capacity value in one of the counties is less than ten percent of the total adjusted gross tax capacity in the taxing jurisdiction and the average level of assessment in that portion of the taxing jurisdiction is the level which differs by more than five percent from the assessment level in any one of the other portions of the taxing jurisdiction; (b) significant changes have been made in the level of assessment in the taxing jurisdiction which have not been reflected in the sales ratio study, and those changes alter the assessment levels in the portions of the taxing jurisdiction so that the assessment level now differs by five percent or less; or (c) commercial, industrial, mineral, or public utility property predominates in one county within the taxing jurisdiction and another class of property predominates in another county within that same taxing jurisdiction. If one or more of these factors are present, the board may order the apportionment of the levy.

Notwithstanding any other provision, the levy for the metropolitan mosquito control district, metropolitan council, metropolitan transit district, and metropolitan transit area must be apportioned without regard to the percentage difference.

If, pursuant to this subdivision, the board apportions the levy, then that levy apportionment among the portions in the different counties shall be made in the same proportion as the adjusted gross tax capacity as determined by the commissioner in each portion is to the total adjusted gross tax capacity of the taxing jurisdiction.

For the purposes of this section, the average level of assessment in a taxing jurisdiction or portion thereof shall be the aggregate assessment sales ratio. Gross tax capacities as determined by the commissioner shall be the gross tax capacities as determined for the year preceding the year in which the levy to be apportioned is levied.

Actions pursuant to this subdivision shall be commenced subsequent to the annual meeting on ~~July~~ April 15 of the state board of equalization, but notice of the action shall be given to the affected jurisdiction and the appropriate county auditors by the following ~~October 4~~ June 30.

Apportionment of a levy pursuant to this subdivision shall be considered as

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a remedy to be taken after equalization pursuant to subdivision 2, and when equalization within the jurisdiction would disturb equalization within other jurisdictions of which the several portions of the jurisdiction in question are a part.

Sec. 11. Minnesota Statutes 1988, section 270.13, is amended to read:

270.13 RECORD OF PROCEEDINGS CHANGING GROSS TAX CAPACITY; DUTIES OF COUNTY AUDITOR.

A record of all proceedings of the commissioner of revenue affecting any change in the gross tax capacity of any property, as revised by the state board of equalization, shall be kept by the commissioner of revenue and a copy thereof, duly certified, shall be mailed each year to the auditor of each county wherein such property is situated, on or before ~~October 1~~ June 30 or 30 days after submission of the abstract required by section 270.11, subdivision 2, whichever is later. This record shall specify the amounts or amount, or both, added to or deducted from the gross tax capacity of the real property of each of the several towns and cities, and of the real property not in towns or cities, also the percent or amount of both, added to or deducted from the several classes of personal property in each of the towns and cities, and also the amount added to or deducted from the assessments of individuals, copartnerships, associations, or corporations. The county auditor shall add to or deduct from such tract or lot, or portion thereof, of any real property in the county the required percent or amount, or both, on the gross tax capacity thereof as it stood after equalized by the county board, adding in each case a fractional sum of 50 cents or more, and deducting in each case any fractional sum of less than 50 cents, so that no gross tax capacity of any separate tract or lot shall contain any fraction of a dollar; and add to, or deduct from, the several classes of personal property in the county the required percent or amount, or both, on the gross tax capacity thereof as it stood after equalized by the county board, adding or deducting in manner aforesaid any fractional sum so that no gross tax capacity of any separate class of personal property shall contain a fraction of a dollar, and add to or deduct from assessments of individuals, copartnerships, associations, or corporations, as they stood after equalization by the county board, the required amounts to agree with the assessments as returned by the commissioner of revenue.

Sec. 12. Minnesota Statutes 1988, section 270.18, is amended to read:

270.18 REASSESSMENT; COMPENSATION; REIMBURSEMENT BY COUNTIES.

The compensation of each special assessor and deputies, appointed under the provisions of sections 270.11, subdivision 3, and 270.16, and the expenses as such, shall be fixed by the commissioner of revenue and paid out of money appropriated for operation of the department of revenue. The commissioner of revenue on ~~October~~ August 1 shall notify the auditor of each affected county of the amount thereof paid on behalf of such county since ~~October~~ August 1 of the

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preceding year, whereupon the county auditor shall levy a tax upon the taxable property in the assessment district or districts wherein such reassessment was made sufficient to pay the same. One-half of such tax shall be levied in the year in which the commissioner of revenue so notifies the county auditor and the remaining one-half shall be levied in the following year. The respective counties shall reimburse the state by paying one-half of the tax so assessed on or before July 1 and the remaining one-half on or before December 1 in the year in which the tax is payable by owner, whether or not the tax was collected by the county. The reimbursement shall be credited to the general fund. If any county fails to reimburse the state within the time specified herein, the commissioner of revenue is empowered to order withholding of state aids or distributions to such county equal to the amount delinquent.

Sec. 13. Minnesota Statutes 1988, section 270.82, is amended to read:

270.82 REPORTS OF RAILROAD COMPANIES.

Subdivision 1. Every railroad company doing business in Minnesota shall annually file with the commissioner on or before ~~April 30~~ March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make the valuation and equalization required by Laws 1979, chapter 303, article 7, sections 1 to 13.

Subd. 2. The commissioner for good cause may extend for up to 15 days the time for filing the report required by subdivision 1.

Sec. 14. Minnesota Statutes 1988, section 270.84, is amended to read:

270.84 ANNUAL VALUATION OF OPERATING PROPERTY.

Subdivision 1. The commissioner shall annually between ~~April 30~~ March 31 and ~~July~~ May 31 make a determination of the fair market value of the operating property of every railroad company doing business in this state as of January 2 of the year in which the valuation is made. In making this determination, the commissioner shall employ generally accepted appraisal principles and practices which may include the unit method of determining value. The commissioner may promulgate emergency rules adopting valuation procedures under sections 14.29 to 14.36.

The commissioner shall give a report to the legislature in February 1985 and in February 1986 on the formula used to determine the value of railroad operating property pursuant to Laws 1984, chapter 502, article 9. This report shall also contain the valuation for taxes payable 1985 and 1986 by company and the taxes payable in 1985 and 1986 by company based upon the valuation of operating property. The legislature may review the formula, the valuation, and the resulting taxes and may make changes in the formula that it deems necessary.

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Subd. 2. The commissioner, after determining the fair market value of the operating property of each railroad company, shall give notice ~~by first class mail~~ to the railroad company of the valuation by first class mail, overnight delivery, or messenger service.

Sec. 15. Minnesota Statutes 1988, section 270.85, is amended to read:

270.85 REVIEW OF VALUATION.

A railroad company may within ~~45 ten~~ days of ~~receipt the date~~ of the notice of valuation file a written request for a conference with the commissioner relating to the value of its operating property. The commissioner shall thereupon designate a time and place for the conference which the commissioner shall conduct, upon commissioner's entire files and records and such further information as may be offered. ~~Said The~~ conference ~~shall must~~ be held no later than ~~30 20~~ days after ~~mailing the date~~ of the commissioner's valuation notice. At a reasonable time after such conference the commissioner shall make a final determination of the fair market value of the operating property of the railroad company and shall notify the company promptly ~~thereof of the determination.~~

Sec. 16. Minnesota Statutes 1988, section 270.87, is amended to read:

270.87 CERTIFICATION TO COUNTY ASSESSORS.

After making an annual determination of the equalized fair market value of the operating property of each company in each of the respective counties, and in the taxing districts therein, the commissioner shall certify the equalized fair market value to the county assessor on or before ~~October 1, which shall constitute June 30.~~ The equalized fair market value of the operating property of the railroad company in ~~such the~~ county and the taxing districts therein ~~upon is the value on~~ which taxes ~~shall must~~ be levied and collected in the same manner as on the commercial and industrial property of such county and the taxing districts therein.

Sec. 17. Minnesota Statutes 1988, section 272.02, subdivision 4, is amended to read:

Subd. 4. Any property exempt from taxation on January 2 of any year which, due to sale or other reason, loses its exemption prior to ~~October 1~~ December 20 of any year, shall be placed on the current assessment rolls for that year.

The valuation shall be determined with respect to its value on January 2 of such year. The classification shall be based upon the use to which the property was put by the purchaser, or in the event the purchaser has not utilized the property by ~~October 1~~ December 20, the intended use of the property, determined by the county assessor, based upon all relevant facts.

Sec. 18. Minnesota Statutes 1988, section 272.115, subdivision 1, is amended to read:

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Subdivision 1. Whenever any real estate is sold on or after January 1, 1978 for a consideration in excess of \$1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located within 30 days of the sale. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual, present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate.

Sec. 19. Minnesota Statutes 1988, section 273.064, is amended to read:

273.064 EXAMINATION OF LOCAL ASSESSOR'S WORK; COMPLETION OF ASSESSMENTS.

The county assessor shall examine the assessment appraisal records of each local assessor anytime after January 15 of each year and shall immediately give notice in writing to the governing body of said district of any deficiencies in the assessment procedures with respect to the quantity of or quality of the work done as of that date and indicating corrective measures to be undertaken and effected by the local assessor not later than 30 days thereafter. If, upon reexamination of such records at that time, the deficiencies noted in the written notice previously given have not been substantially corrected to the end that a timely and uniform assessment of all real property in the county will be attained, then the county assessor with the approval of the county board shall collect the necessary records from the local assessor and complete the assessment or employ others to complete the assessment. When the county assessor has completed the assessments, the local assessor shall thereafter resume the assessment function within the district. In this circumstance the cost of completing the assessment shall be charged against the assessment district involved. The county auditor shall certify the costs thus incurred to the appropriate governing body not later than ~~September~~ August 1 and if unpaid as of ~~October 10~~ September 1 of the assessment year, the county auditor shall levy a tax upon the taxable property of said assessment district sufficient to pay such costs. The amount so collected shall be credited to the general revenue fund of the county.

Sec. 20. Minnesota Statutes 1988, section 273.065, is amended to read:

273.065 DELIVERY OF ASSESSMENT APPRAISAL RECORDS; EXTENSIONS.

Assessment districts shall complete the assessment appraisal records on or before ~~March 15~~ February 1. The records shall be delivered to the county

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assessor as of that date and any work which is the responsibility of the local assessor which is not completed by ~~March 15~~ February 1 shall be accomplished by the county assessor or persons employed by the county assessor and the cost of such work shall be charged against the assessment district as provided in section 273.064. Extensions of time to complete the assessment appraisal records may be granted to the local assessor by the county assessor if such extension is approved by the county board.

Sec. 21. Minnesota Statutes 1989 Supplement, section 273.1104, subdivision 2, is amended to read:

Subd. 2. On or before ~~September 15~~ May 1 in each year, the commissioner shall send to each person subject to the tax on unmined iron ores and to each taxing district affected, a notice of the market value of the unmined ores as determined by the commissioner prior to adjustment under subdivision 1. Said notice shall be sent by mail directed to such person at the address given in the report filed and the assessor of such taxing district, but the validity of the tax shall not be affected by the failure of the commissioner of revenue to mail such notice or the failure of the person subject to the tax to receive it.

On the first secular day following the ~~first day of October~~ May 20, the commissioner of revenue shall hold a hearing which may be adjourned from day to day. All relevant and material evidence having probative value with respect to the issues shall be submitted at the hearing and such hearing shall not be a "contested case" within the meaning of section 14.02, subdivision 3. Every person subject to such tax may at such hearing present evidence and argument on any matter bearing upon the validity or correctness of the tax determined to be due, and the commissioner of revenue shall review the determination of such tax.

Sec. 22. Minnesota Statutes 1989 Supplement, section 273.119, subdivision 2, is amended to read:

Subd. 2. **REIMBURSEMENT FOR LOST REVENUE.** The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the cost of the property tax credit. The county auditor shall certify to the commissioner of revenue ~~on or before June 1 of each year~~, as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29, the amount of tax lost to the county from the property tax credit under subdivision 1 and the extent that the tax lost exceeds funds available in the county conservation account. Any prior year adjustments must also be certified in the abstracts of tax lists. The commissioner of revenue shall review the certifications to determine their accuracy. The commissioner may make the changes in the certification that are considered necessary or return a certification to the county auditor for corrections. ~~On or before July 15 of each year~~, The commissioner shall reimburse ~~the county~~ each taxing district, other than school districts, from the Minnesota conservation

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fund under section 40A.151 for the taxes lost in excess of the county account. The payments must be made at the times provided in section 477A.015 for payment of local government aid to taxing jurisdictions in the same proportion that the ad valorem tax is distributed.

Sec. 23. Minnesota Statutes 1988, section 273.123, subdivision 4, is amended to read:

Subd. 4. **STATE REIMBURSEMENT.** The county auditor shall calculate the tax on the property described in subdivision 2 based on the assessment made on January 2 of the year in which the disaster or emergency occurred. The difference between the tax determined on the January 2 gross tax capacity and the tax actually payable based on the reassessed gross tax capacity determined under subdivision 2 shall be reimbursed to each taxing jurisdiction in which the damaged property is located. The amount shall be certified by the county auditor and reported to the commissioner of revenue. The commissioner shall make the payments to the taxing jurisdictions, other than school districts, containing the property at the time distributions are made ~~pursuant to section 273.13 for taxes payable in 1989, and pursuant to section 273.1398 for taxes payable in 1990 and thereafter~~ under section 477A.015, in the same proportion that the ad valorem tax is distributed.

Sec. 24. Minnesota Statutes 1988, section 273.123, subdivision 5, is amended to read:

Subd. 5. **COMPUTATION OF CREDITS.** The amounts of any credits or tax relief which reduce the gross tax shall be computed upon the reassessed gross tax capacity determined under subdivision 2. ~~Payment shall be made pursuant to section 273.13 for taxes payable in 1989, and pursuant to section 273.1398 for taxes payable in 1990 and thereafter.~~ For purposes of the property tax refund, property taxes payable, as defined in section 290A.03, subdivision 13, and net property taxes payable, as defined in section 290A.04, subdivision 2d, shall be computed upon the reassessed gross tax capacity determined under subdivision 2.

Sec. 25. Minnesota Statutes 1988, section 273.1392, is amended to read:

273.1392 PAYMENT; AIDS TO SCHOOL DISTRICTS.

The amounts of conservation tax credits under section 273.119; disaster or emergency reimbursement under section 273.123; attached machinery aid under section 273.138; homestead credit under section 273.13; agricultural credit under section 273.132; aids and credits under section 273.1398; enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10, shall be certified to the department of education by the department of revenue. The amounts so certified shall be paid according to section 124.195, subdivisions 6 and 10.

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Sec. 26. Minnesota Statutes 1988, section 273.33, subdivision 2, is amended to read:

Subd. 2. The personal property, consisting of the pipeline system of mains, pipes, and equipment attached thereto, of pipeline companies and others engaged in the operations or business of transporting natural gas, gasoline, crude oil, or other petroleum products by pipelines, shall be listed with and assessed by the commissioner of revenue. This subdivision shall not apply to the assessment of the products transported through the pipelines nor to the lines of local commercial gas companies engaged primarily in the business of distributing gas to consumers at retail nor to pipelines used by the owner thereof to supply natural gas or other petroleum products exclusively for such owner's own consumption and not for resale to others. On or before ~~October 4~~ June 30, the commissioner shall certify to the auditor of each county, the amount of such personal property assessment against each company in each district in which such property is located.

Sec. 27. Minnesota Statutes 1988, section 273.37, subdivision 2, is amended to read:

Subd. 2. Transmission lines of less than 69 kv, transmission lines of 69 kv and above located in an unorganized township, and distribution lines, and equipment attached thereto, having a fixed situs outside the corporate limits of cities except distribution lines taxed as provided in sections 273.40 and 273.41, shall be listed with and assessed by the commissioner of revenue in the county where situated. The commissioner shall assess such property at the percentage of market value fixed by law; and, on or before ~~the 15th day of November~~ June 30, shall certify to the auditor of each county in which such property is located the amount of the assessment made against each company and person owning such property.

Sec. 28. [273.371] REPORTS OF UTILITY COMPANIES.

Subdivision 1. REPORT REQUIRED. Every electric light, power, gas, water, express, stage, and transportation company and pipeline doing business in Minnesota shall annually file with the commissioner on or before March 31 a report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make valuations, recommended valuations, and equalization required under sections 273.33, 273.35, 273.36, and 273.37.

Subd. 2. EXTENSION. The commissioner for good cause may extend the time for filing the report required by subdivision 1. The extension may not exceed 15 days.

Sec. 29. Minnesota Statutes 1988, section 274.14, is amended to read:

274.14 LENGTH OF SESSION; RECORD.

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The county board of equalization or the special board of equalization appointed by it shall meet during the last two weeks in June that contain ten meeting days, excluding Saturday and Sunday. ~~The commissioner may extend the session period to July 15 but~~ No action taken by the county board of review after ~~the extended termination date June 30~~ is valid. The county auditor shall keep an accurate record of the proceedings and orders of the board. The record must be published like other proceedings of county commissioners. A copy of the published record must be sent to the commissioner of revenue, with the abstract of assessment required by section 274.16.

Sec. 30. [274.175] **VALUES FINALIZED.**

The assessments recorded by the county assessor and the county auditor under sections 273.124, subdivision 9; 274.16; 274.17; or other law for real and personal property are final on July 1 of the assessment year, except for property added to the assessment rolls under section 272.02, subdivision 4, or deleted because of tax forfeiture pursuant to chapter 281. No changes in value may be made after July 1 of the assessment year.

Sec. 31. Minnesota Statutes 1988, section 275.065, subdivision 1, is amended to read:

Subdivision 1. **PROPOSED LEVY.** Notwithstanding any law or charter to the contrary, on or before August September 1, each taxing authority, other than a school district, shall adopt a proposed budget and each taxing authority shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. For purposes of this section, "taxing authority" shall include includes all home rule and statutory cities with a population of over 2,500, towns with a population over 5,000, counties, school districts, the metropolitan council, and the metropolitan regional transit commission and special taxing districts.

Sec. 32. Minnesota Statutes 1988, section 275.065, is amended by adding a subdivision to read:

Subd. 1a. **OVERLAPPING JURISDICTIONS.** In the case of a taxing authority lying in two or more counties, the home county auditor shall certify the proposed levy to the other county auditor by September 20 for taxes levied in 1990, and thereafter, and the proposed tax capacity rate by September 5 for taxes levied in 1991, and thereafter, for counties containing a city of the first class. The home county auditor must estimate the levy or rate in preparing the notices required in subdivision 3, if the other county has not certified the appropriate information. If requested by the home county auditor, the other county auditor must furnish an estimate to the home county auditor.

Sec. 33. Minnesota Statutes 1988, section 275.065, is amended by adding a subdivision to read:

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Subd. 1b. CERTIFICATION OF POPULATION; PUPILS. (a) On or before September 1, the state demographer shall certify to the county auditor the population of each taxing authority and the change in population as required in subdivision 3, paragraph (d), clause (3).

(b) On or before September 1, the commissioner of education shall certify to the county auditor the number of pupils in average daily membership in the school district and the change in the number of pupils in average daily membership as required in subdivision 3, paragraph (d), clause (3).

Sec. 34. Minnesota Statutes 1988, section 275.065, subdivision 3, is amended to read:

Subd. 3. NOTICE OF PROPOSED PROPERTY TAXES. (a) If there is a percentage increase in property taxes proposed by the taxing authority, on or before September 15, The county auditor shall compute for each parcel of property on the assessment rolls within the taxing authority the proposed property tax for taxes levied in the current year. In the case of cities under 2,500 population, and all special taxing districts except the metropolitan council and the metropolitan regional transit commission, the auditor shall use the taxing district's previous year tax capacity rate for use in computing the total property tax. The county auditor shall prepare and the county treasurer shall deliver on or before November 10 each year, by first class mail to each taxpayer at the address listed on the city's county's current year's assessment roll, a notice of the taxpayer's proposed property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) A notice in substantially the following form shall be sufficient.

NOTICE OF PROPOSED PROPERTY TAXES

DO NOT PAY THIS IS NOT A BILL

This notice shows the amount your next property tax bill will be if proposed budgets are approved by the local government districts you live in. It also shows the amount of your next property tax bill if the local government districts you live in do not change their budgets from this year:

Name of property owner	Description of property	Market value of property	Class of property
John Q. and Mary W. Smith	Lot 1, Block 1 Pleasant Acres sub-division Middletown, Minnesota	\$65,000	residential homestead

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LAWS of MINNESOTA
1989 FIRST SPECIAL SESSION

Based on their proposed budgets, next year the governing bodies of the county, city, school district, and special tax districts you live in are proposing to collect from you the amount of property tax shown below. At the meetings listed below, the governing bodies will discuss and vote on the amount of their budgets for next year. The larger the amount of the budget, the more property tax you will pay. You can attend the meetings and express your opinions about the amount of the budget before the budget is voted on:

These local governments collect property tax from you	Amount of your tax if they do not change their budgets from this year	Amount of your tax if they adopt their proposed budgets	Time and place of meetings on proposed budgets
County: Spruce	\$218.55	\$257.75 1988, 7:30 pm Room 123, Spruce Co. Courthouse	September 1,
City or Town: Middletown	\$168.63	\$184.09	October 1, 1988, 8:00 pm Middletown Town Hall
Public School: Ind. Dist. 123 set by school board	\$47.56	\$146.88	September 25, 1988,
set by state law	\$300.00	\$300.00	Cafeteria, Middletown Town Hall
Special Tax Districts Metropolitan Council	\$25.00	\$50.00 1988, 3:00 pm Board Room, Tri-County Hospital	October 5,
Metropolitan Regional Transit Board	\$10.00	\$12.00	October 12, 1988, 6:00 pm Common Room, Tri-County Library

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Tax-before-State

payments:	\$769.74	\$950.72
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Payments by

State:	(subtract: \$215.00)	(subtract: \$235.00)
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Your tax if budget is not changed: \$554.74

Your tax if proposed budget is adopted: \$715.72

The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year as required in paragraph (d) or (e). It must clearly state that each taxing authority, other than a town or special taxing district, will hold a public meeting to receive public testimony on the proposed budget and property tax levy, or, in case of a school district, on the proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting and an address where comments will be received by mail. It must state the time and place for the continuation of the hearing if the hearing is not completed on the original date.

(d) Except as provided in paragraph (e), the notice must state by county, city or town, and school district:

(1) the total proposed property tax levy for taxes payable the following year after reduction for state aid;

(2) the percentage increase or decrease from the actual property tax levy for taxes payable in the current year; and

(3) for counties, cities, and towns, the increase or decrease in population from the second previous calendar year to the immediately prior calendar year, as determined by the state demographer, and for school districts, the increase or decrease in the number of pupils in average daily membership from the second previous school year to the immediately prior school year as determined by the commissioner of education.

For purposes of this paragraph, "proposed property taxes after reduction for state aid" means the taxing authority's levy certified under section 275.07, subdivision 1.

(e) In the case of a county containing a city of the first class, or taxing authority lying wholly within a county or counties containing a city of the first class, for taxes levied in 1991, and thereafter, the notice must state for each parcel:

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(1) the market value of the property as defined under section 272.03, subdivision 8, for property taxes payable in the following year and for taxes payable the current year;

(2) by county, city or town, school district, the sum of the special taxing districts, and as a total of the taxing authorities, including special taxing districts, the proposed net tax on the property for taxes payable the following year and the actual tax for taxes payable the current year; and

(3) the increase or decrease in the amounts in clause (2) from taxes payable in the current year to proposed taxes payable the following year, expressed as a dollar amount and as a percentage.

(f) The notice must clearly state that the proposed taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, school district levy referenda, and levy limit increase referenda;

(3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified; and

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified.

Sec. 35. Minnesota Statutes 1988, section 275.065, subdivision 4, is amended to read:

Subd. 4. **COSTS.** ~~The taxing authority shall pay the county for~~ If the reasonable cost of the county auditor's services and ~~for the costs~~ cost of preparing and mailing the notice required in this section exceed the amount distributed to the county by the commissioner of revenue to administer this section, ~~the taxing authority must reimburse the county for the excess cost. The excess cost must be apportioned between taxing jurisdictions as follows:~~

(1) one-third is allocated to the county;

(2) one-third is allocated to cities and towns within the county; and

(3) one-third is allocated to school districts within the county.

The amounts in clause (2) must be further apportioned among the cities and towns in the proportion that the population of the city and town bears to the population of all the cities and towns within the county. The amount in clause (3) must be further apportioned among the school districts in the proportion that the number of pupils in the school district bears to the number of pupils in all school districts within the county.

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Sec. 36. Minnesota Statutes 1988, section 275.065, subdivision 6, is amended to read:

Subd. 6. **PUBLIC HEARING; ADOPTION OF BUDGET AND LEVY.** ~~Prior to October 25 Between November 15 and December 20, the governing body~~ bodies of the city and county shall each hold a public hearing to adopt its final budget and property tax levy for taxes payable in the following year, and the governing body of the school district shall hold a public hearing to adopt its property tax levy for taxes payable in the following year. ~~The hearing must be held not less than two days or more than five days after the day the notice is first published.~~

At the hearing, the taxing authority, other than a school district, may amend the proposed budget and property tax levy and must adopt a final budget and property tax levy, and the school district may amend the proposed property tax levy and must adopt a final property tax levy.

The adopted property tax levy ~~adopted~~ must not exceed the final proposed levy determined under subdivision 2, 1 paragraph (e), except by an amount up to the sum of the following amounts:

(1) the amount of a school district levy whose voters approved a referendum to increase taxes under section 124A.03, subdivision 2, or 124.82, subdivision 3, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters under section 275.58 after the proposed levy was certified;

(3) the amount of a levy to pay principal and interest on bonds issued or approved by the voters under section 475.58 after the proposed levy was certified;

(4) the amount of a levy to pay costs due to a natural disaster occurring after the proposed levy was certified, if that amount is approved by the commissioner of revenue under subdivision 6a; and

(5) the amount of a levy to pay tort judgments against a taxing authority that become final after the proposed levy was certified, if the amount is approved by the commissioner of revenue under subdivision 6a.

At the hearing the percentage increase in property taxes proposed by the taxing authority, if any, and the specific purposes for which property tax revenues are being increased must be discussed. During the discussion, the governing body shall hear comments regarding a proposed increase and explain the reasons for the proposed increase. The public shall be allowed to speak and to ask questions prior to adoption of any measures by the governing body. The governing body, other than the governing body school districts, shall adopt its final property tax levy prior to adopting its final budget.

The hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No hearing may be held on a Sunday. ~~The school board and county board shall~~ The commissioner of revenue shall provide for the coordination of

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hearing dates so that a taxing authority does not schedule public meetings on days the days scheduled for the hearing by the governing body of the city another taxing authority.

If the hearing is recessed, the taxing authority shall publish a notice in a qualified newspaper of general paid circulation in the city. The notice must state the time and place for the continuation of the hearing and must be published at least two days but not more than five days prior to the date the hearing will be continued.

This subdivision does not apply to towns and special taxing districts.

Sec. 37. Minnesota Statutes 1988, section 275.065, is amended by adding a subdivision to read:

Subd. 6a. APPROVAL OF COMMISSIONER. (a) A taxing authority may appeal to the commissioner of revenue for authorization to levy an amount over the amount of the proposed levy. The taxing authority must provide evidence satisfactory to the commissioner that it has incurred costs for the purposes specified in paragraph (b). The commissioner may approve an increase in the taxing authority's levy of up to the amount of costs incurred or a lesser amount determined by the commissioner. The commissioner's decision is final.

(b) A levy addition may be made under paragraph (a) for the following costs incurred after the proposed levy is certified: (1) the unreimbursed costs to satisfy judgments rendered against the taxing authority by a court of competent jurisdiction in a tort action in excess of \$50,000 or ten percent of the current year's proposed certified levy whichever is less; and (2) the costs incurred in clean up of a natural disaster. For purposes of this subdivision, "natural disaster" includes the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from causes such as earthquake, fire, flood, windstorm, wave action, oil spill, water contamination, air contamination, or drought.

Sec. 38. Minnesota Statutes 1988, section 275.065, subdivision 7, is amended to read:

Subd. 7. CERTIFICATION OF COMPLIANCE. At the time the taxing authority certifies its tax levy under section 275.07, it shall certify to the commissioner of revenue its compliance with this section. The certification must contain copies of the advertisement required under subdivision 5; the resolution adopting the final property tax levy under subdivision 6; and any other the information required by the commissioner of revenue to determine compliance with this section. If the commissioner determines that the taxing authority has failed to substantially comply with the requirements of this section, the commissioner of revenue shall notify the county auditor. The decision of the commissioner is final. When fixing rates under section 275.08 for a taxing authority that has not complied with this section, the county auditor must use the ~~no~~ increase tax rate taxing authority's previous year's levy.

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Sec. 39. Minnesota Statutes 1988, section 275.07, subdivision 1, is amended to read:

Subdivision 1. The taxes voted by cities, towns, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before ~~October 25~~ five working days after December 20 in each year. The taxes certified shall not be adjusted by the aid received under section 273.1398, subdivisions 2 and 3. If a city, town, county, school district, or special district fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year. ~~If the local unit notifies the commissioner of revenue before October 25 of its inability to certify its levy by that date, and the commissioner is satisfied that the delay is unavoidable and is not due to the negligence of the local unit's officials or staff, the commissioner shall extend the time within which the local unit shall certify its levy up to 15 calendar days beyond the date of request for extension.~~

Sec. 40. Minnesota Statutes 1988, section 275.07, is amended by adding a subdivision to read:

Subd. 4. REPORT TO COMMISSIONER. On or before September 15 for taxes levied in 1990, and thereafter, the county auditor shall report to the commissioner of revenue the proposed levy certified by local units of government under section 275.065, subdivision 1. On or before January 15, for taxes levied in 1989 and thereafter, the county auditor shall report to the commissioner of revenue the final levy certified by local units of government under subdivision 1. The levies must be reported in the manner prescribed by the commissioner. The reports must show a total levy and the amount of each special levy.

Sec. 41. Minnesota Statutes 1988, section 275.08, subdivision 2, is amended to read:

Subd. 2. **ESTIMATES.** If, by ~~December~~ January 15 of any year, the county auditor has not received from another county auditor the tax capacity rate or gross tax capacity applicable to any taxing district lying in two or more counties, the county auditor who has not received the necessary information may levy taxes for the overlapping district by estimating the tax capacity rate or the gross tax capacity.

Sec. 42. Minnesota Statutes 1988, section 275.08, subdivision 3, is amended to read:

Subd. 3. **ASSISTANCE OF COUNTY AUDITOR.** A county auditor who has not furnished the tax capacity rate or gross tax capacity of property in the county by ~~December~~ January 15 shall, on request, furnish the county auditor of a county in the overlapping district an estimate of the tax capacities or the tax capacity rate. The auditor may request the assistance of the county assessor in determining the estimate.

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Sec. 43. Minnesota Statutes 1988, section 275.124, is amended to read:

275.124 REPORT OF CERTIFIED LEVY.

Prior to ~~February~~ April 1 of each year, each county auditor shall report to the commissioner of education on forms furnished by the commissioner, the amount of the certified levy made by each school district within the county which has taxable property and any other information concerning these levies that is deemed necessary by the commissioner.

Sec. 44. Minnesota Statutes 1989 Supplement, section 275.125, subdivision 5, is amended to read:

Subd. 5. **BASIC TRANSPORTATION LEVY.** Each year, a school district may levy for school transportation services an amount not to exceed the amount raised by the basic transportation tax capacity rate times the adjusted net tax capacity of the district for the preceding year. The commissioner of revenue shall establish the basic transportation tax capacity rate and certify it to the commissioner of education by ~~September~~ July 1 of each year for levies payable in the following year. The basic transportation tax capacity rate shall be a rate, rounded up to the nearest hundredth of a percent, that, when applied to the adjusted net tax capacity of taxable property for all districts, raises the amount specified in this subdivision. The basic transportation tax capacity rate for transportation shall be the rate that raises \$82,063,200 for fiscal year 1991 and \$86,166,400 for subsequent fiscal years. The basic transportation tax capacity rate certified by the commissioner of revenue must not be changed due to changes or corrections made to a district's adjusted net tax capacity after the tax capacity rate has been certified.

Sec. 45. Minnesota Statutes 1989 Supplement, section 275.125, subdivision 5b, is amended to read:

Subd. 5b. **TRANSPORTATION LEVY OFF-FORMULA ADJUSTMENT.** (a) In the 1989 and 1990 fiscal years, if the basic transportation levy under subdivision 5 in a district attributable to the fiscal year exceeds the transportation aid computation under section 124.225, subdivisions 8b, 8i, 8j, and 8k, the district's levy limitation shall be adjusted as provided in this subdivision. In the ~~next~~ second year following each fiscal year, the district's transportation levy shall be reduced by an amount equal to the difference between (1) the amount of the basic transportation levy under subdivision 5, and (2) the sum of the district's transportation aid computation pursuant to section 124.225, subdivisions 8b, 8i, 8j, and 8k, and the amount of any subtraction made from special state aids pursuant to section 124.2138, subdivision 2, less the amount of any aid reduction due to an insufficient appropriation as provided in section 124.225, subdivision 8a.

(b) For 1991 and later fiscal years, in a district if the basic transportation levy under subdivision 5 attributable to that fiscal year is more than the difference

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between (1) the district's transportation revenue under section 124.225, subdivision 7c, and (2) the sum of the district's maximum nonregular levy under subdivision 5c and the district's contracted services aid reduction under section 124.225, subdivision 8k, and the amount of any reduction due to insufficient appropriation under section 124.225, subdivision 8a, the district's transportation levy in the ~~next~~ second year following each fiscal year must be reduced by the amount of the excess.

Sec. 46. Minnesota Statutes 1989 Supplement, section 275.14, is amended to read:

275.14 CENSUS.

For the purposes of sections 124.2713 and 275.11 to 275.16, the population of a city shall be that established by the last federal census, by a special census taken by the United States Bureau of the Census, by an estimate made by the metropolitan council, or by the state demographer made according to section 116K.04, subdivision 4, whichever has the latest stated date of count or estimate, before July 2 of the current levy year. The population of a school district must be as certified by the department of education from the most recent federal census.

In any year in which no federal census is taken pursuant to law in any school district affected by sections 275.11 to 275.16 a population estimate may be made and submitted to the state demographer for approval as hereinafter provided. The school board of a school district, in case it desires a population estimate, shall pass a resolution by ~~September~~ July 1 containing a current estimate of the population of the school district and shall submit the resolution to the state demographer. The resolution shall describe the criteria on which the estimate is based and shall be in a form and accompanied by the data prescribed by the state demographer. The state demographer shall determine whether or not the criteria and process described in the resolution provide a reasonable basis for the population estimate and shall inform the school district of that determination within 30 days of receipt of the resolution. If the state demographer determines that the criteria and process described in the resolution do not provide a reasonable basis for the population estimate, the resolution shall be of no effect. If the state demographer determines that the criteria and process do provide a reasonable basis for the population estimate, the estimate shall be treated as the population of the school district for the purposes of sections 275.11 to 275.16 until the population of the school district has been established by the next federal census or until a more current population estimate is prepared and approved as provided herein, whichever occurs first. The state demographer shall establish guidelines for acceptable population estimation criteria and processes. The state demographer shall issue advisory opinions upon request in writing to cities or school districts as to proposed criteria and processes prior to their implementation in an estimation. The advisory opinion shall be final and binding upon the demographer unless the demographer can show cause why it should not be final and binding.

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In the event that a census tract employed in taking a federal or local census overlaps two or more school districts, the county auditor shall, on the basis of the best information available, allocate the population of said census tract to the school districts involved.

The term "council," as used in sections 275.11 to 275.16, means any board or body, whether composed of one or more branches, authorized to make ordinances for the government of a city within this state.

Sec. 47. Minnesota Statutes 1989 Supplement, section 275.28, subdivision 1, is amended to read:

Subdivision 1. **AUDITOR TO MAKE.** The county auditor shall make out the tax lists according to the prescribed form, and to correspond with the assessment districts. The rate percent necessary to raise the required amount of the various taxes shall be calculated on the net tax capacity of property as determined by the state board of equalization, but, in calculating such rates, no rate shall be used resulting in a fraction other than a decimal fraction, or less than a gross tax capacity rate of .01 percent or a net tax capacity rate of .01 percent; and, in extending any tax, whenever it amounts to the fractional part of a cent, it shall be made one cent. The tax lists shall also be made out to correspond with the assessment books in reference to ownership and description of property, with columns for the valuation and for the various items of tax included in the total amount of all taxes set down opposite each description. Opposite each description which has been sold for taxes, and which is subject to redemption, but not redeemed, shall be placed the words "sold for taxes." The amount of all special taxes shall be entered in the proper columns, but the general taxes may be shown by entering the rate percent of each tax at the head of the proper columns, without extending the same, in which case a schedule of the rates percent of such taxes shall be made on the first page of each tax list. If the auditor fails to enter on any such list before its delivery to the treasurer any tax levied, the tax may be subsequently entered. The tax lists shall be deemed completed, and all taxes extended thereon, as of ~~October 16~~ January 1 annually.

Sec. 48. Minnesota Statutes 1988, section 275.29, is amended to read:

275.29 ABSTRACTS TO COMMISSIONER OF REVENUE.

~~On or before January 1~~ Not later than March 31, in each year, the county auditor shall make and transmit to the commissioner of revenue, in such form as may be prescribed by the commissioner of revenue, complete abstracts of the tax lists of the county, showing the number of acres of land assessed; its value, including the structures thereon; the value of town and city lots, including structures; the total value of all taxable personal property in the several assessment districts; the aggregate amount of all taxable property in the county, and the total amount of taxes levied therein for state, county, town, and all other purposes for that year.

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Sec. 49. Minnesota Statutes 1988, section 275.51, is amended by adding a subdivision to read:

Subd. 7. LEVY LIMIT CERTIFICATION. The commissioner of revenue must certify the levy limitations under sections 275.50 to 275.58 to each governmental subdivision by October 23 for levy year 1989 and August 1 of levy year 1990 and thereafter.

Sec. 50. Minnesota Statutes 1988, section 275.58, subdivision 2, is amended to read:

Subd. 2. A levy limit base per capita adjustment approved pursuant to subdivision 1 at a general or special election held prior to ~~October 4~~ five working days after December 20 in any levy year increases the levy limit base per capita in that same levy year by the approved per capita amount and provides a permanent adjustment to the levy limit base per capita of the governmental subdivision for future levy years. A levy limit base per capita adjustment approved pursuant to subdivision 1 at a general or special election held on or after September 30 five working days after December 20 in any levy year shall not increase the levy limit base per capita in that same levy year but shall provide a permanent adjustment to the levy limit base per capita of the governmental subdivision for future levy years.

Sec. 51. Minnesota Statutes 1988, section 275.58, subdivision 3, is amended to read:

Subd. 3. An additional levy approved pursuant to subdivision 1 at a general or special election held prior to ~~October 4~~ five working days after December 20 in any levy year may be levied in that same levy year and in any levy years thereafter. An additional levy approved pursuant to subdivision 1 at a general or special election held on or after September 30 five working days after December 20 in any levy year shall not be levied in that same levy year, but may be levied in the subsequent levy year and in levy years thereafter.

Sec. 52. Minnesota Statutes 1988, section 276.01, is amended to read:

276.01 DELIVERY OF LISTS TO TREASURER.

On or before the first business day in ~~January~~ March in each year, the county auditor shall deliver the lists of the districts of the county to the county treasurer and get the treasurer's receipt for them. The lists must show the total amount of taxes due. Where the names of taxpayers appear in the property tax lists, the county auditor shall show the taxpayers' addresses. The lists are authority for the treasurer to collect the taxes shown on the list.

In counties that have elected to come under section 273.03, subdivision 2, when the county treasurer possesses the lists provided for in section 275.28, subdivision 3, the county auditor shall have access to the lists to change the

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market valuations and the classifications of real estate in the lists that the auditor would have been required to change in the assessment books provided for in section 273.03, subdivision 1, except for the election to discontinue the preparation of the assessment books. The county auditor is the official custodian of the lists after the year when they are in the county treasurer's possession.

Sec. 53. Minnesota Statutes 1988, section 276.04, subdivision 2, is amended to read:

Subd. 2. **CONTENTS OF TAX STATEMENTS.** (a) ~~The treasurer shall, whether or not directed by the county board, cause to be printed on all~~ provide for the printing of the tax statements; or on an attachment. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The statement must contain a tabulated statement of the dollar amount due to each taxing authority from the parcel of real property for which a particular tax statement is prepared. The dollar amounts due the county, township or municipality and school district must be separately stated. The amounts due other taxing districts, if any, may be aggregated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The statement shall include the following sentence, printed in upper case letters in boldface print: "THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT."

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

(c) For taxes payable in 1990 and thereafter, real and personal property tax statements must contain (1) the property's market value, as defined in section 272.03, subdivision 8; (2) the net tax capacity rate applicable to the property's classification under section 273.13; and the product of (1) and (2); the property's initial tax. The statement must show the difference between a property's gross tax capacity and net tax capacity multiplied by the tax capacity rate as "state paid homestead and agricultural credit." The statement must also show the decrease in tax attributable to that portion of the sum of the following aids attributable to the property as "state paid tax relief": (i) education aids payable under chapters 124 and 124A; (ii) local government aid for cities, towns, and counties under chapter 477A; (iii) disparity reduction aid paid under section 273.1398; and (iv) income maintenance aids as defined in section 273.1398, subdivision 1, paragraph (i). The commissioner of revenue shall certify to the county auditor the actual or estimated aids local governments will receive in the following year.

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(d) For taxes payable in 1989 only, the statement must show the property's market value, as defined in section 272.03, subdivision 8, and the amount attributable to section 273.13, subdivisions 22 and 23, as "state paid homestead credit" and the amount attributable to section 273.132 as "state paid agricultural credit." The statement must also show the decrease in tax attributable to that portion of the sum of the following aids attributable to the property as "state paid tax relief": (i) education aids under chapters 124 and 124A; (ii) local government aid for cities, towns, and counties under chapter 477A; and (iii) disparity reduction aid under section 273.1398. The commissioner of revenue shall certify to the county auditor the actual or estimated aids local governments will receive in the following year:

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

(1) the property's estimated market value as defined in section 272.03, subdivision 8;

(2) the property's gross tax, calculated by multiplying the property's gross tax capacity times the total tax capacity rate and adding to the result the sum of the aids enumerated in clause (3);

(3) a total of the following aids:

(i) education aids payable under chapters 124 and 124A;

(ii) local government aids for cities, towns, and counties under chapter 477A; and

(iii) disparity reduction aid under section 273.1398;

(4) for homestead residential and agricultural properties, the homestead and agricultural credit aid apportioned to the property. This amount is obtained by multiplying the total tax capacity rate by the difference between the property's gross and net tax capacities under section 273.13. This amount must be separately stated and identified as "homestead and agricultural credit." For purposes of comparison with the previous year's amount for the statement for taxes payable in 1990, the statement must show the homestead credit for taxes payable in 1989 under section 273.13, and the agricultural credit under section 273.132 for taxes payable in 1989;

(5) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10; and

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

The commissioner of revenue shall certify to the county auditor the actual

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or estimated aids enumerated in clauses (3) and (4) that local governments will receive in the following year. In the case of a county containing a city of the first class, or a county that has adopted the provisions of section 81, the commissioner must certify this amount by September 1.

(d) For taxes payable in 1990, the commissioner shall prescribe language notifying taxpayers that state aid dollars were transferred from the city or town to the school district. The language must notify taxpayers that the transfer results in an increase in city or town taxes and a decrease in school taxes that is unrelated to spending decisions of the city or town and school district. The commissioner may prescribe that the amount of the transfer be stated. The commissioner may provide that the statement required under this clause be included as a separate enclosure.

Sec. 54. Minnesota Statutes 1988, section 276.04, subdivision 3, is amended to read:

Subd. 3. **MAILING OF TAX STATEMENTS.** The county treasurer shall mail to taxpayers statements of their personal property taxes due not later than February 15 April 15 for property taxes payable in 1990 and March 31 thereafter, except in the case of manufactured homes and sectional structures taxed as personal property. Statements of the real property taxes due shall be mailed not later than January 31 April 15 for property taxes payable in 1990 and March 31 thereafter. The validity of the tax shall not be affected by failure of the treasurer to mail the statement. The taxpayer is defined as the owner who is responsible for the payment of the tax.

Sec. 55. Minnesota Statutes 1988, section 276.09, is amended to read:

276.09 SETTLEMENT BETWEEN AUDITOR AND TREASURER.

On ~~March 5~~, and May 20 of each year, the county treasurer shall make full settlement with the county auditor of all receipts collected for all purposes, from the date of the last settlement up to and including each day mentioned. The county auditor shall, within 30 days after ~~each~~ the settlement, send an abstract of it to the state auditor in the form prescribed by the state auditor. At ~~each~~ the settlement the treasurer shall make complete returns of the receipts on the current tax list, showing the amount collected on account of the several funds included in the list.

Settlement of receipts from May 20 to December 31 of each year must be made as provided in section 276.111.

For purposes of this section, "receipts" includes all tax payments received by the county treasurer on or before the settlement date.

Sec. 56. Minnesota Statutes 1988, section 276.10, is amended to read:

276.10 APPORTIONMENT AND DISTRIBUTION OF FUNDS.

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On the settlement day in ~~March and~~ May of each year, the county auditor and county treasurer shall distribute all undistributed funds in the treasury. The funds must be apportioned as provided by law, and credited to the state, town, city, school district, special district and each county fund. Within 20 days after the distribution is completed, the county auditor shall report to the state auditor in the form prescribed by the state auditor. The county auditor shall issue a warrant for the payment of money in the county treasury to the credit of the state, town, city, school district, or special districts on application of the persons entitled to receive the payment. The county auditor may apply the tax capacity rate from the year before the year of distribution when apportioning and distributing delinquent tax proceeds, if the composition of the previous year's tax capacity rate between taxing districts is not significantly different than the tax capacity rate that existed for the year of the delinquency.

Sec. 57. Minnesota Statutes 1988, section 276.11, subdivision 1, is amended to read:

Subdivision 1. **GENERALLY.** As soon as practical after the ~~March and May settlements~~ settlement the county treasurer shall pay to the state treasurer or the treasurer of a town, city, school district, or special district, on the warrant of the county auditor, all receipts of taxes levied by the taxing district and deliver up all orders and other evidences of indebtedness of the taxing district, taking triplicate receipts for them. The treasurer shall file one of the receipts with the county auditor, and shall return one by mail on the day of its receipt to the clerk of the town, city, school district, or special district to which payment was made. The clerk shall keep the receipt in the clerk's office. Upon written request of the taxing district, to the extent practicable, the county treasurer shall make partial payments of amounts collected periodically in advance of the next settlement and distribution. A statement prepared by the county treasurer must accompany each payment. It must state the years for which taxes included in the payment were collected and, for each year, the amount of the taxes and any penalties on the tax. Upon written request of a taxing district, except school districts, the county treasurer shall pay at least 70 percent of the estimated collection within 30 days after the ~~March and May settlement dates~~ date. Within seven business days after the due date, the county treasurer shall pay to the treasurer of the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district. The remaining 50 percent of the estimated collections must be paid to the treasurer of the school district within the next seven business days. The treasurer shall pay the balance of the amounts collected to the state or to a municipal corporation or other body within 60 days after the ~~March and May settlement dates~~ date. After 45 days interest at an annual rate of eight percent accrues and must be paid to the taxing district. Interest must be paid upon appropriation from the general revenue fund of the county. If not paid, it may be recovered by the taxing district, in a civil action.

Sec. 58. Minnesota Statutes 1988, section 277.01, subdivision 1, is amended to read:

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Subdivision 1. All unpaid personal property taxes ~~where the amount is \$50 or less shall be deemed delinquent on the later of March 1 and May 16~~ next after they become due ~~or 30 days after the postmark date on the envelope containing the property tax statement~~, and thereupon a penalty of eight percent shall attach and be charged upon all such taxes. ~~When the amount of such tax exceeds the sum of \$50 the first half shall become delinquent if not paid prior to March 1 or 30 days after the postmark date on the envelope containing the property tax statement, whichever is later; and thereupon a penalty of eight percent shall attach on such unpaid first half. The second half of a tax in excess of \$50 shall become delinquent if not paid prior to July 1 and thereupon a penalty of eight percent shall attach on such unpaid second half.~~ This section shall not apply to class 2a property.

A county may provide by resolution that in the case of a property owner that has multiple personal property tax statements with the aggregate taxes exceeding \$50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year the payment is made. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 277.011 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

Sec. 59. Minnesota Statutes 1988, section 277.02, is amended to read:

277.02 DELINQUENT LIST FILED IN COURT.

~~On the last secular day of July,~~ By June 15 of each year, the county treasurer shall make a list of all personal property taxes remaining delinquent ~~July first~~ May 16, and shall immediately certify to and file the same with the court administrator of the district court of the county, and upon such filing the list shall be prima facie evidence that all of the provisions of law in relation to the assessment and levy of such taxes have been complied with.

Sec. 60. Minnesota Statutes 1988, section 277.05, is amended to read:

277.05 SHERIFF TO FILE LIST OF UNCOLLECTED TAXES.

If the sheriff is unable, for want of goods and chattels whereon to levy, to collect by a distress, or otherwise, the taxes, or any part thereof, assessed upon the personal property of any persons, the sheriff shall file with the court administrator of the district court, on ~~September first~~ July 15 following, a list of such taxes, with an affidavit of the sheriff, or of the deputy sheriff entrusted with the collection thereof, stating that the affiant has made diligent search and inquiry for goods and chattels from which to collect such taxes, and is unable to collect

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the same. The list of such taxes as they apply to manufactured homes shall be filed on December 1. The sheriff shall note on the margin of such list the place to which any delinquent taxpayer may have removed, with the date of removal, if known. At the time of filing the list the sheriff shall also return all the warrants with endorsements thereon showing the doings of the sheriff or deputy in the premises, and the court administrator shall file and preserve the same. On or before September tenth thereafter, the court administrator shall deliver such list and affidavit to the county treasurer, who shall, by comparison of such list with the tax duplicates in the treasurer's office, ascertain whether or not all personal property taxes reported by the treasurer to the court administrator as delinquent, except those included in such list, have been paid into the treasurer's office, and shall attach to the list a certificate stating whether or not all taxes reported by the treasurer to the court administrator as delinquent and not included in the list have been received, and stating the items of such taxes, if any, as have been received. The court administrator shall deliver such list and affidavit as they apply to manufactured homes on or before December 10. The treasurer shall deliver such list and affidavit, with the certificate attached, to the county board at its first session thereafter, which shall cancel such taxes as it is satisfied cannot be collected. A copy of the tax list so revised, and also a separate list of the taxes so canceled, shall be included in the records of the proceedings of the board, and published in full, as a part of the proceedings.

Sec. 61. Minnesota Statutes 1988, section 277.06, is amended to read:

277.06 CITATION TO DELINQUENTS; DEFAULT JUDGMENT.

On ~~October 20~~ September 5, or within ten days after the adjournment of the county board, whichever occurs first, the county auditor shall file a copy of such revised list with the court administrator of the district court. The county auditor shall file a copy of the revised list as it applies to manufactured homes on January 20. Within ten days after the list has been filed, the court administrator shall issue a citation to each delinquent named in the list, stating the amount of tax and penalty, and requiring such delinquent to appear on a day to be set by the district court in the county, appointed to be held at a time not less than 30 days after the issuance of such citation, and show cause, if any there be, why the delinquent should not pay the tax and penalty. The citation shall be delivered for service to the sheriff of the county where such person may at the time reside or be. If such person, after service of the citation, fails to pay such tax, penalty, and costs to the sheriff before the first day of the term, or on such day to show cause as aforesaid, the court shall direct judgment against the person for the amount of such tax, penalty, and costs. When unable to serve the citation, the sheriff shall return the same to the court administrator, with a return thereto to that effect, and thereupon, or if the court decides that the service of such citation made or attempted to be made, or the issuance thereof by the court administrator, was illegal, the court administrator shall issue another like citation, requiring such delinquent to appear on the first day of the next general term to be held in the county, and show cause as aforesaid, and if the

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delinquent fails to pay or to show cause, the court shall direct judgment as aforesaid. Whenever the sheriff has been unable to serve any such citation theretofore issued in any year or years, or whenever the court decides that the service of any such citation theretofore made or attempted to be made, or the issuance thereof by the court administrator, was illegal, the court administrator shall issue another like citation requiring such delinquent to appear, as in the case last provided, and with like effect; provided, that all citations other than the first shall be issued only on the request of the county attorney.

Sec. 62. Minnesota Statutes 1988, section 277.13, is amended to read:

277.13 REMOVAL OF DELINQUENT; DUTY OF COUNTY AUDITOR.

Within 30 days after June first By July 30, in each year, the county auditor shall make out and forward to the court administrator of the district court of any county to which any delinquent personal property taxpayer may have removed a statement of such delinquent taxes, specifying the value of the property on which such taxes were levied and the amount of the taxes, to which the auditor shall add an amount equal to 25 percent on the taxes levied if such delinquent taxpayer left the county in which the taxes were levied after the day upon which they became due, but not otherwise. On receipt of such statement or account, the court administrator shall issue a warrant to the sheriff of the county, who shall immediately proceed to collect the same of the person so charged with the taxes and percent, together with a court administrator's fee of 25 cents for each warrant so issued. The sheriff shall deliver such warrant, with the doings thereunder, to the court administrator, together with the amount of collections thereon. The court administrator shall remit all taxes thus collected to the treasurer of the county to which they belong, and at the same time shall return the original statement to the auditor of such county, certifying the amount of such collections, and, if any taxes remain unpaid, the reason why they could not be collected. The auditor shall charge the treasurer to whom such remittance is made with the amount thereof, and cancel such taxes from the list. Receipts shall be issued to the sheriff for delinquent taxes collected and the payment shall be made in the manner provided in section 276.05.

Sec. 63. Minnesota Statutes 1989 Supplement, section 469.033, subdivision 6, is amended to read:

Subd. 6. OPERATION AREA AS TAXING DISTRICT, SPECIAL TAX. All of the territory included within the area of operation of any authority shall constitute a taxing district for the purpose of levying and collecting special benefit taxes as provided in this subdivision. All of the taxable property, both real and personal, within that taxing district shall be deemed to be benefited by projects to the extent of the special taxes levied under this subdivision. Subject to the consent by resolution of the governing body of the city in and for which it was created, an authority may levy each year a tax upon all taxable property within that taxing district. The authority shall certify the tax to the auditor of the county in which the taxing district is located on or before ~~October 10~~ five

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working days after December 20 in each year. The tax shall be extended, spread, and included with and as a part of the general taxes for state, county, and municipal purposes by the county auditor, to be collected and enforced therewith, together with the penalty, interest, and costs. As the tax, including any penalties, interest, and costs, is collected by the county treasurer it shall be accumulated and kept in a separate fund to be known as the "housing and redevelopment project fund." The money in the fund shall be turned over to the authority at the same time and in the same manner that the tax collections for the city are turned over to the city, and shall be expended only for the purposes of sections 469.001 to 469.047. It shall be paid out upon vouchers signed by the chair of the authority or an authorized representative. The amount of the levy shall be an amount approved by the governing body of the city, but shall not exceed .0081 percent of taxable market value except that in cities of the first class having a population of less than 200,000, the levy shall not exceed .00403 percent of taxable market value. The authority may levy an additional levy, not to exceed .0008 percent of taxable market value, to be used to defray costs of providing informational service and relocation assistance as set forth in section 462.445, subdivision 4. The authority shall each year formulate and file a budget in accordance with the budget procedure of the city in the same manner as required of executive departments of the city or, if no budgets are required to be filed, by August 1. The amount of the tax levy for the following year shall be based on that budget and shall be approved by the governing body.

Sec. 64. Minnesota Statutes 1988, section 469.171, is amended by adding a subdivision to read:

Subd. 7a. PROPERTY TAX CREDIT; APPROPRIATION. There is annually appropriated from the general fund to the commissioner of revenue the amounts required to reimburse taxing jurisdictions for the revenue lost due to the property tax credit provided in subdivision 1, clause (4). Payment shall be made to taxing jurisdictions in the same proportion that the ad valorem tax is distributed. Payment shall be made to taxing jurisdictions, other than school districts, at the times provided in section 477A.015.

Sec. 65. Minnesota Statutes 1988, section 469.177, subdivision 6, is amended to read:

Subd. 6. REQUEST FOR CERTIFICATION OF NEW TAX INCREMENT FINANCING DISTRICT. A request for certification of a new tax increment financing district pursuant to subdivision 1 or of a modification to an existing tax increment financing district pursuant to section 469.175, subdivision 4, received by the county auditor on or before ~~October 10~~ July 1 of the calendar year shall be recognized by the county auditor in determining tax capacity rates for the current and subsequent levy years. Requests received by the county auditor after ~~October 10~~ July 1 of the calendar year shall not be recognized by the county auditor in determining tax capacity rates for the current levy year but shall be recognized by the county auditor in determining tax capacity rates for subsequent levy years.

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Sec. 66. Minnesota Statutes 1988, section 473.167, subdivision 4, is amended to read:

Subd. 4. **STATE REVIEW.** The council must certify its property tax levy to the commissioner of revenue by August 1 of the levy year. The commissioner of revenue shall annually determine whether the property tax for the right-of-way acquisition loan fund certified by the metropolitan council for levy following the adoption of its budget is within the levy limitation imposed by this section. ~~To the extent practicable,~~ The determination must be completed prior to ~~November~~ September 1 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculation.

Sec. 67. Minnesota Statutes 1988, section 473.249, subdivision 2, is amended to read:

Subd. 2. The council must certify its property tax levy to the commissioner of revenue by August 1 of the levy year. The commissioner of revenue shall annually determine whether the ad valorem property tax certified by the metropolitan council for levy following the adoption of its budget is within the levy limitation imposed by this section. ~~To the extent practicable,~~ The determination shall be completed prior to ~~December~~ September 1 of each year. If current information regarding gross tax capacity in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current gross tax capacity within that county for purposes of making the calculation.

Sec. 68. Minnesota Statutes 1988, section 473.446, subdivision 8, is amended to read:

Subd. 8. **STATE REVIEW.** The board must certify its property tax levy to the commissioner of revenue by August 1 of the levy year. The commissioner of revenue shall annually determine whether the property tax for general purposes certified by the regional transit board for levy following the adoption of its budget is within the levy limitation imposed by subdivision 1. The commissioner shall also annually determine whether the transit tax imposed on all taxable property within the metropolitan transit area but outside of the metropolitan transit taxing district is within the levy limitation imposed by subdivision 1a. ~~To the extent practicable,~~ The determination must be completed prior to ~~November~~ September 1 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculations.

Sec. 69. Minnesota Statutes 1988, section 473.711, subdivision 5, is amended to read:

Subd. 5. **STATE REVIEW.** The commission must certify its property tax

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levy to the commissioner of revenue by August 1 of the levy year. The commissioner of revenue shall annually determine whether the property tax certified by the metropolitan mosquito control commission for levy following the adoption of its budget is within the levy limitation imposed by subdivision 2. ~~To the extent practicable;~~ The determination must be completed prior to ~~November~~ September 1 of each year. If current information regarding market valuation in any county is not transmitted to the commissioner in a timely manner, the commissioner may estimate the current market valuation within that county for purposes of making the calculation.

Sec. 70. Minnesota Statutes 1988, section 473F.05, is amended to read:

473F.05 GROSS TAX CAPACITY; ~~1988 AND SUBSEQUENT YEARS.~~

On or before ~~November 20~~ August 5 of ~~1988 and each subsequent~~ year, the assessors within each county in the area shall determine and certify to the county auditor the gross tax capacity in that year of commercial-industrial property subject to taxation within each municipality in the county, determined without regard to section 469.177, subdivision 3.

Sec. 71. Minnesota Statutes 1988, section 473F.06, is amended to read:

473F.06 INCREASE IN GROSS TAX CAPACITY.

On or before ~~September 1~~ July 15 of ~~1976 and each subsequent~~ year, the auditor of each county in the area shall determine the amount, if any, by which the gross tax capacity determined in the preceding year pursuant to section 473F.05, of commercial-industrial property subject to taxation within each municipality in the auditor's county exceeds the gross tax capacity in 1971 of commercial-industrial property subject to taxation within that municipality. If a municipality is located in two or more counties within the area, the auditors of those counties shall certify the data required by section 473F.05 to the county auditor who is responsible under other provisions of law for allocating the levies of that municipality between or among the affected counties. That county auditor shall determine the amount of the net excess, if any, for the municipality under this section, and certify that amount under section 473F.07. Notwithstanding any other provision of sections 473F.01 to 473F.13 to the contrary, in the case of a municipality which is designated on July 24, 1971, as a redevelopment area pursuant to section 401(a)(4) of the Public Works and Economic Development Act of 1965, Public Law Number 89-136, the increase in its gross tax capacity of commercial-industrial property for purposes of this section shall be determined in each year subsequent to the termination of such designation by using as a base the gross tax capacity of commercial-industrial property in that municipality in the year following that in which such designation is terminated, rather than the gross tax capacity of such property in 1971. The increase in gross tax capacity determined by this section shall be reduced by the amount of any decreases in the gross tax capacity of commercial-industrial property resulting from any court decisions, court related stipulation agreements, or abatements

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for a prior year, and only in the amount of such decreases made during the 12-month period ending on ~~June 30~~ May 1 of the current assessment year, where such decreases, if originally reflected in the determination of a prior year's gross tax capacity under section 473F.05, would have resulted in a smaller contribution from the municipality in that year. An adjustment for such decreases shall be made only if the municipality made a contribution in a prior year based on the higher gross tax capacity of the commercial-industrial property.

Sec. 72. Minnesota Statutes 1988, section 473F.07, subdivision 1, is amended to read:

Subdivision 1. Each county auditor shall certify the determinations pursuant to sections 473F.05 and 473F.06 to the administrative auditor on or before ~~November 20~~ August 1 of each year. The administrative auditor shall determine the sum of the amounts certified pursuant to section 473F.06, and divide that sum by 2-1/2. The resulting amount shall be known as the "areawide gross tax capacity for(year)."

Sec. 73. Minnesota Statutes 1988, section 473F.07, subdivision 2, is amended to read:

Subd. 2. The commissioner of revenue shall certify to the administrative auditor, on or before ~~November 20~~ August 10 of each year, the population of each municipality for the second preceding year, the proportion of that population which resides within the area, the average fiscal capacity of municipalities for the preceding year, and the fiscal capacity of each municipality for the preceding year.

Sec. 74. Minnesota Statutes 1988, section 473F.07, subdivision 5, is amended to read:

Subd. 5. The product of the multiplication prescribed by subdivision 4 shall be known as the "areawide gross tax capacity for(year) attributable to(municipality)." The administrative auditor shall certify such product to the auditor of the county in which the municipality is located on or before ~~November 25~~ August 15.

Sec. 75. Minnesota Statutes 1988, section 473F.08, subdivision 3, is amended to read:

Subd. 3. ~~On or before October 15 of 1976 and each subsequent year,~~ The county auditor shall apportion the levy of each governmental unit in the auditor's county in the manner prescribed by this subdivision. The auditor shall:

(a) by August 20, determine the areawide portion of the levy for each governmental unit by multiplying the tax capacity rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (b); and

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(b) by September 5, determine the local portion of the current year's levy by subtracting the resulting amount from clause (a) from the governmental unit's current year's levy.

Sec. 76. Minnesota Statutes 1988, section 473F.08, subdivision 5, is amended to read:

Subd. 5. On or before ~~November 30 of 1972 and~~ August 25 of each ~~subsequent~~ year, the county auditor shall certify to the administrative auditor that portion of the levy of each governmental unit determined pursuant to subdivision 3, clause (a). The administrative auditor shall then determine the tax capacity rate sufficient to yield an amount equal to the sum of such levies from the areawide gross tax capacity. On or before ~~December 5~~ September 1 of each year, the administrative auditor shall certify said rate to each of the county auditors.

Sec. 77. Minnesota Statutes 1988, section 473F.09, is amended to read:

473F.09 ADJUSTMENTS IN DATES.

If, by reason of the enactment of any other law, the date by which the commissioner of revenue is required to certify to the county auditors the records of proceedings affecting the gross tax capacity of property is advanced to a date earlier than ~~November 15~~ June 30, the dates specified in sections 473F.07 and 473F.10 may be modified in the years to which such other law applies in the manner and to the extent prescribed by the administrative auditor.

Sec. 78. Minnesota Statutes 1988, section 473H.10, subdivision 3, is amended to read:

Subd. 3. **COMPUTATION OF TAX; STATE REIMBURSEMENT.** (a) After having determined the market value of all land valued according to subdivision 2, the assessor shall compute the gross tax capacity of those properties by applying the appropriate classification percentages. When computing the rate of tax pursuant to section 275.08, the county auditor shall include the gross tax capacity of land as provided in this clause.

(b) The county auditor shall compute the tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the gross tax capacity times the total rate of tax for all purposes as provided in clause (a).

(c) The county auditor shall then compute the maximum ad valorem property tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the gross tax capacity times 105 percent of the previous year's statewide average tax capacity rate levied on property located within townships for all purposes.

(d) The tax due and payable by the owner of preserve land valued according to subdivision 2 and nonresidential buildings will be the amount determined in

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clause (b) or (c), whichever is less. If the gross tax in clause (c) is less than the gross tax in clause (b), the state shall reimburse the taxing jurisdictions for the amount of difference. Residential buildings shall continue to be valued and classified according to the provisions of sections 273.11 and 273.13, as they would be in the absence of this section, and the tax on those buildings shall not be subject to the limitation contained in this clause.

The county may transfer money from the county conservation account created in section 40A.152 to the county revenue fund to reimburse the fund for the tax lost as a result of this subdivision or to pay taxing jurisdictions within the county for the tax lost. The county auditor shall certify to the commissioner of revenue on or before June 1 the total amount of tax lost to the county and taxing jurisdictions located within the county as a result of this subdivision and the extent that the tax lost exceeds funds available in the county conservation account. Payments shall be made by the state ~~as provided in section 273.13, subdivision 15a;~~ at the times provided in section 477A.015 to each of the affected taxing jurisdictions, other than school districts, in the same proportion that the ad valorem tax is distributed if the county conservation account is insufficient to make the reimbursement. There is annually appropriated from the Minnesota conservation fund under section 40A.151 to the commissioner of revenue an amount sufficient to make the reimbursement provided in this subdivision. If the amount available in the Minnesota conservation fund is insufficient, the balance that is needed is appropriated from the general fund.

Sec. 79. Minnesota Statutes 1988, section 477A.011, subdivision 3, is amended to read:

Subd. 3. **POPULATION.** Population means the population established by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the metropolitan council, or by a population estimate of the state demographer made pursuant to section 116K.04, subdivision 4, clause (10), whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year. The term "per capita" refers to population as defined by this subdivision.

Sec. 80. Minnesota Statutes 1988, section 477A.011, subdivision 3a, is amended to read:

Subd. 3a. **NUMBER OF HOUSEHOLDS.** Number of households means the number of households established by the most recent federal census, by a special census conducted under contract with the United States bureau of the census, by an estimate made by the metropolitan council, or by an estimate of the state demographer made pursuant to section 116K.04, subdivision 4, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year.

Sec. 81. **APPROPRIATION.**

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\$1,840,000 is appropriated for fiscal year 1991 from the general fund to the commissioner of revenue to reimburse counties for costs of compliance with Minnesota Statutes, section 275.065, for taxes payable in 1991. This appropriation must be apportioned among the counties and distributed by the commissioner of revenue in the same manner that the appropriation in Laws 1988, chapter 719, article 5, section 85, was apportioned and distributed.

Sec. 82. APPROPRIATION; COMPLEMENT INCREASE.

\$60,000 is appropriated for fiscal year 1990 and \$80,000 for fiscal year 1991 is appropriated from the general fund to the commissioner of education for costs to administer Minnesota Statutes, section 275.065. The complement of the education finance and analysis section of the department of education is increased by two.

Sec. 83. PROPOSED PROPERTY TAXES; NOTICE FOR PROPERTY TAXES PAYABLE IN 1990.

Subdivision 1. APPLICABILITY. Notwithstanding Minnesota Statutes, section 275.065, or any other law or charter to the contrary, for property taxes levied in 1989 and payable in 1990, proposed budgets and property tax levies shall be certified and adopted under this section.

Subd. 2. PROPOSED LEVY. On or before November 15, 1989, each taxing authority, other than a school district, shall adopt a proposed budget and each taxing authority shall certify to the county auditor the proposed property tax levy. For purposes of this section, "taxing authority" includes all home rule and statutory cities with a population over 2,500, counties, school districts, the metropolitan council, and the metropolitan regional transit commission.

Subd. 3. FORM OF NOTICE. (a) Each taxing authority shall publish an advertisement at least five weekdays before a public budget hearing or public property tax levy hearing that includes:

(1) the hour, date, and place of hearing; and the hour, date, and place for a continuation of the hearing if the hearing is not completed on the original date;

(2) the total dollar amount of the proposed property taxes payable in 1990 to be levied by the taxing authority;

(3) the percentage of increase or decrease between the proposed property tax payable in 1990 over the amount of property taxes payable in 1989; and

(4) a statement inviting all citizens to attend and participate in the hearing.

(b) In the case of cities, the notice may include a statement that part of a percentage increase in property taxes under paragraph (a), clause (3), reflects a transfer of state aid dollars from the city to the school district to reduce school district taxes, and is not caused by increased city spending.

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Subd. 4. PUBLICATION OF NOTICE. (a) Taxing authorities located within the counties of Hennepin, Ramsey, Dakota, Washington, Anoka, Carver, and Scott and not located partly within any other county must publish the notice provided under subdivision 3 in the community section of the Minneapolis Star Tribune or the St. Paul Pioneer Press-Dispatch, whichever is circulated to the greatest number of people within the taxing authority. The notice must be published in the edition of the community section that regularly publishes news of the taxing authority area.

(b) All taxing authorities not included in paragraph (a), except for cities with a population over 2,500, shall publish the notice provided under subdivision 3 in the official newspaper of the taxing authority.

(c) Cities with populations over 2,500 not included in paragraph (a) shall publish the notice provided under subdivision 3 in a daily newspaper that is printed in the city for circulation in the city. If there is no daily newspaper printed in the city, the notice must be published in the weekly newspaper of the greatest circulation that is printed in the city for circulation in the city. If there is no daily or weekly newspaper printed in the city for circulation in the city then the notice must be published in a daily newspaper printed in the county in which the city is located for circulation within the county. If there is no daily newspaper printed in the county for circulation in the county, the notice must be published in the weekly newspaper of the greatest circulation that is printed in the county for circulation in the county.

(d) For purposes of paragraphs (b) and (c), the newspapers in which the notices are published must meet the following requirements:

- (1) the newspaper must be sold;
- (2) the newspaper must regularly contain news articles of general interest;
- (3) the newspaper must be delivered directly to subscribers by mail or carrier; and
- (4) if there is no newspaper of general circulation that is sold within the taxing authority, the notice may be published in a free newspaper if the free newspaper meets the requirements of clauses (2) and (3).

Subd. 5. PUBLIC HEARING. On or before December 28, 1989, the governing body of each taxing authority shall hold a public hearing to adopt its final budget and property tax levy, or, in the case of a school district, its property tax levy, for taxes payable in 1990.

At the hearing, the taxing authority, other than a school district, may amend the proposed budget and property tax levy and must adopt a final budget and property tax levy, and the school district may amend the proposed property tax levy and must adopt a final property tax levy.

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Subd. 6. ADDITIONS TO LEVY. (a) The adopted property tax levy must not exceed the proposed levy, except by an amount up to the sum of the following amounts:

(1) the amount of a school district levy whose voters approved a referendum to increase taxes under section 124A.03, subdivision 2, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters under section 275.58 after the proposed levy was certified;

(3) the amount of a levy to pay principal and interest on bonds issued or approved by the voters under section 475.58 after the proposed levy was certified;

(4) the amount of a levy to pay costs due to a natural disaster occurring after the proposed levy was certified, if that amount is approved by the commissioner of revenue under this subdivision; and

(5) the amount of a levy to pay tort judgments against a taxing authority that become final after the proposed levy was certified, if the amount is approved by the commissioner of revenue under this subdivision.

(b) A taxing authority may appeal to the commissioner of revenue for authorization to levy an amount over the amount of the proposed levy under clause (4) or (5). The taxing authority must provide evidence satisfactory to the commissioner that it has incurred costs for the purposes specified in this subdivision. The commissioner may approve an increase in the taxing authority's levy of up to the amount of costs incurred or a lesser amount determined by the commissioner. The commissioner's decision is final.

A levy addition may be made under this subdivision only if the following costs incurred after the proposed levy is certified are: (1) the unreimbursed costs to satisfy judgments rendered against the taxing authority by a court of competent jurisdiction in a tort action in excess of \$50,000 or ten percent of the current year's proposed certified levy whichever is less; and (2) the costs incurred in clean up of a natural disaster. For purposes of this subdivision, "natural disaster" includes the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from causes such as earthquake, fire, flood, windstorm, wave action, oil spill, water contamination, air contamination, or drought.

Subd. 7. CERTIFICATION. Each taxing authority shall certify its final levy for property taxes payable in 1990 on or before December 28, 1989.

Subd. 8. APPROVAL OF COMMISSIONER. Each taxing authority shall certify to the commissioner of revenue its compliance with this section. The certification must contain copies of the advertisement required under subdivision 4, the final property tax levy under subdivision 5, and any other information required by the commissioner. If the commissioner determines that the

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taxing authority has failed to substantially comply with this section, the commissioner shall notify the county auditor. The decision of the commissioner is final. When fixing rates under section 275.08 for a taxing authority that has not complied with this section, the county auditor must use the taxing authority's 1988 property tax levy.

Subd. 9. NEW NOTICE AND HEARING REQUIRED. Each taxing authority must comply with the provisions of this section for taxes levied in 1989. If a taxing authority has published a notice or had a public hearing prior to the date of final enactment of this act that does not comply with the provisions of this section, or if a proposed levy or adopted levy will change as a result of the provisions of this act, the taxing authority must publish a correct notice and hold a hearing that complies with the provisions of this section.

Sec. 84. PRESCRIPTION OF TAX STATEMENTS; NOTIFICATION.

At least 15 working days before the commissioner of revenue prescribes the property tax statement for taxes payable in 1990 as required under Minnesota Statutes, section 276.04, the commissioner shall notify the chairs of the senate committee on taxes and tax laws and the house committee on taxes of the property tax statement that the commissioner proposes to prescribe. The commissioner shall consider the advice and comments of the chairs before prescribing the statement.

Sec. 85. REPEALER.

Minnesota Statutes 1988, sections 270.81, subdivision 5; and 275.065, subdivisions 2 and 5, are repealed.

Sec. 86. EFFECTIVE DATES.

Section 5 is effective for school district referenda held after July 15, 1990, for property taxes levied in 1990, payable in 1991, and thereafter.

Sections 1 to 4, 6 to 8, 10 to 12, 17, 19 to 21, 26 to 30, 41 to 48, 50 to 52, and 66 to 77 are effective for taxes levied in 1990, payable in 1991, and thereafter.

The part of section 9 changing the meeting date of the state board of equalization is effective for taxes levied in 1990, payable in 1991, and thereafter. The rest of section 9 and sections 13 to 16, 22 to 25, 78, and 82, 84, and 85 are effective the day following final enactment.

Section 18 is effective for sales after January 1, 1990.

Sections 31 to 38 and 40 are effective for taxes levied in 1990, payable in 1991, and thereafter, except as otherwise provided.

Sections 39, 49, 54 to 64, 79, and 80 are effective for property taxes levied in 1989, payable in 1990, and thereafter.

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Section 53 is effective for property taxes levied in 1989, payable in 1990, and thereafter, except that the provision requiring certification of aids by September 1, is effective for taxes levied in 1990, payable in 1991, and thereafter.

Sections 65 and 81 are effective July 1, 1990.

Section 83 is effective only for taxes levied in 1989, payable in 1990.

ARTICLE 10

INCOME AND BUSINESS TAXES

Section 1. Minnesota Statutes 1988, section 10A.31, subdivision 5, is amended to read:

Subd. 5. In each calendar year the money in the general account shall be allocated to candidates as follows:

- (1) 21 percent for the offices of governor and lieutenant governor together;
- (2) 3.6 percent for the office of attorney general;
- (3) 1.8 percent each for the offices of secretary of state, state auditor, and state treasurer;
- (4) In each calendar year during the period in which state senators serve a four-year term, 23-1/3 percent for the office of state senator and 46-2/3 percent for the office of state representative;
- (5) In each calendar year during the period in which state senators serve a two-year term, 35 percent each for the offices of state senator and state representative.

In each calendar year the money in each party account shall be allocated as follows:

- (1) 14 percent for the offices of governor and lieutenant governor together;
- (2) 2.4 percent for the office of attorney general;
- (3) 1.2 percent each for the offices of secretary of state, state auditor, and state treasurer;
- (4) In each calendar year during the period in which state senators serve a four-year term, 23-1/3 percent for the office of state senator and 46-2/3 percent for the office of state representative;
- (5) In each calendar year during the period in which state senators serve a

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two-year term, 35 percent each for the offices of state senator and state representative;

(6) ten percent for the state committee of a political party; money allocated to each state committee under this clause must be deposited in a separate account and must be spent for ~~legitimate political party operations, including voter education; the sample ballot; operations of precinct caucuses; county unit conventions; and state conventions; and the maintenance and programming of computers used to provide lists of voters; party workers; party officers; patterns of voting; and other data for use in political party activities~~ only those items enumerated in section 10A.275; money allocated to a state committee under this clause must be paid to the committee by the state treasurer as notified by the state ethical practices board as it is received in the account; on a monthly or other basis ~~agreed to between the committee and the board,~~ with payment on the 15th day of the calendar month following the month in which the tax returns were received, provided that these distributions would be equal to the amount of money indicated in the department of revenue's weekly unedited reports of income tax returns for that month, subject to final annual adjustment and settlement as indicated according to the certification by the commissioner of revenue under subdivision 6. If the amount of total payments received before September 15 is greater than the amount certified by the commissioner of revenue on September 15, the total amount of payments distributed between September 1 and December 31 must be reduced by the amount of the overpayment.

To assure that moneys will be returned to the counties from which they were collected, and to assure that the distribution of those moneys rationally relates to the support for particular parties or for particular candidates within legislative districts, money from the party accounts for legislative candidates shall be distributed as follows:

Each candidate for the state senate and state house of representatives whose name is to appear on the ballot in the general election shall receive money from the candidate's party account set aside for candidates of the state senate or state house of representatives, whichever applies, according to the following formula;

For each county within the candidate's district the candidate's share of the dollars allocated in that county to the candidate's party account and set aside for that office shall be:

(a) The sum of the votes cast in the last general election in that part of the county in the candidate's district for all candidates of that candidate's party (i) whose names appeared on the ballot in each voting precinct of the state and (ii) for the state senate and state house of representatives, divided by

(b) The sum of the votes cast in that county in the last general election for all candidates of that candidate's party (i) whose names appeared on the ballot in each voting precinct in the state and (ii) for the state senate and state house of representatives, multiplied by

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(c) The amount in the candidate's party account allocated in that county and set aside for the candidates for the office for which the candidate is running.

The sum of all the county shares calculated in the formula above is the candidate's share of the candidate's party account.

In a year in which an election for the state senate occurs, with respect to votes for candidates for the state senate only, "last general election" means the last general election in which an election for the state senate occurred.

For any party under whose name no candidate's name appeared on the ballot in each voting precinct in the state in the last general election, amounts in the party's account shall be allocated based on (a) the number of people voting in the last general election in that part of the county in the candidate's district, divided by (b) the number of the people voting in that county in the last general election, multiplied by (c) the amount in the candidate's party account allocated in that county and set aside for the candidates for the office for which the candidate is running.

In a year in which the first election after a legislative reapportionment is held, "the candidate's district" means the newly drawn district, and voting data from the last general election will be applied to the area encompassing the newly drawn district notwithstanding that the area was in a different district in the last general election.

If in a district there was no candidate of a party for the state senate or state house of representatives in the last general election, or if a candidate for the state senate or state house of representatives was unopposed, the vote for that office for that party shall be the average vote of all the remaining candidates of that party in each county of that district whose votes are included in the sums in clauses (a) and (b). The average vote shall be added to the sums in clauses (a) and (b) before the calculation is made for all districts in the county.

Money from a party account not distributed to candidates for state senator and representative in any election year shall be returned to the general fund of the state. Money from a party account not distributed to candidates for other offices in an election year shall be returned to the party account for reallocation to candidates as provided in clauses (1) to (6) in the following year. Money from the general account refused by any candidate shall be distributed to all other qualifying candidates in proportion to their shares as provided in this subdivision.

Sec. 2. Minnesota Statutes 1988, section 60A.14, subdivision 1, is amended to read:

Subdivision 1. **FEES OTHER THAN EXAMINATION FEES.** In addition to the fees and charges provided for examinations, the following fees must be paid to the commissioner for deposit in the general fund:

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(a) by township mutual fire insurance companies:

- (1) for filing certificate of incorporation \$25 and amendments thereto, \$10;
- (2) for filing annual statements, \$15;
- (3) for each annual certificate of authority, \$15;
- (4) for filing bylaws \$25 and amendments thereto, \$10.

(b) by other domestic and foreign companies including fraternal and reciprocal exchanges:

- (1) for filing certified copy of certificate of articles of incorporation, \$100;
- (2) for filing annual statement, \$225;
- (3) for filing certified copy of amendment to certificate or articles of incorporation, \$100;
- (4) for filing bylaws, \$75 or amendments thereto, \$75;
- (5) for each company's certificate of authority, \$575, annually.

(c) the following general fees apply:

(1) for each certificate, including certified copy of certificate of authority, renewal, valuation of life policies, corporate condition or qualification, \$15;

(2) for each copy of paper on file in the commissioner's office 50 cents per page, and \$2.50 for certifying the same;

(3) for license to procure insurance in unadmitted foreign companies, \$575;

(4) for receiving and forwarding each notice, proof of loss, summons, complaint or other process served upon the commissioner of commerce, as attorney for service of process upon any nonresident agent or insurance company, including reciprocal exchanges, \$15 plus the cost of effectuating service by certified mail, which amount must be paid by the party serving the notice and may be taxed as other costs in the action;

(5) for valuing the policies of life insurance companies, one cent per \$1,000 of insurance so valued, provided that the fee shall not exceed \$1,000 per year for any company. The commissioner may, in lieu of a valuation of the policies of any foreign life insurance company admitted, or applying for admission, to do business in this state, accept a certificate of valuation from the company's own actuary or from the commissioner of insurance of the state or territory in which the company is domiciled;

(6) for receiving and filing certificates of policies by the company's actuary, or by the commissioner of insurance of any other state or territory, \$50;

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(7) for issuing an initial license to an individual agent, \$20 per license, for issuing an initial agent's license to a partnership or corporation, \$50, and for issuing an amendment (variable annuity) to a license, \$20, and for renewal of amendment, \$20;

(8) for each appointment of an agent filed with the commissioner, a domestic insurer shall remit \$5 and all other insurers shall remit \$3;

(9) for renewing an individual agent's license, \$20 per year per license, and for renewing a license issued to a corporation or partnership, \$50 per year;

(10) for issuing and renewing a surplus lines agent's license, \$150;

(11) for issuing duplicate licenses, \$5;

(12) for issuing licensing histories, \$10;

(13) for filing forms and rates, \$50 per filing;

(14) for annual renewal of surplus lines insurer license, \$300.

The commissioner shall adopt rules to define filings that are subject to a fee.

Sec. 3. Minnesota Statutes 1988, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. **DOMESTIC AND FOREIGN COMPANIES.** (a) On or before April 15, June 15, and December 15 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies and domestic mutual insurance companies, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. ~~For insurers other than town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) principally writing workers' compensation insurance, (ii) writing life insurance, or (iii) whose total assets at the end of the preceding calendar year exceed \$1,600,000,000~~ Except as provided in paragraph (b), installments must be based on a sum equal to two percent of the premiums described in paragraph ~~(b)~~ (c).

(b) For town and farmers' mutual insurance companies and mutual property and casualty insurance companies other than those (i) ~~principally writing workers' compensation insurance, (ii) writing life insurance, or (iii)~~ (ii) whose total assets at the end of the preceding calendar year exceed \$1,600,000,000, the installments must be based on an amount equal to the following percentages of the premiums described in paragraph ~~(b)~~ (c):

(1) for premiums paid after December 31, 1987, and before January 1, 1989, 1.5 percent;

(2) for premiums paid after December 31, 1988, and before January 1, 1992, one percent; and

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(3) (2) for premiums paid after December 31, 1991, one-half of one percent.

(b) (c) Installments under paragraph (a) or (b) are percentages of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise, during such year, excepting premiums written for marine insurance as specified in subdivision 6.

(e) (d) Failure of a company to make payments of at least one-third of either (1) the total tax paid during the previous calendar year or (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section.

Sec. 4. Minnesota Statutes 1988, section 60A.19, subdivision 6, is amended to read:

Subd. 6. **RETALIATORY PROVISIONS.** (1) When by the laws of any other state or country any taxes, fines, deposits, penalties, licenses, or fees, other than assessments made by an insurance guaranty association or similar organization, 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, other than assessments made pursuant to section 60C.06, are imposed on insurance companies of this state and their agents doing business in that state or country, or when any conditions precedent to the right to do business in that state are imposed by the laws thereof, beyond those imposed upon these foreign companies by the laws of this state, the same taxes, fines, deposits, penalties, licenses, fees, and conditions precedent shall be imposed upon every similar insurance company of that state or country and their agents doing or applying to do business in this state so long as these foreign laws remain in force.

(2) In the event that a domestic insurance company, after complying with all reasonable laws and rulings of any other state or country, is refused permission by that state or country to transact business therein after the commissioner of commerce of Minnesota has determined that that company is solvent and properly managed and after the commissioner has so certified to the proper authority of that other state or country, then, and in every such case, the commissioner may forthwith suspend or cancel the certificate of authority of every insurance company organized under the laws of that other state or country to the extent that it insures, or seeks to insure, in this state against any of the risks or hazards which that domestic company seeks to insure against in that other state or country. Without limiting the application of the foregoing provision, it is hereby determined that any law or ruling of any other state or country which prescribes to a Minnesota domestic insurance company the premium rate or rates for life insurance issued or to be issued outside that other state or country shall not be reasonable.

(3) This section 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.

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Sec. 5. Minnesota Statutes 1989 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 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; or the District of Columbia;

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

(4) the amount of any windfall profits tax deducted under section 164 or 471 of the Internal Revenue Code;

(5) 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;

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

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

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

(9) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code;

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

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

(12) 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

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amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities; and

(13) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g).

Sec. 6. Minnesota Statutes 1988, section 290.01, subdivision 29, is amended to read:

Subd. 29. **TAXABLE INCOME.** For tax years beginning after December 31, 1986, the term "taxable income" means:

- (1) for individuals, estates, and trusts, the same as taxable net income;
- (2) for corporations, including insurance companies, the taxable net income less
 - (i) the net operating loss deduction under section 290.095;
 - (ii) the dividends received deduction under section 290.21, subdivision 4; and
 - (iii) the charitable contribution deduction under section 290.21, subdivision 3.

Sec. 7. Minnesota Statutes 1989 Supplement, section 290.015, subdivision 3, is amended to read:

Subd. 3. **EXCEPTIONS.** (a) A person is not subject to tax under this chapter if the person is engaged in the business of selling tangible personal property and taxation of that person under this chapter is precluded by Public Law Number 86-272, United States Code, title 15, sections 381 to 384 or would be so precluded except for the fact that the person stored tangible personal property in a state licensed facility under chapter 231.

(b) Ownership of an interest in the following types of property (including those contacts with this state reasonably required to evaluate and complete the acquisition or disposition of the property, the servicing of the property or the income from it, the collection of income from the property, or the acquisition or liquidation of collateral relating to the property) shall not be a factor in determining whether the owner is subject to tax under this chapter:

- (1) an interest in a real estate mortgage investment conduit, a real estate investment trust, or a regulated investment company or a fund of a regulated investment company, as those terms are defined in the Internal Revenue Code of 1986, as amended through December 31, 1987;
- (2) an interest in money market instruments or securities as defined in section 290.191, subdivision 6, paragraphs (c) and (d);

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(3) an interest in a loan-backed, mortgage-backed, or receivable-backed security representing either: (i) ownership in a pool of promissory notes, mortgages, or receivables or certificates of interest or participation in such notes, mortgages, or receivables, or (ii) debt obligations or equity interests which provide for payments in relation to payments or reasonable projections of payments on the notes, mortgages, or receivables; ~~and which are issued by a financial institution or by an entity substantially all of whose assets consist of promissory notes, mortgages, receivables, or interests in them;~~

(4) an interest acquired from a person in any assets described in section 290.191, subdivision 11, paragraphs (e) to (l), ~~and in which the payment obligations embodied in such assets were solicited and entered into by persons independent and not acting on behalf of the owner~~ subject to the provisions of paragraph (c), clause (2)(A);

(5) an interest acquired from a person in the right to service, or collect income from any assets described in section 290.191, subdivision 11, paragraphs (e) to (l), ~~and in which the payment obligations embodied in such assets were solicited and entered into by persons independent and not acting on behalf of the owner~~ subject to the provisions of paragraph (c), clause (2)(A);

(6) an interest acquired from a person in a funded or unfunded agreement to extend or guarantee credit whether conditional, mandatory, temporary, standby, secured, or otherwise, subject to the provisions of paragraph (c), clause (2)(A);

(7) an interest of a person other than an individual, estate, or trust, in any intangible, tangible, real, or personal property acquired in satisfaction, whether in whole or in part, of any asset embodying a payment obligation which is in default, whether secured or unsecured, the ownership of an interest in which would be exempt under the preceding provisions of this subdivision, provided the property is disposed of within a reasonable period of time; or

~~(7)~~ (8) amounts held in escrow or trust accounts, pursuant to and in accordance with the terms of property described in this subdivision.

If the person is a member of the unitary group, paragraph (b), clauses (2) to ~~(7)~~, do not apply to an interest acquired from another member of the unitary group.

(c)(1) For purposes of paragraph (b), clauses (4) to (6), an interest in the type of assets or credit agreements described is deemed to exist at the time the owner becomes legally obligated, conditionally or unconditionally, to fund, acquire, renew, extend, amend, or otherwise enter into the credit arrangement.

(2)(A) An owner has acquired an interest from a person in paragraph (b), clauses (4) to (6), assets if:

(i) the owner at the time of the acquisition of the asset does not own,

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directly or indirectly, 15 percent or more of the outstanding stock or in the case of a partnership 15 percent or more of the capital or profit interests of the person from whom it acquired the asset;

(ii) the person from whom the owner acquired the asset regularly sells, assigns, or transfers interests in paragraph (b), clauses (4) to (6), assets during the 12 calendar months immediately preceding the month of acquisition to three or more persons; and

(iii) the person from whom the owner acquired the asset does not sell, assign, or transfer 75 percent or more of its paragraph (b), clauses (4) to (6), assets during the 12 calendar months immediately preceding the month of acquisition to the owner.

For purposes of determining indirect ownership under item (i), the owner is deemed to own all stock, capital, or profit interests owned by another person if the owner directly owns 15 percent or more of the stock, capital, or profit interests in the other person. The owner is also deemed to own through any intermediary parties all stock, capital, and profit interests directly owned by a person to the extent there exists a 15 percent or more chain of ownership of stock, capital, or profit interests between the owner, intermediary parties and the person.

(B) If the owner of the asset is a member of the unitary group, paragraph (b), clauses (4) to (8), do not apply to an interest acquired from another member of the unitary group. If the interest in the asset was originally acquired from a nonunitary member and at that time qualified as a section 290.015, subdivision 3, paragraph (b), asset, the foregoing limitation does not apply.

Sec. 8. Minnesota Statutes 1989 Supplement, section 290.015, subdivision 4, is amended to read:

Subd. 4. **LIMITATIONS.** (a) This section does not subject a trade or business to any regulation, including any tax, of any local unit of government or subdivision of this state if the trade or business does not own or lease tangible or real property located within this state and has no employees or independent contractors present in this state to assist in the carrying on of the business.

(b) The purchase of tangible personal property or intangible property or services by a person that conducts a trade or business with the principal place of business outside of Minnesota is referred to as the "non-Minnesota person"; from a person within Minnesota shall not be taken into account in determining whether the non-Minnesota person is subject to the taxes imposed by this chapter, except for services involving either the direct solicitation of Minnesota customers or relationships with Minnesota customers after sales are made. This paragraph is subject to the limitations contained in subdivision 3, paragraph (b), clauses (4) and (5) to (6).

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(c) No contact with any Minnesota financial institution by any financial institution with its principal place of business outside Minnesota with respect to transactions described in subdivision 3, or with respect to deposits received from or by a Minnesota financial institution, shall be taken into account in determining whether such a financial institution is subject to the taxes imposed by this chapter. The fact of participation by a Minnesota financial institution in a transaction which also involves a borrower and a financial institution that conducts a trade or business with its principal place of business outside of Minnesota shall not be a factor in determining whether such financial institution is subject to the taxes imposed by this chapter. This paragraph does not apply to transactions between or among members of the same unitary group.

Sec. 9. Minnesota Statutes 1988, section 290.02, is amended to read:

290.02 FRANCHISE TAX ON CORPORATIONS MEASURED BY NET INCOME.

An annual franchise tax on the exercise of the corporate franchise to engage in contacts with this state that produce gross income attributable to sources within this state is imposed upon every corporation that so exercises its franchise during the taxable year.

Contacts within this state do not include transportation in interstate or foreign commerce, or both, by means of ships navigating within or through waters that are made international for navigation purposes by any treaty or agreement to which the United States is a party.

The tax so imposed ~~shall be~~ is measured by ~~such~~ the corporations' taxable income and alternative minimum ~~tax base~~ taxable income for the taxable year for which the tax is imposed, and computed in the manner and at the rates provided in this chapter.

Sec. 10. Minnesota Statutes 1988, section 290.05, subdivision 1, is amended to read:

Subdivision 1. The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore and other ores the mining or production of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore within the meaning of this section;

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(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions;

(c) any insurance company that is domiciled in a state or country other than Minnesota that imposes retaliatory taxes, fines, deposits, penalties, licenses, or fees and that does not grant, on a reciprocal basis, exemption from such retaliatory taxes to insurance companies or their agents domiciled in Minnesota. "Retaliatory taxes" means taxes imposed on insurance companies organized in another state or country that result from the fact that an insurance company organized in the taxing jurisdiction and doing business in the other jurisdiction is subject to taxes, fines, deposits, penalties, licenses, or fees in an amount exceeding that imposed by the taxing jurisdiction upon an insurance company organized in the other state or country and doing business to the same extent in the taxing jurisdiction; and

(d) town and farmers' mutual insurance companies and mutual property and casualty insurance companies, other than those (1) writing life insurance or (2) whose total assets at the end of the preceding calendar year exceed \$1,600,000,000.

Sec. 11. Minnesota Statutes 1988, section 290.05, subdivision 2, is amended to read:

Subd. 2. Except as provided in subdivisions 1 and 3, organizations are exempted from, including specifically nonprofit health service plan corporations, as defined in chapter 62C, are subject to taxation under this chapter if unless they are exempt from income taxation pursuant to Subchapter F of the Internal Revenue Code. Township mutual insurance companies, as defined in chapter 67A, and nonprofit health service plan corporations, as defined in chapter 62C, are subject to taxation under this chapter unless they are exempt from taxation under subchapter F of the Internal Revenue Code of 1986.

Sec. 12. Minnesota Statutes 1989 Supplement, section 290.05, subdivision 3, is amended to read:

Subd. 3. (a) An organization exempt from taxation under subdivision 2 shall, nevertheless, be subject to tax under this chapter to the extent provided in the following provisions of the Internal Revenue Code:

- (i) section 527 (dealing with political organizations) ~~and~~;
- (ii) section 528 (dealing with certain homeowners associations); and
- (iii) sections 511 to 515 (dealing with unrelated business income); but

notwithstanding this subdivision, shall be considered an organization exempt from income tax for the purposes of any law which refers to organizations exempt from income taxes.

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(b) The tax shall be imposed on the taxable income of political organizations or homeowner associations or the unrelated business taxable income, as defined in section 512 of the Internal Revenue Code, of organizations defined in section 511 of the Internal Revenue Code, provided that the tax is not imposed on advertising revenues from a newspaper published by an organization described in section 501(c)(4) of the Internal Revenue Code. The tax shall be at the corporate rates. The tax shall only be imposed on income and deductions assignable to this state under sections 290.17 to 290.20. To the extent deducted in computing federal taxable income, the deductions contained in section 290.21 shall not be allowed in computing Minnesota taxable net income.

Sec. 13. Minnesota Statutes 1988, section 290.06, subdivision 1, is amended to read:

Subdivision 1. **COMPUTATION, CORPORATIONS.** (a) The franchise tax imposed by this chapter upon corporations shall be computed by applying to their taxable income the rate of 9.5 percent adjusted as provided in paragraph (b).

(b) For taxable years beginning after December 31, 1989, the commissioner of revenue must adjust the rate provided in paragraph (a) as provided in this paragraph. By December 15, 1989, the commissioner shall prepare a forecast of revenues predicted to be raised for taxable years beginning in 1990 by the franchise tax on corporations under this chapter for taxable years beginning in 1990, including the tax under section 290.092, computed as if the tax were imposed under section 290.092, subdivisions 1 to 4, and the rate in effect in this subdivision were 9.5 percent. The commissioner shall adjust the rate provided in paragraph (a) so that the amount forecast to be raised by the franchise tax on corporations under this chapter, including the tax under section 290.092, subdivision 5, is equal to the amount of the forecast computed as if the tax under section 290.092, subdivisions 1 to 4, were in effect. The adjustment of the tax rate by the commissioner under this subdivision shall not be considered a "rule" and shall not be subject to the administrative procedure act contained in chapter 14.

Sec. 14. Minnesota Statutes 1988, section 290.06, is amended by adding a subdivision to read:

Subd. 1a. **SURTAX; CORPORATIONS.** (a) In addition to the tax computed under subdivision 1 and section 290.0921, a surtax is imposed upon corporations equal to a percentage of the sum of the corporation's tax under subdivision 1 and section 290.0921.

(b) By May 31, 1990, the commissioner of revenue shall determine the rate of the surtax to be imposed under paragraph (a). The commissioner of revenue shall prepare a forecast of the revenue predicted to be raised for taxable years beginning in calendar years 1990 through 1992 by the franchise tax on corporations under this chapter, including the tax under section 290.092, computed as if

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the tax were imposed under section 290.092, subdivisions 1 to 4a, and the rate under subdivision 1 were 9.5 percent. The commissioner shall set the rate of the surtax so that the amount forecast to be raised by the surtax (when added to the tax imposed under subdivision 1 and section 290.0921) equals the amount of revenue forecast to be raised if the tax under section 290.092, subdivisions 1 to 4a, were in effect and section 290.0921 did not apply.

(c) The rate determined under paragraph (b) applies to taxable years beginning after December 31, 1989.

(d) If the rate determined under paragraph (b) is held invalid, the surtax rate in effect for taxable years beginning after December 31, 1989 is 7.5 percent.

Sec. 15. Minnesota Statutes 1989 Supplement, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. **SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.** (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code of 1986 as amended through December 31, 1987, must be computed by applying to their taxable net income the following schedule of rates:

if taxable income is:	the tax is:
not over \$19,000	6 percent
over \$19,000	\$1,140 plus 8 percent of the excess over \$19,000

plus an amount computed using the following schedule of rates:

if taxable income is:	the tax is:
over \$75,500, but not over \$165,000	0.5 percent of the excess over \$75,500
over \$165,000	\$447.50.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts. In the case of married individuals filing separately, the additional 0.5 percent tax provided in this subdivision shall be applied to taxable income over \$37,750, but not over \$127,500.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

if taxable income is:	the tax is:
not over \$13,000	6 percent
over \$13,000	\$780 plus 8 percent of the excess over \$13,000

plus an amount computed using the following schedule of rates:

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if taxable income is:	the tax is:
over \$42,700, but not	0.5 percent of the
over \$93,000	excess over \$42,700
over \$93,000	\$251.50.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code of 1986, as amended through December 31, 1987, must be computed by applying to taxable net income the following schedule of rates:

if taxable income is:	the tax is:
not over \$16,000	6 percent
over \$16,000	\$960 plus 8 percent
	of the excess over \$16,000

plus an amount computed using the following schedule of rates:

if taxable income is:	the tax is:
over \$64,300, but not	0.5 percent of the
over \$135,000	excess over \$64,300
over \$135,000	\$353.50.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must 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.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) The numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1987, after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, as amended through December 31, 1987, increased by the addition required for interest income from non-Minnesota state and municipal bonds under section 290.01, subdivision 19a, clause (1).

(f) ~~Any individual who has income which is included in the computation of federal adjusted gross income but is not subject to tax by Minnesota other than income specifically allowed as a subtraction under section 290.01, subdivision~~

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19b, shall compute the tax in the same manner described in paragraph (e). The numerator of the fraction under paragraph (e) is the individual's Minnesota source federal adjusted gross income reduced by the income not subject to Minnesota tax and the denominator is the federal adjusted gross income.

Sec. 16. Minnesota Statutes 1988, section 290.06, subdivision 21, is amended to read:

Subd. 21. **ALTERNATIVE MINIMUM TAX; FACTORS TAX.** (a) A corporation is allowed a credit for alternative minimum tax previously paid for any taxable year in which the corporation has no tax liability under section 290.092, subdivision 1, and has an alternative minimum tax credit carryover from a previous year. The credit allowable in any taxable year ~~shall be equal to~~ equals the lesser of (1) the excess of the tax under this section for the taxable year over the amount computed under section 290.092, subdivision 1, clause (1), for the taxable year, or (2) the alternative minimum tax credit carryover to the taxable year.

(b) The tax imposed under section 290.092, subdivision 1, for ~~any~~ the taxable year is an alternative minimum tax credit carryover to each of the five taxable years succeeding the taxable year. The entire amount of the alternative minimum tax credit must be carried to the earliest taxable year to which ~~such~~ the amount may be carried. ~~Any~~ The unused portion of the credit must be carried to the following taxable year. No credit may be carried to a taxable year more than five years after the taxable year in which the alternative minimum tax under section 290.092, subdivision 1, was paid.

(c) For taxable years beginning after December 31, 1989, qualification for a credit and computation of the amount of the credit for alternative minimum tax under paragraph (a) must be determined by computing the alternative minimum tax that would apply if section 290.092 were in effect for the taxable year.

Sec. 17. Minnesota Statutes 1988, section 290.067, subdivision 2, is amended to read:

Subd. 2. **LIMITATIONS.** The credit for expenses incurred for the care of each dependent shall not exceed \$720 in any taxable year, and the total credit for all dependents of a claimant shall not exceed \$1,440 in a taxable year. The maximum total credit shall be reduced according to the amount of the income of the claimant and a spouse, if any, as follows:

income up to ~~\$12,200~~ \$13,350, \$720 maximum for one dependent, \$1,440 for all dependents;

income over ~~\$12,200~~ \$13,350, the maximum credit for one dependent shall be reduced by ~~\$12~~ \$18 for every ~~\$200~~ \$350 of additional income, ~~\$24~~ \$36 for all dependents;

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for income of \$24,001 and over, no credit shall be received.

The commissioner shall construct and make available to taxpayers tables showing the amount of the credit at various levels of income and expenses. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transitions between expenses and income brackets.

Sec. 18. Minnesota Statutes 1988, section 290.067, is amended by adding a subdivision to read:

Subd. 2b. INFLATION ADJUSTMENT. The dollar amount of the income threshold at which the maximum credit begins to be reduced under subdivision 2 must be adjusted for inflation. The commissioner shall adjust the threshold amount by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Sec. 19. Minnesota Statutes 1989 Supplement, section 290.0802, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** For purposes of this section, the following terms have the meanings given.

(a) "Adjusted gross income" means federal adjusted gross income as used in section 22(d) of the Internal Revenue Code for the taxable year, plus the ordinary income portion of a lump sum distribution as defined in section 402(e) of the Internal Revenue Code, and less pension, annuity, or disability benefits paid under the Railroad Retirement Act of 1974 that are included in federal gross income but are not subject to state taxation.

(b) "Disability income" means disability income as defined in section 22(c)(2)(B)(iii) of the Internal Revenue Code.

(c) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1987.

(d) "Nontaxable retirement and disability benefits" means the amount of pension, annuity, or disability benefits that would be included in the reduction under section 22(c)(3) of the Internal Revenue Code, but excluding tier one railroad retirement benefits and pension, annuity, or disability benefits paid under the Railroad Retirement Act of 1974 that are included in federal gross income but are not subject to state taxation.

(e) "Qualified individual" means a qualified individual as defined in section 22(b) of the Internal Revenue Code.

Sec. 20. Minnesota Statutes 1988, section 290.091, subdivision 2, is amended to read:

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

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

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

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding the portion of the charitable contribution deduction that constitutes an item of tax preference under section 57(a)(6) of the Internal Revenue Code;

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

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

(ii) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2); and

(iii) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income.

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

(b) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1987.

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

(d) "Tentative minimum tax" equals six percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

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

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

Sec. 21. Minnesota Statutes 1988, section 290.091, is amended by adding a subdivision to read:

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Subd. 6. CREDIT FOR PRIOR YEARS' LIABILITY. (a) A credit is allowed against the tax imposed by this chapter on individuals, trusts, and estates equal to the minimum tax credit for the taxable year. The minimum tax credit equals the adjusted net minimum tax for taxable years beginning after December 31, 1988, reduced by the minimum tax credits allowed in a prior taxable year. The credit may not exceed the excess (if any) for the taxable year of

(1) the regular tax, over

(2) the greater of (i) the tentative alternative minimum tax, or (ii) zero.

(b) The adjusted net minimum tax for a taxable year equals the lesser of the net minimum tax or the excess (if any) of

(1) the tentative minimum tax, over

(2) six percent of the sum of

(i) adjusted gross income as defined in section 62 of the Internal Revenue Code,

(ii) interest income as defined in section 290.01, subdivision 19a, clause (1),

(iii) interest on specified private activity bonds, as defined in section 57(a)(5) of the Internal Revenue Code, to the extent not included under clause (ii),

(iv) depletion as defined in section 57(a)(1) of the Internal Revenue Code, less

(v) the deductions provided in clauses (3)(i), (3)(ii), and (3)(iii) of subdivision 2, paragraph (a), and

(vi) the exemption amount determined under subdivision 3.

In the case of an individual who is not a Minnesota resident for the entire year, adjusted net minimum tax must be multiplied by the fraction defined in section 290.06, subdivision 2c, paragraph (e). In the case of a trust or estate, adjusted net minimum tax must be multiplied by the fraction defined under subdivision 4, paragraph (b).

Sec. 22. [290.0921] CORPORATE ALTERNATIVE MINIMUM TAX AFTER 1989.

Subdivision 1. TAX IMPOSED. (a) In addition to the taxes computed under this chapter without regard to this section, the franchise tax imposed on corporations includes a tax equal to the excess, if any, for the taxable year of:

(1) seven percent of Minnesota alternative minimum taxable income less the credit allowed under section 290.35, subdivision 3; over

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(2) the tax imposed under section 290.06, subdivision 1, without regard to this section.

(b) If the sum of the corporation's Minnesota sales and receipts, property, and payrolls, as defined in section 290.092, subdivision 4, exceeds \$5,000,000, the amount under paragraph (a), clause (1) is the greater of

(1) \$500 or

(2) the amount otherwise determined.

The provisions of this paragraph do not apply to corporations subject to tax under section 60A.15, subdivision 1; real estate investment trusts; and regulated investment companies or a fund thereof.

Subd. 2. DEFINITIONS. (a) For purposes of this section, the following terms have the meanings given them.

(b) "Alternative minimum taxable net income" is alternative minimum taxable income,

(1) less the exemption amount, and

(2) apportioned or allocated to Minnesota under section 290.17, 290.191, or 290.20.

(c) The "exemption amount" is \$40,000, reduced, but not below zero, by 25 percent of the excess of alternative minimum taxable income over \$150,000.

(d) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1988.

(e) "Minnesota alternative minimum taxable income" is alternative minimum taxable net income, less the deductions for alternative tax net operating loss under subdivision 4; charitable contributions under subdivision 5; and dividends received under subdivision 6. The sum of the deductions under this paragraph may not exceed 90 percent of alternative minimum taxable net income. This limitation does not apply to a deduction for dividends paid to or received from a corporation which is subject to tax under section 290.35 or 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code.

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.

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(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).

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

(3) The special rule for 100 percent dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

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

(5) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(6) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to the subtraction under section 290.01, subdivision 19d, clause (4).

(7) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

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

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

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

Subd. 4. ALTERNATIVE TAX NET OPERATING LOSS. (a) An alternative tax net operating loss deduction is allowed from alternative minimum taxable net income equal to the net operating loss deduction allowable for the taxable year under section 290.095 with the following modifications:

(1) The amount of the net operating loss deduction must not exceed 90 percent of alternative minimum taxable net income.

(2) In determining the amount of the net operating loss deduction (i) the net operating loss under section 290.095 must be adjusted as provided in paragraph (b), and (ii) for taxable years beginning after December 31, 1989, section 290.095,

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subdivision 3, must be applied by substituting "90 percent of alternative minimum taxable net income" for "taxable net income."

(b) The following adjustments must be made to the alternative tax net operating loss deduction under paragraph (a):

(1) For a loss year beginning after December 31, 1989, the net operating loss for each year under section 290.095 must be (i) determined with the adjustments provided in sections 56 and 58 of the Internal Revenue Code, as modified by subdivision 3 and (ii) reduced by the items of tax preference for the year determined under section 57 of the Internal Revenue Code, as modified by subdivision 3.

(2) For a loss year beginning before January 1, 1990, the amount of the net operating loss that may be carried over to taxable years beginning after December 31, 1989, equals the amount which may be carried from the loss year to the first taxable year of the taxpayer beginning after December 31, 1989.

Subd. 5. CHARITABLE CONTRIBUTIONS. (a) A deduction from alternative minimum taxable net income is allowed equal to the deduction for charitable contributions under section 290.21, subdivision 3. The deduction allowable for capital gain property is limited to the adjusted basis of the property as defined in section 290.01, subdivision 19f. The term capital gain property has the meaning given by section 170(b)(1)(C)(iv) of the Internal Revenue Code, but does not include property to which an election under section 170(b)(1)(C)(iii) of the Internal Revenue Code applies.

(b) The amount of the deduction may not exceed 15 percent of alternative minimum taxable net income less the deduction allowed under subdivision 6.

Subd. 6. DIVIDENDS RECEIVED. (a) A deduction is allowed from alternative minimum taxable net income equal to the deduction for dividends received under section 290.21, subdivision 4, for purposes of calculating taxable income under section 290.01, subdivision 29.

(b) The amount of the deduction must not exceed 90 percent of alternative minimum taxable net income. This limitation does not apply to dividends paid to or received from a corporation which is subject to tax under section 290.35 or 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code.

Subd. 7. FOREIGN OPERATING COMPANIES. The income and deductions related to foreign operating companies, as defined in section 290.01, subdivision 6b, that are used to calculate Minnesota alternative minimum taxable income, are limited to the amounts included for purposes of calculating taxable income under section 290.01, subdivision 29.

Subd. 8. CARRYOVER CREDIT. (a) A corporation is allowed a credit against qualified regular tax for qualified alternative minimum tax previously paid. The credit is allowable only if the corporation has no tax liability under section 290.0921 for the taxable year and if the corporation has an alternative minimum tax credit carryover from a previous year. The credit allowable in a taxable year equals the lesser of

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(1) the excess of the qualified regular tax for the taxable year over the amount computed under subdivision 1, paragraph (a), clause (1) multiplied by the sum of one plus the surtax percentage under section 290.06, subdivision 1a, for the taxable year or

(2) the carryover credit to the taxable year.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Qualified alternative minimum tax" equals the amount determined under subdivision 1 for the taxable year multiplied by the sum of one plus the surtax percentage rate under section 290.06, subdivision 1a. In computing the amount of alternative minimum tax

(i) the adjustment under section 56(c)(3) of the Internal Revenue Code must not be made;

(ii) the full amount of the charitable contribution deduction under section 290.21, subdivision 3, must be deducted in computing Minnesota alternative minimum taxable income; and

(iii) in the case of a corporation subject to an occupation tax under section 298.01 the tax preference for depletion under section 57(a)(1) of the Internal Revenue Code must be deducted in computing Minnesota alternative minimum taxable income.

(2) "Qualified regular tax" means the tax imposed under section 290.06, subdivision 1, and a surtax imposed on that tax under section 290.06, subdivision 1a.

(c) The qualified alternative minimum tax for a taxable year is an alternative minimum tax credit carryover to each of the five taxable years succeeding the taxable year. The entire amount of the credit must be carried to the earliest taxable year to which the amount may be carried. Any unused portion of the credit must be carried to the following taxable year. No credit may be carried to a taxable year in which alternative minimum tax was paid.

Sec. 23. Minnesota Statutes 1988, section 290.095, is amended by adding a subdivision to read:

Subd. 1a. INSURANCE COMPANIES. Insurance companies may deduct for the taxable year the amount of any operations loss deduction as provided in section 810, or a net operating loss deduction as provided in sections 172 and 832(c)(10) of the Internal Revenue Code of 1986 as amended through December 31, 1988, subject to the limitations provided in this section.

Sec. 24. Minnesota Statutes 1988, section 290.095, subdivision 2, is amended to read:

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Subd. 2. **DEFINED AND LIMITED.** (a) The term "net operating loss" as used in this section shall mean a net operating loss as defined in section 172(c) or 810(a), in the case of life insurance companies, of the Internal Revenue Code of 1986, as amended through December 31, ~~1987~~ 1988, with the modifications specified in subdivision 4. The deductions provided in section 290.21 and the modification provided in section 290.01, subdivision 19d, clause (11), cannot be used in the determination of a net operating loss.

(b) The term "net operating loss deduction" as used in this section means the aggregate of the net operating loss carryovers to the taxable year, computed in accordance with subdivision 3. The provisions of section 172(b) or 810(b), in the case of life insurance companies, of the Internal Revenue Code of 1986, as amended through December 31, ~~1987~~ 1988, relating to the carryback of net operating losses, do not apply.

Sec. 25. Minnesota Statutes 1989 Supplement, section 290.17, subdivision 2, is amended to read:

Subd. 2. **INCOME NOT DERIVED FROM CONDUCT OF A TRADE OR BUSINESS.** The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from labor or personal or professional services is assigned to this state if, and to the extent that, the labor or services are performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

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(3) For purposes of this section, amounts received by a nonresident from the United States, its agencies or instrumentalities, the Federal Reserve Bank, the state of Minnesota or any of its political or governmental subdivisions, or a Minnesota volunteer firefighters' relief association, by way of payment as a pension, public employee retirement benefit, or any combination of these, or as a retirement or survivor's benefit made from a plan qualifying under section 401, 403, 408, or 409, or as defined in section 403(b) or 457 of the Internal Revenue Code of 1986, as amended through December 31, 1987, are not considered income derived from carrying on a trade or business or from performing personal or professional services in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Except upon the sale of a partnership interest or the sale of stock of an S corporation, income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of stock held in an S corporation is allocable to this state in the ratio of the original cost of tangible property of the S corporation within this state to the original cost of tangible property of the S corporation everywhere.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

(d) Income from the operation of a farm shall be assigned to this state if the farm is located within this state and to other states only if the farm is not located in this state.

(e) Income from winnings on Minnesota pari-mutuel betting tickets, the Minnesota state lottery, and lawful gambling as defined in section 349.12, subdivision 2, conducted within the boundaries of the state of Minnesota shall be assigned to this state.

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(f) All items of gross income not covered in paragraphs (a) to (e) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

Sec. 26. Minnesota Statutes 1988, section 290.17, is amended by adding a subdivision to read:

Subd. 7. ALLOCATION AND APPORTIONMENT OF CERTAIN FARM INCOME BY C CORPORATIONS. Notwithstanding any other subdivision, income to a taxpayer from the operation of a farm by a C corporation is assigned to this state and other states and countries under subdivision 3, the unitary business principle in subdivision 4, and the allocation provisions of sections 290.191 and 290.20, if:

(1) the farm operation provides material value added to an agricultural product by processing, packaging, grading, promotion, or distribution;

(2) the farm operation is industrial, manufacturing, or distributing under the United States Department of Commerce Standard Industrial Classification criteria;

(3) a material part of the income is attributable directly or indirectly to testing, research, genetic, or biological selection, genetic engineering, or creation or licensing of patents, copyrights, trademarks, or other intellectual property; or

(4) a material part of the income is derived from an activity that would not in itself be income from farming if performed by another person not otherwise engaged in farming.

Sec. 27. Minnesota Statutes 1989 Supplement, section 290.191, subdivision 6, is amended to read:

Subd. 6. DETERMINATION OF RECEIPTS FACTOR FOR FINANCIAL INSTITUTIONS. (a) For purposes of this section, the rules in this subdivision and subdivisions 7 and 8 apply in determining the receipts factor for financial institutions.

(b) "Receipts" for this purpose means gross income, including net taxable gain on disposition of assets, including securities and money market instruments, when derived from transactions and activities in the regular course of the taxpayer's trade or business.

(c) "Money market instruments" means federal funds sold and securities purchased under agreements to resell, commercial paper, banker's acceptances, and purchased certificates of deposit and similar instruments to the extent that the instruments are reflected as assets under generally accepted accounting principles.

(d) "Securities" means United States Treasury securities, obligations of United

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States government agencies and corporations, obligations of state and political subdivisions, corporate stock and other securities, participations in securities backed by mortgages held by United States or state government agencies, loan-backed securities and similar investments to the extent the investments are reflected as assets under generally accepted accounting principles.

(e) Receipts from the lease or rental of real or tangible personal property, including both finance leases and true leases, must be attributed to this state if the property is located in this state. Tangible personal property that is characteristically moving property, such as motor vehicles, rolling stock, aircraft, vessels, mobile equipment, and the like, is considered to be located in a state if:

(1) the operation of the property is entirely within the state; or

(2) the operation of the property is in two or more states, but the principal base of operations from which the property is sent out is in the state.

(f) Interest income and other receipts from assets in the nature of loans that are secured primarily by real estate or tangible personal property must be attributed to this state if the security property is located in this state under the principles stated in paragraph (e).

(g) Interest income and other receipts from consumer loans not secured by real or tangible personal property that are made to residents of this state, whether at a place of business, by traveling loan officer, by mail, by telephone or other electronic means, must be attributed to this state.

(h) Interest income and other receipts from commercial loans and installment obligations that are unsecured by real or tangible personal property or secured by intangible property must be attributed to this state if the proceeds of the loan are to be applied in this state. If it cannot be determined where the funds are to be applied, the income and receipts are attributed to the state in which the office of the borrower from which the application would be made in the regular course of business is located. If this cannot be determined, the transaction is disregarded in the apportionment formula.

(i) Interest income and other receipts from a participating financial institution's portion of participation and syndication loans must be attributed under paragraphs (e) to (h). A participation loan is an arrangement in which a lender makes a loan to a borrower and then sells, assigns, or otherwise transfers all or a part of the loan to a purchasing financial institution. A syndication loan is a multibank loan transaction in which all the lenders are named as parties to the loan documentation, are known to the borrower, and have privity of contract with the borrower.

(j) Interest income and other receipts including service charges from financial institution credit card and travel and entertainment credit card receivables and credit card holders' fees must be attributed to the state to which the card charges and fees are regularly billed.

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(k) Merchant discount income derived from financial institution credit card holder transactions with a merchant must be attributed to the state in which the merchant is located. In the case of merchants located within and outside the state, only receipts from merchant discounts attributable to sales made from locations within the state are attributed to this state. It is presumed, subject to rebuttal, that the location of a merchant is the address shown on the invoice submitted by the merchant to the taxpayer.

(l) Receipts from the performance of fiduciary and other services must be attributed to the state in which the benefits of the services are consumed. If the benefits are consumed in more than one state, the receipts from those benefits must be apportioned to this state pro rata according to the portion of the benefits consumed in this state. If the extent to which the benefits of services are consumed in this state is not readily determinable, the benefits of the services shall be deemed to be consumed at the location of the office of the customer from which the services were ordered in the regular course of the customer's trade or business. If the ordering office cannot be determined, the benefits of the services shall be deemed to be consumed at the office of the customer to which the services are billed.

(m) Receipts from the issuance of travelers checks and money orders must be attributed to the state in which the checks and money orders are purchased.

(n) Receipts from investments of a financial institution in securities of this state, its political subdivisions, agencies, and instrumentalities must be attributed to this state.

(o) Receipts from a financial institution's interest in any property described in section 290.015, subdivision 3, paragraph (b), is not included in the numerator or the denominator of the receipts factor provided the financial institution's activities within this state with respect to any interest in the property are limited in the manner provided in section 290.015, subdivision 3, paragraph (b). If a financial institution is subject to tax under this chapter, its interest in property described in section 290.015, subdivision 3, paragraph (b), is included in the receipts factor in the same manner as assets in the nature of securities or money market instruments are included under paragraph (n) and subdivision 7.

Sec. 28. Minnesota Statutes 1988, section 290.21, subdivision 4, is amended to read:

Subd. 4. (a)(1) Eighty percent of dividends received by a corporation during the taxable year from another corporation, in which the recipient owns 20 percent or more of the stock, by vote and value, not including stock described in section 1504(a)(4) of the Internal Revenue Code of 1986, as amended through December 31, 1987, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the

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taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of the income and gains therefrom; and

(2)(i) The remaining 20 percent of dividends if the dividends received are the stock in an affiliated company transferred in an overall plan of reorganization and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1988; or

(ii) The remaining 20 percent of dividends if the dividends are received from a corporation which is subject to tax under section 290.35 or 290.36 and which is a member of an affiliated group of corporations as defined by the Internal Revenue Code of 1986, as amended through December 31, 1988, and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1988, or is deducted under an election under section 243(b) of the Internal Revenue Code of 1986, as amended through December 31, 1988.

(b) Seventy percent of dividends received by a corporation during the taxable year from another corporation in which the recipient owns less than 20 percent of the stock, by vote or value, not including stock described in section 1504(a)(4) of the Internal Revenue Code of 1986 as amended through December 31, 1987, when the corporate stock with respect to which dividends are paid does not constitute the stock in trade of the taxpayer, or does not constitute property held by the taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or business, or when the trade or business of the taxpayer does not consist principally of the holding of the stocks and the collection of income and gain therefrom.

(c) The dividend deduction provided in this subdivision shall be allowed only with respect to dividends that are included in a corporation's Minnesota taxable net income for the taxable year.

The dividend deduction provided in this subdivision does not apply to a dividend from a corporation which, for the taxable year of the corporation in which the distribution is made or for the next preceding taxable year of the corporation, is a corporation exempt from tax under section 501 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

The dividend deduction provided in this subdivision applies to the amount of regulated investment company dividends only to the extent determined under section 854(b) of the Internal Revenue Code of 1986, as amended through December 31, 1987.

The dividend deduction provided in this subdivision shall not be allowed with respect to any dividend for which a deduction is not allowed under the provisions of section 246(c) of the Internal Revenue Code of 1986, as amended through December 31, 1987.

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(d) If dividends received by a corporation that does not have nexus with Minnesota under the provisions of Public Law Number 86-272 are included as income on the return of an affiliated corporation permitted or required to file a combined report under section 290.34, subdivision 2, then for purposes of this subdivision the determination as to whether the trade or business of the corporation consists principally of the holding of stocks and the collection of income and gains therefrom shall be made with reference to the trade or business of the affiliated corporation having a nexus with Minnesota.

(e) The deduction provided by this subdivision does not apply if the dividends are paid by a FSC as defined in section 922 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

(f) If one or more of the members of the unitary group whose income is included on the combined report received a dividend, the deduction under this subdivision for each member of the unitary business required to file a return under this chapter is the product of: (1) 100 percent of the dividends received by members of the group; (2) ~~80 percent or 70 percent~~, the percentage allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business income apportionable to this state for the taxable year under section 290.191 or 290.20.

Sec. 29. Minnesota Statutes 1988, section 290.35, subdivision 1, is amended to read:

Subdivision 1. **COMPUTATION OF ~~TAXABLE~~ NET INCOME.** The ~~taxable~~ net income of insurance companies taxable under this chapter shall be computed as follows:

(a) ~~Each such life insurance company shall report to the commissioner the net income returned by it for the taxable year to the United States under the provisions of the act of congress, known as the revenue act of 1936, or that it would be required to return as net income thereunder if it were in effect. Notwithstanding the provisions of the Revenue Act of 1936, whether or not an insurance company is exempt from taxation must be determined under section 290.05.~~ life insurance company taxable net income as defined in section 801(b) of the Internal Revenue Code of 1986, as amended through December 31, 1988, incorporating any elections made by the taxpayer in determining life insurance company taxable income for federal income tax purposes.

(b) Each insurance company other than a life insurance company shall report to the commissioner its federal taxable income as defined in section 832 of the Internal Revenue Code of 1986, as amended through December 31, 1988, or its taxable investment income as defined in section 832 of the Internal Revenue Code of 1986, as amended through December 31, 1988, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income or taxable investment income for federal income tax purposes.

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(c) The life insurance company taxable net income, federal taxable income, or taxable investment income so reported is subject to the modifications provided in section 290.01, subdivisions 19c to 19f.

Sec. 30. Minnesota Statutes 1988, section 290.35, subdivision 4, is amended to read:

Subd. 4. **NONPROFIT HEALTH SERVICE PLAN CORPORATION.** For purposes of this section, ~~a nonprofit health service corporation is not an insurance company and~~ the taxable income of a nonprofit health service plan corporation must be determined as provided under section 833 of the Internal Revenue Code of 1986, as amended through December 31, 1988, and section 290.01, subdivisions 19c ~~and 19d~~ to 19f.

Sec. 31. Minnesota Statutes 1988, section 290.35, is amended by adding a subdivision to read:

Subd. 5. DEFINITION OF INSURANCE COMPANY. For purposes of this section, the terms "insurance company," "life insurance company," and "insurance company other than life" have the meanings given in the Internal Revenue Code of 1986, as amended through December 31, 1988.

Sec. 32. Minnesota Statutes 1988, section 290.37, subdivision 1, is amended to read:

Subdivision 1. **PERSONS MAKING RETURNS.** (a) A taxpayer shall file a return for each taxable year the taxpayer is required to file a return under section 6012 of the Internal Revenue Code of 1986, as amended through December 31, 1987, except that an individual who is not a Minnesota resident for any part of the year is not required to file a Minnesota income tax return if the individual's gross income derived from Minnesota sources under sections 290.081, paragraph (a), and 290.17, is less than the filing requirements for a single individual who is a full year resident of Minnesota.

The decedent's final income tax return, and all other income tax returns for prior years where the decedent had gross income in excess of the minimum amount at which an individual is required to file and did not file, shall be filed by the decedent's personal representative, if any. If there is no personal representative, the return or returns shall be filed by the transferees as defined in section 290.29, subdivision 3, who receive any property of the decedent.

The trustee or other fiduciary of property held in trust shall file a return with respect to the taxable net income of such trust if that exceeds an amount determined by the commissioner if such trust belongs to the class of taxable persons.

Every corporation shall file a return, if the corporation is subject to the state's jurisdiction to tax under section 290.014, subdivision 5, except that a

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foreign operating corporation as defined in section 290.01, subdivision 6b, is not required to file a return. The return in the case of a corporation must be signed by a person designated by the corporation. The commissioner ~~may~~ shall adopt rules for the filing of one return on behalf of the members of an affiliated group of corporations that are required to file a combined report ~~if the affiliated group includes a bank subject to tax under this chapter~~. Members of an affiliated group that elect to file one return on behalf of the members of the group under rules adopted by the commissioner may modify or rescind the election by filing the form required by the commissioner.

The receivers, trustees in bankruptcy, or assignees operating the business or property of a taxpayer shall file a return with respect to the taxable net income of such taxpayer if a return is required.

(b) Such return shall (1) contain a written declaration that it is correct and complete, and (2) shall contain language prescribed by the commissioner providing a confession of judgment for the amount of the tax shown due thereon to the extent not timely paid.

(c) An exempt organization that is subject to tax on unrelated business income under section 290.05, subdivision 3, must file a return for each taxable year in which the organization is required to file a return under section 6012 of the Internal Revenue Code of 1986, as amended through December 31, 1988, because of the receipt of unrelated business income. If an organization is required to file a return under federal law but has no federal tax liability for the taxable year, the commissioner may provide that the filing requirement under this paragraph is satisfied by filing a copy of the taxpayer's federal return.

Sec. 33. Minnesota Statutes 1988, section 290.38, is amended to read:

290.38 RETURNS OF MARRIED PERSONS.

A husband and wife must file a joint Minnesota income tax return if they filed a joint federal income tax return. If a joint return is made the tax shall be computed on the aggregate income and the liability with respect to the tax shall be joint and several; provided that a spouse who is relieved of a liability attributable to a substantial underpayment under section 6013(e) of the Internal Revenue Code of 1986, as amended through December 31, 1987, shall also be relieved of the state tax liability on the substantial underpayment.

In the case of individuals who were a husband and wife prior to the dissolution of their marriage, for tax liabilities reported on a joint or combined return, the liability of each person is limited to the proportion of the tax due on the return that equals that person's proportion of the total tax due if the husband and wife filed separate returns for the taxable year. This provision is effective only when the commissioner receives written notice of the marriage dissolution from the husband or wife. No refund may be claimed by an ex-spouse for any taxes paid before receipt by the commissioner of the written notice.

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If the husband and wife have elected to file separate federal income tax returns they must file separate Minnesota income tax returns. This election to file a joint or separate returns must be changed if they change their election for federal purposes. In the event taxpayers desire to change their election, such change shall be done in the manner and on such form as the commissioner shall prescribe by rule.

The determination of whether an individual is married shall be made under provisions of section 7703 of the Internal Revenue Code of 1986, as amended through December 31, 1987.

Sec. 34. Minnesota Statutes 1989 Supplement, section 290.92, subdivision 4b, is amended to read:

Subd. 4b. **WITHHOLDING BY PARTNERSHIPS.** (a) A partnership shall deduct and withhold a tax as provided in paragraph (b) when the partnership pays or credits amounts to any of its nonresident individual partners on account of their distributive shares of partnership income for a taxable year of the partnership.

(b) The amount of tax withheld is determined by multiplying the partner's distributive share allocable to Minnesota under section 290.17, paid or credited during the taxable year by the highest rate used to determine the income tax liability for an individual under section 290.06, subdivision 2c, except that the amount of tax withheld may be determined based on tables provided by the commissioner if the partner submits a withholding exemption certificate under subdivision 5.

(c) A partnership required to deduct and withhold tax under this subdivision shall file a return with the commissioner. The tax required to be deducted and withheld during that year must be paid with the return. The return and payment is due on or before the due date specified for filing the partnership return under section 290.42.

(d) A partnership required to withhold and remit tax under this subdivision is liable for payment of the tax to the commissioner, and a person having control of or responsibility for the withholding of the tax or the filing of returns due under this subdivision is personally liable for the tax due. The commissioner may reduce or abate the tax withheld under this subdivision if the partnership had reasonable cause to believe that no tax was due under this section.

(e) Notwithstanding paragraph (a), a partnership is not required to deduct and withhold tax for a nonresident partner if:

(1) the partner elects to have the tax due paid as part of the partnership's composite return under section 290.39, subdivision 5;

(2) the partner has Minnesota assignable federal adjusted gross income from the partnership of less than \$1,000; or

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(3) the partnership is liquidated or terminated, the income was generated by a transaction related to the termination or liquidation, and no cash or other property was distributed in the current or prior taxable year; or

(4) the distributive shares of partnership income are attributable to:

(i) income required to be recognized because of discharge of indebtedness;

(ii) income recognized because of a sale, exchange, or other disposition of real estate, depreciable property, or property described in section 179 of the Internal Revenue Code of 1986, as amended through December 31, 1988; or

(iii) income recognized on the sale, exchange, or other disposition of any property that has been the subject of a basis reduction pursuant to section 108, 734, 743, 754, or 1017 of the Internal Revenue Code of 1986, as amended through December 31, 1988,

to the extent that the income does not include cash received or receivable or, if there is cash received or receivable, to the extent that the cash is required to be used to pay indebtedness by the partnership or a secured debt on partnership property.

(f) For purposes of subdivisions 6, paragraph (1)(c), 6a, 7, 11, and 15, a partnership is considered an employer.

(g) To the extent that income is exempt from withholding under paragraph (e), clause (4), the commissioner has a lien in an amount up to the amount that would be required to be withheld with respect to the income of the partner attributable to the partnership interest, but for the application of paragraph (e), clause (4). The lien arises under section 270.69 from the date of assessment of the tax against the partner, and attaches to that partner's share of the profits and any other money due or to become due to that partner in respect of the partnership. Notice of the lien may be sent by mail to the partnership, without the necessity for recording the lien. The notice has the force and effect of a levy under section 270.70, and is enforceable against the partnership in the manner provided by that section. Upon payment in full of the liability subsequent to the notice of lien, the partnership must be notified that the lien has been satisfied.

Sec. 35. Minnesota Statutes 1988, section 290.92, subdivision 21, is amended to read:

Subd. 21. **EXTENSION OF WITHHOLDING TO UNEMPLOYMENT COMPENSATION BENEFITS.** (a) At the time an individual makes a claim for unemployment compensation benefits, the commissioner of jobs and training must notify the individual that the individual's unemployment compensation may be subject to state income taxes depending on the individual's other income and that the individual may elect to have the payments subject to withholding

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under this section. If the individual ~~so requests~~ does not notify the commissioner of jobs and training that the individual elects to have the payments not be subject to withholding within five working days of receipt of the notice from the commissioner, unemployment compensation benefits paid to the individual shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

(b) For purposes of this section, any supplemental unemployment compensation benefit paid to an individual to the extent includable in such individual's Minnesota gross income, shall be treated as if it were a payment of wages by an employer to an employee for a payroll period.

Sec. 36. Minnesota Statutes 1988, section 290.92, is amended by adding a subdivision to read:

Subd. 29. LOTTERY PRIZES. Eight percent of the payment of Minnesota State lottery winnings which are subject to withholding must be withheld as Minnesota withholding tax. For purposes of this subdivision, the term "winnings which are subject to withholding" has the meaning given in section 3402(q)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1988. For purposes of the provisions of this section, a payment to any person of winnings which are subject to withholding must be treated as if the payment was a wage paid by an employer to an employee. Every individual who is to receive a payment of winnings which are subject to withholding shall furnish the state lottery division of the department of gaming with a statement, made under the penalties of perjury, containing the name, address, and social security account number of the person receiving the payment. The Minnesota state lottery is liable for the payment of the tax required to be withheld under this subdivision but is not liable to any person for the amount of the payment.

Sec. 37. Minnesota Statutes 1988, section 290.934, subdivision 3a, is amended to read:

Subd. 3a. **REQUIRED INSTALLMENTS.** (1) Except as otherwise provided in this subdivision, the amount of a required installment is 25 percent of the required annual payment.

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

(a) 90 percent of the tax shown on the return for the taxable year, or if no return is filed 90 percent of the tax for such year; or

(b) 100 percent of the tax shown on the return of the corporation for the preceding taxable year providing such return was for a full 12-month period, did show a liability, and was filed by the corporation.

(3) Except for determining the first required installment for any taxable

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year, paragraph (2), clause (b), 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 (2), clause (b), must be recaptured by increasing the next required installment by the amount of the reduction.

(4) In the case of a required installment, if the corporation establishes that the annualized income installment is less than the amount determined in paragraph (1), 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 subsequent required installments to the extent the reductions have not previously been recovered. ~~A reduction shall be treated as recaptured for purposes of this paragraph if 90 percent of the reduction is recaptured.~~

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

(a) 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;

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

(c) 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 (a).

(d) The "applicable percentage" used in clause (a) is:

In the case of the following
required installments:

1st
2nd
3rd
4th

The applicable
percentage is:

22.5
45
67.5
90

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(6)(a) If this paragraph applies, the amount determined for any installment must be determined in the following manner:

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

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

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

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

(b) For purposes of this paragraph:

(i) the "base period percentage" for any period of months is the average percent which the taxable income for the corresponding months in each of the three preceding taxable years bears to the taxable income for the three preceding taxable years;

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

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

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

(c) In the case of a required installment, determined under this paragraph, if the corporation determines that the installment is less than the amount determined in paragraph (1), the amount of the required installment is the amount determined under this paragraph and the recapture of previous quarters' reductions allowed by this paragraph must be recovered by increasing subsequent required installments to the extent the reductions have not previously been recovered. ~~A reduction shall be treated as recaptured for purposes of this paragraph if 90 percent of the reduction is recaptured.~~

Sec. 38. Minnesota Statutes 1988, section 298.01, is amended by adding a subdivision to read:

Subd. 3c. ALTERNATIVE MINIMUM TAX. For purposes of calculating the alternative minimum tax under section 290.0921, Minnesota alternative minimum taxable income must be computed under the provisions of subdivisions 3, 3a, and 3b, and the provisions of section 290.0921, except that:

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(1) the adjustment for adjusted current earnings under section 56(g) of the Internal Revenue Code of 1986, as amended through December 31, 1988, must be determined using gross income as defined in subdivision 3a; and

(2) the tax preference for depletion under section 57(a)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1988, must be included in alternative minimum taxable income.

Sec. 39. Minnesota Statutes 1988, section 298.01, is amended by adding a subdivision to read:

Subd. 4d. ALTERNATIVE MINIMUM TAX. For purposes of calculating the alternative minimum tax under section 290.0921, Minnesota alternative minimum taxable income must be computed under the provisions of subdivisions 4, 4a, 4b and 4c, and the provisions of section 290.0921, except that:

(1) for purposes of the depreciation adjustments provided by section 56(a)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1988, the basis for depreciable property placed in service is the remaining depreciable basis as defined in subdivision 4c;

(2) the adjustment for adjusted current earnings under section 56(g) of the Internal Revenue Code of 1986, as amended through December 31, 1988, must be determined using gross income as defined in subdivision 4a;

(3) the tax preference for depletion under section 57(a)(1) of the Internal Revenue Code of 1986, as amended through December 31, 1988, must be included in alternative minimum taxable income; and

(4) for purposes of calculating the tax preference for accelerated depreciation or amortization of certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code of 1986, as amended through December 31, 1988, the deduction allowable for the taxable year shall mean the deduction allowable under subdivision 4c, provided that this modification must not reduce the amount of tax preference to less than zero.

Sec. 40. Laws 1988, chapter 719, article 1, section 22, is amended to read:

Sec. 22. EFFECTIVE DATES.

Except as otherwise provided, sections 1 to 3 and 16 are effective for taxable years beginning after December 31, 1986. Sections 5, 7 to 12, 14, 15, 17, and 21 are effective for taxable years beginning after December 31, 1987. The deduction allowed under section 4, clause (4) and the ability of surviving spouses to use the married filing joint rates in section 7 are effective for taxable years beginning after December 31, 1986. The rest of sections 4 and 7 are effective for taxable years beginning after December 31, 1987. Section 13 is effective for taxable years beginning after December 31, 1984 1973. Section 18 is effective the day following final enactment.

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Sec. 41. PENSION EXCLUSION; FEDERAL LAW ENFORCEMENT AND CORRECTIONS EMPLOYEES.

Notwithstanding Minnesota Statutes 1986, section 290.08, subdivision 26, paragraph (a), clause (4), for purposes of the pension income exclusion contained in Minnesota Statutes 1986, section 290.08, subdivision 26, for taxable years beginning after December 31, 1984, and before January 1, 1987, an individual who received pension income for service as a law enforcement or corrections officer employed by the federal government is a qualified recipient without regard to age.

Sec. 42. AMENDING RETURNS.

Individuals qualifying for the pension exclusion under section 41 for taxable years beginning after December 31, 1984, and before January 1, 1987, may file amended returns under Minnesota Statutes, section 290.391. Notwithstanding section 290.50, subdivision 1, paragraph (a), a federal retiree may file an amended return and the commissioner may allow a refund for tax year 1985 based on the change made by section 41 if the amended return is filed with the commissioner prior to October 15, 1990.

Sec. 43. STATEMENT OF PURPOSE; ALTERNATIVE MINIMUM TAX.

The purpose of the corporate alternative minimum tax provisions of this act is to insure that all corporations with economic profits, broadly defined, pay at least a minimum corporate franchise tax. The changes are intended to be revenue neutral, neither increasing nor reducing state corporate franchise tax revenues. The legislature intends to continue, during 1989 and 1990, studying the corporate alternative minimum tax and attempting to develop a more appropriate tax structure for achieving that purpose.

Sec. 44. RAILROAD RETIREMENT REFUNDS.

In determining the amount of a refund to be paid as a result of the resolution of litigation over the taxability of benefits received under the Railroad Retirement Act of 1974, the commissioner of revenue shall determine the amount of the tax due without regard to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (f). The provisions of this section apply to taxable years beginning before January 1, 1989 only.

Sec. 45. TEMPORARY ALTERNATIVE MINIMUM TAX EXEMPTION.

Corporations subject to tax under Minnesota Statutes, sections 60A.15, subdivision 1, and 290.35 or exempt from tax under section 290.092, subdivision 2, are not subject to the tax imposed by Minnesota Statutes, section 290.0921 for taxable years beginning after December 31, 1989 and before January 1, 1991.

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Sec. 46. **REPEALER.**

Minnesota Statutes 1988, section 290.092, subdivision 5, is repealed.

Sec. 47. **EFFECTIVE DATE.**

Section 1 is effective October 1, 1989, for returns filed after December 31, 1988.

Sections 3 is effective for premiums paid after December 31, 1988.

Sections 7, 8, and 27 are effective for taxable years beginning after December 31, 1986.

Sections 2; 9; 12 to 14; 16; 22, subdivisions 1 to 6 and 8; and 32 are effective for taxable years beginning after December 31, 1989.

Sections 15, 17, 19, and 28, paragraph (a), clause (2)(i), and paragraph (f), are effective for taxable years beginning after December 31, 1988.

Sections 4 to 6, 10, 11, 18, 23, 24, 26, 28, paragraph (a), clause (2)(ii), 29, 30, and 31 are effective for taxable years beginning after December 31, 1990.

Sections 20 and 21 are effective for alternative minimum tax paid in taxable years beginning after December 31, 1988 and for carryover credits allowed in taxable years beginning after December 31, 1989.

Section 22, subdivision 7, is effective for taxable years beginning after December 31, 1989, in its application to section 936 corporations and for taxable years beginning after December 31, 1990, in its application to all other foreign operating companies.

Sections 25, 36, and 40 to 46 are effective the day following final enactment.

Section 33 is effective the day following final enactment for taxable years beginning after December 31, 1973.

Section 34 is effective after December 31, 1989.

Section 35 is effective for notices sent by the commissioner of jobs and training after July 31, 1989.

Section 37 is effective for payments due after October 1, 1989.

Sections 38 and 39 are effective for ores mined after December 31, 1989.

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ARTICLE 11
REAL ESTATE ASSURANCE FUND

Section 1. Minnesota Statutes 1988, section 284.28, subdivision 4, is amended to read:

Subd. 4. Except as provided in subdivision 5, no person under disability to sue during the one year periods provided by subdivisions 2 and 3 by reason of absence, infancy, mental illness resulting in commitment pursuant to chapter 253B, or any other disability shall have a right to assert any cause of action or defense adverse to the title of the state, or its successors in interest, in any proceeding at law or in equity for opening, vacating, setting aside or invalidating the forfeiture, the auditor's certificate of sale or the state assignment certificate. Persons under the disability to sue shall have the right to commence an action for recovery of damages out of the ~~assurance~~ general fund after the disability is removed in accordance with subdivision 10.

Sec. 2. Minnesota Statutes 1988, section 284.28, subdivision 7, is amended to read:

Subd. 7. Any claimant who by reason of any material failure, omission, error or defect of any public officer or employee in the performance of the officer's or employee's duties under the laws relating to the taxation of land or forfeiture thereof is unjustly deprived of any land or of any interest therein, may institute an action in the district court to recover compensation for such unjust deprivation out of the ~~assurance account~~ general fund provided in subdivision 8.

Sec. 3. Minnesota Statutes 1988, section 386.015, subdivision 5, is amended to read:

Subd. 5. The county recorder shall charge and collect all fees as prescribed by law and all such fees collected as county recorder shall be paid to the county in the manner and at the time prescribed by the county board, but not less often than once each month. This subdivision shall apply to the fees collected by the county recorder in performing the duties of the registrar of titles and all such fees shall be paid to the county as herein provided except that money paid to the registrar of titles for the ~~assurance~~ state general fund as provided in ~~Minnesota Statutes 1961~~, section 508.74, shall be paid to the county as provided in ~~Minnesota Statutes 1961~~, section 508.75. A county recorder may retain as personal compensation any fees the recorder is permitted to charge by law for services rendered in a private capacity as a registered abstractor as defined in ~~Minnesota Statutes 1961~~, section 386.61, subdivision 2, clause (2).

Sec. 4. Minnesota Statutes 1988, section 508.75, is amended to read:

508.75 ASSURANCE FUND; INVESTMENT.

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All money received by the registrar under the provisions of sections 508.74 and 508.82, clause (1) shall be paid quarterly by the registrar or the county treasurer to the state treasurer and placed in the ~~real estate assurance account as an assurance~~ general fund. There is annually appropriated to the state treasurer from the ~~real estate assurance account~~ general fund sums sufficient to pay claims ordered by a district court under sections 508.77 and 508A.77.

Sec. 5. Minnesota Statutes 1988, section 508.76, is amended to read:

508.76 DAMAGES THROUGH ERRONEOUS REGISTRATION; ACTION.

Any person who, without negligence on that person's part, sustains any loss or damage by reason of any omission, mistake or misfeasance of the registrar or the registrar's deputy, or of any examiner or of any court administrator, or of a deputy of the court administrator or examiner, in the performance of their respective duties under this law, and any person who, without negligence on that person's part, is wrongfully deprived of any land or of any interest therein by the registration thereof, or by reason of the registration of any other person, as the owner of such land, or by reason of any mistake, omission, or misdescription in any certificate of title, or in any entry or memorial, or by any cancellation, in the register of titles, and who, by the provisions of this law, is precluded from bringing an action for the recovery of such land, or of any interest therein, or from enforcing any claim or lien upon the same, may institute an action in the district court to recover compensation out of the ~~assurance~~ general fund for such loss or damage.

Sec. 6. Minnesota Statutes 1988, section 508.77, is amended to read:

508.77 PARTIES DEFENDANT; JUDGMENT; EXECUTION.

If such action is brought to recover any loss or damage occasioned solely by the registration of such land, or solely by the registration of any other person as the owner thereof, or if such action be brought for the recovery of any loss or damage occasioned solely by the omission, mistake or misfeasance of the registrar or the registrar's deputy, or of any examiner or of any court administrator, or a deputy of the court administrator or examiner, in the performance of their respective duties, the state treasurer, in the treasurer's official capacity, shall be the sole defendant. If such action be brought to recover for any loss or damage occasioned either wholly, or in part, by the fraud or wrongful act of some person other than the officers herein named, or to recover for any loss or damage caused jointly by the fraud or wrongful act, and by the omission, mistake or misfeasance of the officers above named, or any of them, and of some other person, the state treasurer, in the treasurer's official capacity, and such other person shall be joined as defendants therein. In any action where there are defendants other than the state treasurer, no execution shall issue against such treasurer until execution against all other defendants against whom judgment has been recovered has been returned unsatisfied, either in whole or in part. An officer returning such execution shall certify thereon that the amount still due upon the

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execution cannot be collected from them. Thereupon the court, being satisfied as to the truth of the return, shall order the state treasurer to pay the amount due upon such execution out of the assurance general fund. ~~If the assurance fund is insufficient to pay the amount of any judgment in full, the unpaid balance thereof shall bear interest at the legal rate and be paid out of the first moneys coming into the assurance fund.~~ The attorney general or, at the request of either the attorney general or the board of county commissioners of the county in which the land or a major part of it lies, the county attorney of that county shall defend the state treasurer in all such actions.

Sec. 7. Minnesota Statutes 1988, section 508.78, is amended to read:

508.78 LIABILITY OF ASSURANCE FUND.

No person shall recover from the assurance general fund any sum by reason of any loss, damage, or deprivation occasioned solely by a breach of trust on the part of any registered owner who is trustee, or by the improper exercise of any power of sale in a mortgage, nor shall any person recover from the assurance general fund any greater sum than the fair market value of the real estate at the time of the last payment into such fund, on account thereof.

Sec. 8. Minnesota Statutes 1988, section 508.79, is amended to read:

508.79 LIMITATION OF ACTION.

Any action or proceeding pursuant to section 508.76 to recover damages out of the assurance general fund, shall be commenced within six years from the time when the right to commence the same accrued, and not afterwards. If at the time the right accrued or thereafter within the six-year period, the person entitled to bring such action or proceeding is a minor, or insane, or imprisoned, or absent from the United States in its service or the service of the state, such person, or anyone claiming under that person, may commence such action or proceeding within two years after such disability is removed.

Sec. 9. Minnesota Statutes 1988, section 508.82, is amended to read:

508.82 REGISTRAR'S FEES.

The fees to be paid to the registrar shall be as follows:

(1) of the fees provided herein, five percent of the fees collected under clauses (3), (4), (11), (13), (14), (15), (17), and (18) for filing or memorializing shall be paid to the state treasurer and credited to the real estate assurance account general fund;

(2) for registering each original certificate of title, and issuing a duplicate of it, \$20;

(3) for registering each instrument transferring the fee simple title for which

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a new certificate of title is issued and for the issuance and registration of the new certificate of title, \$20;

(4) for the entry of each memorial on a certificate and endorsements upon duplicate certificates, \$10;

(5) for issuing each mortgagee's or lessee's duplicate, \$10;

(6) for issuing each residue certificate, \$20;

(7) for exchange certificates, \$10 for each certificate canceled and \$10 for each new certificate issued;

(8) for each certificate showing condition of the register, \$10;

(9) for any certified copy of any instrument or writing on file in the registrar's office, the same fees allowed by law to county recorders for like services;

(10) for a noncertified copy of any instrument or writing on file in the office of the registrar of titles, or any specified page or part of it, an amount as determined by the county board for each page or fraction of a page specified. If computer or microfilm printers are used to reproduce the instrument or writing, a like amount per image;

(11) for filing two copies of any plat in the office of the registrar, \$30;

(12) for any other service under this chapter, such fee as the court shall determine;

(13) for issuing a duplicate certificate of title pursuant to the directive of the examiner of titles in counties in which the compensation of the examiner is paid in the same manner as the compensation of other county employees, \$50, plus \$10 to memorialize;

(14) for issuing a duplicate certificate of title pursuant to the directive of the examiner of titles in counties in which the compensation of the examiner is not paid by the county or pursuant to an order of the court, \$10;

(15) for filing a condominium plat or an amendment to it in accordance with chapter 515, \$30;

(16) for a copy of a condominium plat filed pursuant to chapters 515 and 515A, the fee shall be \$1 for each page of the condominium plat with a minimum fee of \$10;

(17) for filing a condominium declaration and plat or an amendment to it in accordance with chapter 515A, \$10 for each certificate upon which the document is registered and \$30 for the filing of the condominium plat or an amendment thereto;

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(18) for the filing of a certified copy of a plat of the survey pursuant to section 508.23 or 508.671, \$10;

(19) for filing a registered land survey in triplicate in accordance with section 508.47, subdivision 4, \$30;

(20) for furnishing a certified copy of a registered land survey in accordance with section 508.47, subdivision 4, \$10.

Sec. 10. Minnesota Statutes 1988, section 508A.76, is amended to read:

**508A.76 DAMAGES THROUGH ERRONEOUS REGISTRATION;
ACTION.**

Any person who, without negligence on that person's part, sustains any loss or damage by reason of any omission, mistake or misfeasance of the registrar or the registrar's deputy, or of any examiner or of any court administrator, or of a deputy of the court administrator or examiner, in the performance of their respective duties under sections 508A.01 to 508A.85, and any person who, without negligence on that person's part, is wrongfully deprived of any land or of any interest in it by the registration of it, or by reason of the registration of any other person, as the owner of the land, or by reason of any mistake, omission, or misdescription in any CPT, or in any entry or memorial, or by any cancellation, in the register of titles, and who, by the provisions of sections 508A.01 to 508A.85, is precluded from bringing an action for the recovery of the land, or of any interest in it, or from enforcing any claim or lien upon the same, may institute an action in the district court to recover compensation out of the ~~assurance~~ general fund for the loss or damage.

Sec. 11. Minnesota Statutes 1988, section 508A.77, is amended to read:

508A.77 PARTIES DEFENDANT; JUDGMENT; EXECUTION.

If an action is brought to recover any loss or damage occasioned solely by the registration of the land, or solely by the registration of any other person as the owner thereof, or if the action be brought for the recovery of any loss or damage occasioned solely by the omission, mistake or misfeasance of the registrar or the registrar's deputy, or of any examiner or of any court administrator, or of a deputy of the court administrator or examiner, in the performance of their respective duties, the state treasurer, in the treasurer's official capacity, shall be the sole defendant. If the action is brought to recover for any loss or damage occasioned either wholly, or in part, by the fraud or wrongful act of some person other than the officers herein named, or to recover for any loss or damage caused jointly by the fraud or wrongful act, and by the omission, mistake or misfeasance of the officers above named, or any of them, and of some other person, the state treasurer, in the treasurer's official capacity, and the other person shall be joined as defendants in it. In any action where there are defendants other than the state treasurer, no execution shall issue against the

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treasurer until execution against all other defendants against whom judgment has been recovered has been returned unsatisfied, either in whole or in part. An officer returning the execution shall certify on it that the amount still due upon the execution cannot be collected from them. The court, being satisfied as to the truth of the return, shall then order the state treasurer to pay the amount due upon the execution out of the assurance general fund. ~~If the assurance fund is insufficient to pay the amount of any judgment in full, the unpaid balance on it shall bear interest at the legal rate and be paid out of the first moneys coming into the assurance fund.~~ The attorney general or, at the request of either the attorney general or the board of county commissioners of the county in which the land or a major part of it lies, the county attorney of that county shall defend the state treasurer in all these actions.

Sec. 12. Minnesota Statutes 1988, section 508A.78, is amended to read:

508A.78 LIABILITY OF ASSURANCE FUND.

No person shall recover from the assurance general fund any sum by reason of any loss, damage, or deprivation occasioned solely by a breach of trust on the part of any registered owner who is trustee, or by the improper exercise of any power of sale in a mortgage, nor shall any person recover from the assurance general fund any greater sum than the fair market value of the real estate at the time of the last payment into that fund, on account thereof.

Sec. 13. Minnesota Statutes 1988, section 508A.79, is amended to read:

508A.79 LIMITATION OF ACTION.

Any action or proceeding pursuant to section 508A.76 to recover damages out of the assurance general fund shall be commenced within six years from the time when the right to commence the same accrued, and not afterwards. If at the time the right accrued or thereafter within the six-year period, the person entitled to bring the action or proceeding is a minor, or insane, or imprisoned, or absent from the United States in its service or the service of the state, the person, or anyone claiming under the person, may commence the action or proceeding within two years after the disability is removed.

Sec. 14. Minnesota Statutes 1988, section 508A.82, is amended to read:

508A.82 REGISTRAR'S FEES.

The fees to be paid to the registrar shall be as follows:

(1) of the fees provided herein, five percent of the fees collected under clauses (3), (4), (11), (13), (14), (15), and (17) for filing or memorializing shall be paid to the state treasurer and credited to the real estate assurance account general fund;

(2) for registering each original CPT, and issuing a duplicate of it, \$20;

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(3) for registering each instrument transferring the fee simple title for which a new CPT is issued and for the issuance and registration of the new CPT, \$20;

(4) for the entry of each memorial on a certificate and endorsements upon duplicate CPTs, \$10;

(5) for issuing each mortgagee's or lessee's duplicate, \$10;

(6) for issuing each residue CPT, \$20;

(7) for exchange CPTs, \$10 for each CPT canceled and \$10 for each new CPT issued;

(8) for each certificate showing condition of the register, \$10;

(9) for any certified copy of any instrument or writing on file in the registrar's office, the same fees allowed by law to county recorders for like services;

(10) for a noncertified copy of any instrument or writing on file in the office of the registrar of titles, or any specified page or part of it, an amount as determined by the county board for each page or fraction of a page specified. If computer or microfilm printers are used to reproduce the instrument or writing, a like amount per image;

(11) for filing two copies of any plat in the office of the registrar, \$30;

(12) for any other service under sections 508A.01 to 508A.85, the fee the court shall determine;

(13) for issuing a duplicate CPT pursuant to the directive of the examiner of titles in counties in which the compensation of the examiner is paid in the same manner as the compensation of other county employees, \$50, plus \$10 to memorialize;

(14) for issuing a duplicate CPT pursuant to the directive of the examiner of titles in counties in which the compensation of the examiner is not paid by the county or pursuant to an order of the court, \$10;

(15) for filing a condominium plat or an amendment to it in accordance with chapter 515, \$30;

(16) for a copy of a condominium plat filed pursuant to chapters 515 and 515A, the fee shall be \$1 for each page of the plat with a minimum fee of \$10;

(17) for filing a condominium declaration and condominium plat or an amendment to it in accordance with chapter 515A, \$10 for each certificate upon which the document is registered and \$30 for the filing of the condominium plat or an amendment to it;

(18) in counties in which the compensation of the examiner of titles is paid

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in the same manner as the compensation of other county employees, for each parcel of land contained in the application for a CPT, as the number of parcels is determined by the examiner, \$50;

(19) for filing a registered land survey in triplicate in accordance with section 508A.47, subdivision 4, \$30;

(20) for furnishing a certified copy of a registered land survey in accordance with section 508A.47, subdivision 4, \$10.

Sec. 15. EFFECTIVE DATE.

Sections 1 to 14 are effective July 1, 1989.

ARTICLE 12

SALES TAXES

Section 1. Minnesota Statutes 1988, section 270.77, is amended to read:

270.77 SUBSTANTIAL UNDERSTATEMENT OF LIABILITY.

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.

There must be added to the tax an amount equal to 25 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)(a) \$10,000 in the case of a corporation other than an S corporation as defined in section 290.9725 when the tax is imposed by chapter 290, or (b) \$5,000 in the case of any other taxpayer, and in the case of a corporation any tax not imposed by chapter 290. 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 which is shown on the return. The amount of the understatement shall be reduced by that portion of the understatement which is attributable to the tax treatment of any item by the taxpayer if there is or was substantial authority for the treatment, or 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. The special rules in cases involving tax shelters provided in section 6661(b)(2)(C) of the Internal Revenue Code of 1954, as amended through December 31, 1985, shall apply and shall apply to a tax shelter the principal purpose of which is the avoidance or evasion of state taxes. The commissioner may abate all or any part of the addition to the tax provided by this section on

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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 specified in section 270.75 from the time the tax should have been paid until paid.

Sec. 2. Minnesota Statutes 1988, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) The production, fabrication, printing or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing;

(c) The furnishing, preparing, or serving for a consideration of food, meals or drinks, not including meals or drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities, meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served, meals and lunches served at public and private schools, universities or colleges. "Sales" also includes meals furnished by employers to employees at less than fair market value, except meals furnished to employees of restaurants, resorts, and hotels, and except meals furnished at no charge to employees of hospitals, nursing homes, boarding care homes, sanitariums, group homes, and correctional, detention, and detoxification facilities, who are required to eat with the patients, residents, or inmates residing in them. Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

(i) heated food or drinks;

(ii) sandwiches prepared by the retailer;

(iii) single sales of prepackaged ice cream or ice milk novelties prepared by the retailer;

(iv) hand-prepared or dispensed ice cream or ice milk products including cones, sundaes, and snow cones;

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- (v) soft drinks and other beverages prepared or served by the retailer;
 - (vi) gum;
 - (vii) ice;
 - (viii) all food sold in vending machines;
 - (ix) party trays prepared by the retailers; and
 - (x) all meals and single servings of packaged snack food, single cans or bottles of pop, sold in restaurants and bars;
- (d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, massage parlors, health clubs, and spas or athletic facilities;
- (e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;
- (f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intra-state toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state; the tax imposed on amounts paid for telephone services is the liability of and shall be paid by the person paying for the services. The furnishing for a consideration of access to telephone services by a hotel to its guests is a sale under this clause. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale;
- (g) The furnishing for a consideration of cable television services, including charges for basic monthly service, charges for monthly premium service, and charges for any other similar television services;
- (h) Notwithstanding subdivision 4, and section 297A.25, subdivision 9, the sales of horses including claiming sales and fees paid for breeding a stallion to a mare. This clause applies to sales and fees with respect to a horse to be used for racing whose birth has been recorded by the Jockey Club or the United States Trotting Association or the American Quarter Horse Association;
- (i) The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;
- (j) The furnishing for a consideration of services listed in this paragraph:

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(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin-operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) services provided by detective agencies, security services, burglar, fire alarm, and armored car services not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1;

(v) pet grooming services; and

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; arborist services; tree, bush, and shrub planting, pruning, bracing, spraying, and surgery; and tree trimming for public utility lines.

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a partnership or association for another partnership or association are not taxable under this paragraph if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, and who are eligible to file a consolidated tax return for federal income tax purposes;

(k) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; and

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(l) The granting of membership in a club, association, or other organization if:

(1) the club, association, or other organization makes available for the use of its members sports and athletic facilities (without regard to whether a separate charge is assessed for use of the facilities); and

(2) use of the sports and athletic facilities is not made available to the general public on the same basis as it is made available to members.

Granting of membership includes both one-time initiation fees and periodic membership dues. Sports and athletic facilities include golf courses, tennis, racquetball, handball and squash courts, basketball and volleyball facilities, running tracks, exercise equipment, swimming pools, and other similar athletic or sports facilities. The provisions of this paragraph do not apply to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, for educational and social activities for young people primarily age 18 and under.

Sec. 3. Minnesota Statutes 1988, section 297A.02, subdivision 2, is amended to read:

Subd. 2. **MACHINERY AND EQUIPMENT.** Notwithstanding the provisions of subdivision 1, the rate of the excise tax imposed upon sales of special tooling; ~~and capital equipment~~ is four percent and upon sales of farm machinery is two percent.

Sec. 4. Minnesota Statutes 1988, section 297A.15, subdivision 5, is amended to read:

Subd. 5. **REFUND; APPROPRIATION.** Notwithstanding the provisions of sections ~~297A.02, subdivision 2~~ 297A.25, subdivision 42, and 297A.257 the tax on sales of capital equipment, and construction materials and supplies under section 297A.257, shall be imposed and collected as if the rate under section 297A.02, subdivision 1, applied. Upon application by the purchaser, on forms prescribed by the commissioner, a refund equal to the reduction in the tax due as a result of the application of the ~~rates under section 297A.02, subdivision 2,~~ or the exemption under section 297A.25, subdivision 42, or 297A.257 shall be paid to the purchaser. In the case of building materials qualifying under section 297A.257 where the tax was paid by a contractor, application must be made by the owner for the sales tax paid by all the contractors, subcontractors, and builders for the project. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The application shall include information necessary for the commissioner initially to verify that the purchases qualified as capital equipment under section ~~297A.02, subdivision 2~~ 297A.25, subdivision 42, or capital equipment or construction materials and supplies under section 297A.257. No more than two applications

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for refunds may be filed under this subdivision in a calendar year. Unless otherwise specifically provided by this subdivision, the provisions of section 297A.34 apply to the refunds payable under this subdivision. There is annually appropriated to the commissioner of revenue the amount required to make the refunds.

The amount to be refunded shall bear interest at the rate in section 270.76 from the date the refund claim is filed with the commissioner.

Sec. 5. Minnesota Statutes 1988, section 297A.15, is amended by adding a subdivision to read:

Subd. 6. REFUND; APPROPRIATION. The tax on the gross receipts from the sale of items exempt under section 297A.25 subdivision 43, must be imposed and collected as if the sale were taxable and the rate under section 297A.02, subdivision 1, applied.

Upon application by the owner of the homestead property on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the building materials and equipment must be paid to the homeowner. In the case of building materials in which the tax was paid by a contractor, application must be made by the homeowner for the sales tax paid by the contractor. The application must include sufficient information to permit the commissioner to verify the sales tax paid for the project. The contractor must furnish to the homeowner a statement of the cost of building materials and the sales taxes paid on the materials. The amount required to make the refunds is annually appropriated to the commissioner. Interest must be paid on the refund at the rate in section 270.76 from 60 days after the date the refund claim is filed with the commissioner.

Sec. 6. Minnesota Statutes 1988, section 297A.25, subdivision 3, is amended to read:

Subd. 3. MEDICINES; MEDICAL DEVICES. The gross receipts from the sale of prescribed drugs, prescribed medicine and insulin, intended for use, internal or external, in the cure, mitigation, treatment or prevention of illness or disease in human beings are exempt, together with prescription glasses, therapeutic, and prosthetic devices. "Prescribed drugs" or "prescribed medicine" includes over-the-counter drugs or medicine prescribed by a licensed physician. "Therapeutic devices" includes reusable finger pricking devices for the extraction of blood and blood glucose monitoring machines used in the treatment of diabetes. Nonprescription analgesics consisting principally (determined by the weight of all ingredients) of acetaminophen, acetylsalicylic acid, ibuprofen, or a combination thereof are exempt.

Sec. 7. Minnesota Statutes 1988, section 297A.25, is amended by adding a subdivision to read:

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Subd. 42. CAPITAL EQUIPMENT. The gross receipts from the sale of capital equipment are exempt.

Sec. 8. Minnesota Statutes 1988, section 297A.25, is amended by adding a subdivision to read:

Subd. 43. CHAIR LIFTS, RAMPS, ELEVATORS. The gross receipts from the sale of chair lifts, ramps, and elevators and building materials used to install or construct them are exempt, if they are authorized by a physician and installed in or attached to the owner's homestead.

Sec. 9. Minnesota Statutes 1988, section 297A.257, subdivision 1, is amended to read:

Subdivision 1. **DESIGNATION OF DISTRESSED COUNTIES.** (a) The commissioner of trade and economic development shall annually on June 1 designate those counties which are distressed. A county is distressed if it satisfies at least one of the following criteria:

(1) the county has an average unemployment rate of ten percent or more for the one-year period ending on April 30 of the year in which the designation is made; or

(2) the unemployment rate for the entire county was greater than 110 percent of the state average for the 12-month period ending the previous April 30, and 20 percent or more of the county's economy, as determined by the commissioner of jobs and training, is dependent upon agriculture; or

(3) for counties designated for periods beginning after June 30, 1986, but before July 1, 1988, at least 20 percent of the county's economy, as determined by the commissioner of jobs and training, is dependent upon agriculture and the total market value of real and personal property for the entire county for taxes payable in 1986, as determined by the commissioner of revenue, has decreased by at least 22 percent from the total market value of real and personal property for the entire county for taxes payable in 1984.

If, as a result of a plant closing, layoffs, or another similar event affecting a significant number of employees in the county, the commissioner has reason to believe that the average unemployment in the county will exceed ten percent during the one-year period beginning April 30, the commissioner may designate the county as distressed, notwithstanding clause (1).

(b) The commissioner shall designate a portion of a county containing a city of the first class located outside of the metropolitan area as a distressed county if:

(1) that portion of the county has an unemployment rate of ten percent or more for the one-year period ending on April 30 of the year in which the designation is made; and

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(2) that portion of the county has a population of at least 50,000 as determined by the 1980 federal census.

(c) A county or the portion of a county designated pursuant to this subdivision shall be considered a distressed county for purposes of this section and chapter 116M.

(d) Except as otherwise specifically provided, the determination of whether a county is distressed must be made using the most current data available from the state demographer. The designation of a distressed county is effective for the 12-month period beginning July 1, except that designations made effective July 1, 1988, shall remain in effect until December 31, 1989, with respect to equipment placed in service by December 31, 1989. A county may be designated as distressed as often as it qualifies.

(e) The authority to designate counties as distressed expires ~~on June 30, 1989~~ for designations made effective July 1, 1988.

Sec. 10. [297A.259] LOTTERY TICKETS; IN LIEU TAX.

Sales of state lottery tickets are exempt from the tax imposed under section 297A.02. The state lottery division in the department of gaming must on or before the 20th day of each month transmit to the commissioner of revenue an amount equal to the gross receipts from the sale of lottery tickets for the previous month multiplied by the tax rate under section 297A.02, subdivision 1. The resulting payment is in lieu of the sales tax that otherwise would be imposed by this chapter. The commissioner shall deposit the money transmitted in the general fund as provided by section 297A.44 and the money must be treated as other proceeds of the sales tax. Gross receipts for purposes of this section mean the proceeds of the sale of tickets before deduction of a commission or other compensation paid to the vendor or retailer for selling tickets.

Sec. 11. Minnesota Statutes 1988, section 297A.39, is amended by adding a subdivision to read:

Subd. 9. INTENTIONAL DISREGARD OF LAW OR RULES. If any part of any underpayment resulting from an additional assessment is due to negligence or intentional disregard of the provisions of this chapter or rules of the commissioner of revenue (but without intent to defraud), there shall be added to the tax an amount equal to ten percent of the additional assessment. The penalty imposed by this subdivision must be collected as part of the tax and is in addition to any other penalties provided by this chapter. The amount of the tax together with this amount shall bear interest at the rate specified in section 270.75 from the time the tax should have been paid until paid.

Sec. 12. EFFECTIVE DATE.

Sections 1 and 11 are effective for penalties imposed after October 31, 1989.

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Sections 2 and 6 are effective for sales after October 31, 1989. Sections 3, 4, and 7 are effective for sales after September 30, 1989, provided that they do not apply to sales made under bona fide contracts that were enforceable before October 1, 1989. Sections 5 and 8 are effective for sales after January 1, 1990. Sections 9 and 10 are effective the day following final enactment.

ARTICLE 13

LAWFUL GAMBLING TAX

Section 1. Minnesota Statutes 1989 Supplement, section 349.12, subdivision 11, is amended to read:

Subd. 11. (a) "Lawful purpose" means one or more of the following:

(1) benefiting persons by enhancing their opportunity for religious or educational advancement, by relieving or protecting them from disease, suffering or distress, by contributing to their physical well-being, by assisting them in establishing themselves in life as worthy and useful citizens, or by increasing their comprehension of and devotion to the principles upon which this nation was founded;

(2) initiating, performing, or fostering worthy public works or enabling or furthering the erection or maintenance of public structures;

(3) lessening the burdens borne by government or voluntarily supporting, augmenting or supplementing services which government would normally render to the people;

(4) payment of local taxes imposed authorized under this chapter, and ~~other~~ taxes imposed by ~~the state or~~ the United States on receipts from lawful gambling;

(5) any expenditure by, or any contribution to, a hospital or nursing home exempt from taxation under section 501(c)(3) of the Internal Revenue Code; ~~or~~

(6) payment of reasonable costs incurred in complying with the performing of annual audits required under section 349.19, subdivision 9;

(7) payment of real estate taxes and assessments on licensed gambling premises wholly owned by the licensed organization; or

(8) if approved by the board, construction, improvement, expansion, maintenance, and repair of athletic fields and outdoor ice rinks and their appurtenances, owned by the organization or a public agency.

(b) "Lawful purpose" does not include the erection, acquisition, improve-

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ment, expansion, repair, or maintenance of any real property or capital assets owned or leased by an organization, other than a hospital or nursing home exempt from taxation under section 501(c)(3) of the Internal Revenue Code, unless the board has first specifically authorized the expenditures after finding: (1) that the property or capital assets will be used exclusively for one or more of the purposes specified in paragraph (a), clauses (1) to (3); or (2) with respect to expenditures for repair or maintenance only, that the property is or will be used extensively as a meeting place or event location by other nonprofit organizations or community or service groups and that no rental fee is charged for the use; or (3) with respect to expenditures for erection or acquisition only, that the erection or acquisition is necessary to replace with a comparable building a building owned by the organization and destroyed or made uninhabitable by fire or natural disaster, provided that the expenditure may be only for that part of the replacement cost not reimbursed by insurance. The board ~~may~~ shall by rule adopt procedures and standards to administer this subdivision.

Sec. 2. Minnesota Statutes 1988, section 349.12, subdivision 19, is amended to read:

Subd. 19. **IDEAL GROSS.** "Ideal gross" means the total amount of receipts that would be received if every individual ticket in the pull-tab or tipboard deal was sold at its face value. In the calculation of ideal gross and prizes, a free play ticket shall be valued at face value.

Sec. 3. Minnesota Statutes 1988, section 349.12, is amended by adding a subdivision to read:

Subd. 26. **GROSS RECEIPTS.** "Gross receipts" means all receipts derived from lawful gambling activity including, but not limited to, the following items:

(1) gross sales of bingo cards and sheets before reduction for prizes, expenses, shortages, free plays, or any other charges or offsets;

(2) the ideal gross of pull-tab and tipboard deals or games less the value of unsold and defective tickets and before reduction for prizes, expenses, shortages, free plays, or any other charges or offsets;

(3) gross sales of raffle tickets and paddle tickets before reduction for prizes, expenses, shortages, free plays, or any other charges or offsets;

(4) admission, commission, cover, or other charges imposed on participants in lawful gambling activity as a condition for or cost of participation; and

(5) interest, dividends, annuities, profit from transactions, or other income derived from the accumulation or use of gambling proceeds.

Gross receipts does not include proceeds from rental under section 349.164 or 349.18, subdivision 3, for duly licensed bingo hall lessors.

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Sec. 4. Minnesota Statutes 1988, section 349.12, is amended by adding a subdivision to read:

Subd. 27. FISCAL YEAR. "Fiscal year 1990" means the period from October 1, 1989, to June 30, 1990. For all subsequent times, "fiscal year" means the period from July 1 to June 30.

Sec. 5. Minnesota Statutes 1988, section 349.12, is amended by adding a subdivision to read:

Subd. 28. FACE VALUE. "Face value" means the price per ticket printed on the ticket or the flare.

Sec. 6. Minnesota Statutes 1988, section 349.12, is amended by adding a subdivision to read:

Subd. 29. FREE PLAY. "Free play" means a winning ticket that is labeled as a free play or its equivalent.

Sec. 7. Minnesota Statutes 1989 Supplement, section 349.15, is amended to read:

349.15 USE OF GROSS PROFITS.

(a) Gross profits from lawful gambling may be expended only for lawful purposes or allowable expenses as authorized at a regular meeting of the conducting organization. Provided that no more than 55 percent of the gross profits profit less the tax imposed under section 349.212, subdivision 1, from bingo, and no more than 45 50 percent for of the gross profit less the taxes imposed by section 349.212, subdivisions 1, 4, and 6 from other forms of lawful gambling, may be expended for allowable expenses related to lawful gambling.

(b) The board shall provide by rule for the administration of this section, including specifying allowable expenses. The rules must specify that no more than one-third of the annual premium on a policy of liability insurance procured by the organization may be taken as an allowable expense. This expense shall be allowed by the board only to the extent that it relates directly to the conduct of lawful gambling and is verified in the manner the board prescribes by rule. The rules may provide a maximum percentage of gross profits which may be expended for certain expenses.

(c) Allowable expenses also include reasonable costs of bank account service charges, and the reasonable costs of an audit required by the board, except an audit required under section 349.19, subdivision 9.

(d) Allowable expenses include reasonable legal fees and damages that relate to the conducting of lawful gambling, except for legal fees or damages incurred in defending the organization against the board, attorney general, United States attorney, commissioner of revenue, or a county or city attorney.

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Sec. 8. Minnesota Statutes 1988, section 349.16, is amended by adding a subdivision to read:

Subd. 1a. RESTRICTIONS ON LICENSE ISSUANCE. On and after October 1, 1989, the board shall not issue an initial license to any organization if the board, in consultation with the department of revenue, determines that the organization is seeking licensing for the primary purpose of evading or reducing the tax imposed by section 349.212, subdivision 6.

Sec. 9. Minnesota Statutes 1989 Supplement, section 349.161, subdivision 1, is amended to read:

Subdivision 1. **PROHIBITED ACTS; LICENSES REQUIRED.** No person may:

(1) sell, offer for sale, or furnish gambling equipment for use within the state for gambling purposes, other than for lawful gambling exempt from licensing under section 349.214, except to an organization licensed for lawful gambling; ~~or~~

(2) sell, offer for sale, or furnish gambling equipment to an organization licensed for lawful gambling without having obtained a distributor license under this section;

(3) sell, offer for sale, or furnish gambling equipment for use within the state that is not purchased or obtained from a manufacturer or distributor licensed under this chapter; or

(4) sell, offer for sale, or furnish gambling equipment for use within the state that has the same serial number as another item of gambling equipment of the same type sold or offered for sale or furnished for use in the state by that distributor.

No licensed organization may purchase gambling equipment from any person not licensed as a distributor under this section.

Sec. 10. Minnesota Statutes 1989 Supplement, section 349.163, subdivision 3, is amended to read:

Subd. 3. **PROHIBITED SALES.** A manufacturer may not:

(1) sell gambling equipment to any person not licensed as a distributor unless the manufacturer is also a licensed distributor; ~~or~~

(2) sell gambling equipment to a distributor in this state that has the same serial number as another item of gambling equipment of the same type that is sold by that manufacturer for use in this state.

Sec. 11. Minnesota Statutes 1989 Supplement, section 349.19, subdivision 6, is amended to read:

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Subd. 6. **PRESERVATION OF RECORDS.** ~~The board may require that~~ Records required to be kept by this section must be preserved by a licensed organization for at least two 3-1/2 years and may be inspected by employees of the division and the division of gambling enforcement commissioner of revenue, the commissioner of gaming, or the commissioner of public safety at any reasonable time without notice or a search warrant.

Sec. 12. Minnesota Statutes 1988, section 349.212, subdivision 1, is amended to read:

Subdivision 1. **RATE IMPOSITION.** There is hereby imposed a tax on all lawful gambling, other than (1) pull-tabs purchased and placed into inventory after January 1, 1987, and (2) tipboards purchased and placed into inventory after June 30, 1988, conducted by organizations licensed by the board at the rate specified in this subdivision of ten percent on the gross receipts as defined in section 349.12, subdivision 26, less prizes actually paid. The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.02 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 4, or a tax authorized under section 349.212, subdivision 5.

On all lawful gambling, other than (1) pull-tabs purchased and placed into inventory after January 1, 1987, and (2) tipboards purchased and placed into inventory after June 30, 1988, the tax imposed under this subdivision is ten percent of the gross receipts of a licensed organization from lawful gambling less prizes actually paid out, payable by the organization or party conducting, directly or indirectly, the gambling.

Sec. 13. Minnesota Statutes 1988, section 349.212, subdivision 2, is amended to read:

Subd. 2. **COLLECTION; DISPOSITION.** The tax must be paid to the board at times and in a manner the board prescribes by rule taxes imposed by this section are due and payable to the commissioner of revenue at the time when the gambling tax return is required to be filed. Returns covering the taxes imposed under this section must be filed with the commissioner of revenue on or before the 20th day of the month following the close of the previous calendar month. The proceeds, along with the revenue received from all license fees and other fees under sections 349.11 to 349.21 and 349.211, 349.212, and 349.213, must be paid to the state treasurer for deposit in the general fund.

Sec. 14. Minnesota Statutes 1988, section 349.212, subdivision 4, is amended to read:

Subd. 4. **PULL-TAB AND TIPBOARD TAX.** (a) There is imposed a tax on the sale of each deal of pull-tabs and tipboards sold by a licensed distributor to a licensed organization, or to an organization holding an exemption identification number. The rate of the tax is ten two percent of the ideal net gross of the pull-tab and or tipboard deal. ~~The tax is payable to the commissioner of revenue in the manner prescribed in section 349.212 and the rules of the~~

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~~commissioner. The commissioner shall pay the proceeds of the tax to the state treasurer for deposit in the general fund. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the licensed distributor to an organization is imposed on the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A if the tax imposed by this subdivision has been paid and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 4.~~

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the ~~licensed or exempt organization~~ customer, to a common or contract carrier for delivery to the ~~organization~~ customer, or when received by the ~~organization's~~ customer's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

The tax imposed by this subdivision is imposed on all sales of pull-tabs and tipboards, except the following:

(1) sales to the governing body of an Indian tribal organization for use on an Indian reservation;

(2) sales to distributors licensed under this chapter;

(3) sales to distributors licensed under the laws of another state or of a Province of Canada, as long as all statutory and regulatory requirements are met in the other state or province; and

(4) sales of promotional tickets as defined in section 349.12.

(c) ~~The exemptions contained in section 349.214, subdivision 2, paragraph (b), do not apply to the tax imposed in this subdivision. Pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.214, subdivision 2, paragraph (b), are exempt from the tax imposed by this subdivision. A distributor must require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to such an organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.~~

Sec. 15. Minnesota Statutes 1988, section 349.212, is amended by adding a subdivision to read:

Subd. 6. COMBINED RECEIPTS TAX. In addition to the taxes imposed under subdivisions 1 and 4, there is imposed a tax on the combined receipts of the organization. As used in this section, "combined receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of bingo, raffles, and paddlewheels, as defined in section 349.12, subdivision 26, for the fiscal year. The combined receipts of an organization are subject to a tax computed according to the following schedule:

If the combined receipts for the fiscal year are:

The tax is:

Not over \$500,000

zero

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<u>Over \$500,000 but not over \$700,000</u>	<u>two percent of the</u> <u>amount over \$500,000</u> <u>but not over \$700,000</u>
<u>Over \$700,000 but not over \$900,000</u>	<u>\$4,000 plus four</u> <u>percent of the amount</u> <u>over \$700,000 but</u> <u>not over \$900,000</u>
<u>Over \$900,000</u>	<u>\$12,000 plus six</u> <u>percent of the amount</u> <u>over \$900,000</u>

Sec. 16. Minnesota Statutes 1988, section 349.2127, subdivision 4, is amended to read:

Subd. 4. **TRANSPORTING UNSTAMPED DEALS.** No person shall transport into, or receive, carry, or move from place to place in this state, any deals of pull-tabs or tipboards not stamped in accordance with this chapter except in the course of interstate commerce; ~~unless the deals are moving from one distributor to another.~~

Sec. 17. Minnesota Statutes 1988, section 349.2127, is amended by adding a subdivision to read:

Subd. 5. PROVIDING INFORMATION. No employee of an organization shall provide any information to a player that would provide an unfair advantage to the player related to the potential winnings of any lawful gambling activity. For purposes of this subdivision, "employee" includes a volunteer.

Sec. 18. Minnesota Statutes 1989 Supplement, section 349.214, subdivision 2, is amended to read:

Subd. 2. **LAWFUL GAMBLING.** (a) Raffles may be conducted by an organization ~~as defined in section 349.12, subdivision 12,~~ without complying with sections 349.11 to 349.14 and 349.151 to 349.213 if the value of all raffle prizes awarded by the organization in a calendar year does not exceed \$750.

(b) Lawful gambling may be conducted by an organization as defined in section 349.12, subdivision 12, without complying with sections 349.151 to 349.16; 349.171 to 349.21; and 349.212 if:

(1) the organization conducts lawful gambling on five or fewer days in a calendar year;

(2) the organization does not award more than \$50,000 in prizes for lawful gambling in a calendar year;

(3) the organization pays a fee of \$25 to the board, notifies the board in

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writing not less than 30 days before each lawful gambling occasion of the date and location of the occasion, or 60 days for an occasion held in the case of a city of the first class, the types of lawful gambling to be conducted, the prizes to be awarded, and receives an exemption identification number;

(4) the organization notifies the local government unit 30 days before the lawful gambling occasion, or 60 days for an occasion held in a city of the first class;

(5) the organization purchases all gambling equipment and supplies from a licensed distributor; and

(6) the organization reports to the board, on a single page form prescribed by the board, within 30 days of each gambling occasion, the gross receipts, prizes, expenses, expenditures of net profits from the occasion, and the identification of the licensed distributor from whom all gambling equipment was purchased.

(c) If the organization fails to file a timely report as required by paragraph (b), clause (3) or (6), a \$250 penalty is imposed on the organization. Failure to file a timely report does not disqualify the organization as exempt under this paragraph if a report is subsequently filed and the penalty paid.

(d) Merchandise prizes must be valued at their fair market value.

(e) Unused pull-tab and tipboard deals must be returned to the distributor within seven working days after the end of the lawful gambling occasion. The distributor must accept and pay a refund for all returns of unopened and undamaged deals returned under this paragraph.

(f) An organization that is exempt from taxation on purchases of pull-tabs and tipboards under section 349.212, subdivision 4, paragraph (c), must return to the distributor tipboard or pull-tab deal no part of which is used at the lawful gambling occasion for which it was purchased by the organization.

Sec. 19. [349.215] EXAMINATIONS.

Subdivision 1. EXAMINATION OF TAXPAYER. To determine the accuracy of a return or report, or in fixing liability under this chapter, the commissioner of revenue may make reasonable examinations or investigations of a taxpayer's place of business, tangible personal property, equipment, computer systems and facilities, pertinent books, records, papers, vouchers, computer printouts, accounts, and documents.

Subd. 2. ACCESS TO RECORDS OF OTHER PERSONS IN CONNECTION WITH EXAMINATION OF TAXPAYER. When conducting an investigation or an audit of a taxpayer, the commissioner of revenue may examine, except where privileged by law, the relevant records and files of a person, business, institution, financial institution, state agency, agency of the United States government, or agency of another state where permitted by statute, agreement, or reciprocity. The commissioner of revenue may compel production of

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these records by subpoena. A subpoena may be served directly by the commissioner of revenue.

Subd. 3. POWER TO COMPEL TESTIMONY. In the administration of this chapter, the commissioner of revenue may:

(1) Administer oaths or affirmations and compel by subpoena the attendance of witnesses, testimony, and the production of a person's pertinent books, records, papers, or other data.

(2) Examine under oath or affirmation any person regarding the business of a taxpayer concerning a matter relevant to the administration of this chapter. The fees of witnesses required by the commissioner of revenue to attend a hearing are equal to those allowed to witnesses appearing before courts of this state. The fees must be paid in the manner provided for the payment of other expenses incident to the administration of state tax law.

(3) In addition to other remedies available, bring an action in equity by the state against a taxpayer for an injunction ordering the taxpayer to file a complete and proper return or amended return. The district courts of this state shall have jurisdiction over the action, and disobedience of an injunction issued under this clause shall be punished as a contempt of district court.

Subd. 4. THIRD PARTY SUBPOENA WHERE TAXPAYER'S IDENTITY IS KNOWN. An investigation may extend to any person that the commissioner of revenue determines has access to information that may be relevant to the examination or investigation. When a subpoena requiring the production of records under subdivision 2 is served on a third-party record keeper, written notice of the subpoena must be mailed to the taxpayer and to any other person who is identified in the subpoena. The notices must be given within three days of the day on which the subpoena is served. Notice to the taxpayer required by this section is sufficient if it is mailed to the last address on record with the commissioner of revenue.

Subd. 5. THIRD PARTY SUBPOENA WHERE TAXPAYER'S IDENTITY IS NOT KNOWN. A subpoena that does not identify the person or persons whose tax liability is being investigated may be served only if:

(1) the subpoena relates to the investigation of a particular person or ascertainable group or class of persons;

(2) there is a reasonable basis for believing that the person or group or class of persons may fail or may have failed to comply with tax laws administered by the commissioner of revenue;

(3) the subpoena is clear and specific concerning information sought to be obtained; and

(4) the information sought to be obtained is limited solely to the scope of the investigation.

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A party served with a subpoena that does not identify the person or persons with respect to whose tax liability the subpoena is issued may, within three days after service of the subpoena, petition the district court in the judicial district in which that party is located for a determination whether the commissioner of revenue has complied with all the requirements in clauses (1) to (4), and thus, whether the subpoena is enforceable. If no petition is made by the party served within the time prescribed, the subpoena has the effect of a court order.

Subd. 6. REQUEST BY TAXPAYER FOR SUBPOENA. When the commissioner of revenue has the power to issue a subpoena for investigative or auditing purposes, then the commissioner shall honor a reasonable request by the taxpayer to issue a subpoena on the taxpayer's behalf, if in connection with the investigation or audit.

Subd. 7. APPLICATION TO COURT FOR ENFORCEMENT OF SUBPOENA. The commissioner of revenue or the taxpayer may apply to the district court of the county of the taxpayer's residence, place of business, or county where the subpoena can be served as with any other case at law, for any order compelling the appearance of the subpoenaed witness or the production of the subpoenaed records. Failure to comply with the order of the court for the appearance of a witness or the production of records may be punished by the court as for contempt.

Subd. 8. COST OF PRODUCTION OF RECORDS. The cost of producing records of a third party required by a subpoena must be paid by the taxpayer, if the taxpayer requests the subpoena to be issued, or if the taxpayer has the records available but has refused to provide them to the commissioner of revenue. In other cases where the taxpayer is unable to produce records and the commissioner of revenue then initiates a subpoena for third-party records, the commissioner shall pay the reasonable cost of producing the records. The commissioner of revenue may later assess the reasonable costs against the taxpayer if the records contribute to the determination of an assessment of tax against the taxpayer.

Sec. 20. [349.2151] ASSESSMENTS.

Subdivision 1. GENERALLY. The commissioner of revenue shall make determinations, corrections, and assessments with respect to taxes (including interest, additions to taxes, and assessable penalties) imposed under this chapter.

Subd. 2. COMMISSIONER OF REVENUE FILED RETURNS. If a taxpayer fails to file a return required by this chapter, the commissioner of revenue may make a return for the taxpayer from information in the commissioner's possession or obtainable by the commissioner. The return is prima facie correct and valid.

Subd. 3. ORDER OF ASSESSMENT; NOTICE AND DEMAND TO TAXPAYER. (a) When a return has been filed and the commissioner of revenue

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determines that the tax disclosed by the return is different than the tax determined by the examination, the commissioner shall send an order of assessment to the taxpayer. The order must explain the basis for the assessment and must explain the taxpayer's appeal rights. An assessment by the commissioner of revenue must be made by recording the liability of the taxpayer in the office of the commissioner of revenue, which may be done by keeping a copy of the order of assessment sent to the taxpayer. An order of assessment is final when made but may be reconsidered by the commissioner under section 349.219.

(b) The amount of unpaid tax shown on the order must be paid to the commissioner of revenue: (1) within 60 days after notice of the amount and demand for its payment have been mailed to the taxpayer by the commissioner of revenue; or (2) if an administrative appeal is filed under section 349.219 within 60 days following the determination or compromise of the appeal.

Subd. 4. ERRONEOUS REFUNDS. An erroneous refund is considered an underpayment of tax on the date made. An assessment of a deficiency arising out of an erroneous refund may be made at any time within two years from the making of the refund. If part of the refund was induced by fraud or misrepresentation of a material fact, the assessment may be made at any time.

Subd. 5. ASSESSMENT PRESUMED VALID. A return or assessment made by the commissioner of revenue is prima facie correct and valid. The taxpayer has the burden of establishing the incorrectness or invalidity of the return or assessment in any action or proceeding in respect to it.

Subd. 6. AGGREGATE REFUND OR ASSESSMENT. On examining returns of a taxpayer for more than one year or period, the commissioner of revenue may issue one order covering the period under examination that reflects the aggregate refund or additional tax due.

Subd. 7. SUFFICIENCY OF NOTICE. An order of assessment sent by United States mail, postage prepaid to the taxpayer at the taxpayer's last known address, is sufficient even if the taxpayer is deceased or is under a legal disability, or, in the case of a corporation, has terminated its existence, unless the department has been provided with a new address by a party authorized to receive notices of assessment.

Sec. 21. [349.2152] EXTENSIONS FOR FILING RETURNS AND PAYING TAXES.

When, in the commissioner of revenue's judgment, good cause exists, the commissioner may extend the time for filing tax returns and/or paying taxes for not more than six months.

Sec. 22. [349.216] LIMITATIONS ON TIME FOR ASSESSMENT OF TAX.

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Subdivision 1. GENERAL RULE. Except as otherwise provided in this chapter, the amount of taxes assessable must be assessed within 3-1/2 years after the return is filed (whether or not the return is filed on or after the date prescribed). A return must not be treated as filed until it is in processible form. A return is in processible form when it is filed on a permitted form and contains sufficient data to identify the taxpayer and permit the mathematical verification of the tax liability shown on the return.

Subd. 2. FALSE OR FRAUDULENT RETURN. Notwithstanding subdivision 1, the tax may be assessed at any time if a false or fraudulent return is filed or if a taxpayer fails to file a return.

Subd. 3. OMISSION IN EXCESS OF 25 PERCENT. Additional taxes may be assessed within 6-1/2 years after the due date of the return or the date the return was filed, whichever is later, if the taxpayer omits from a tax return taxes in excess of 25 percent of the taxes reported in the return.

Subd. 4. TIME LIMIT FOR REFUNDS. Unless otherwise provided in this chapter, a claim for a refund of an overpayment of tax must be filed within 3-1/2 years from the date prescribed for filing the return (plus any extension of time granted for filing the return, but only if filed within the extended time) or two years from the time the tax is paid, whichever period expires later. Interest on refunds must be computed at the rate specified in section 270.76 from the date of payment to the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the later of the date the tax was finally due or was paid.

Subd. 5. BANKRUPTCY; SUSPENSION OF TIME. The time during which a tax must be assessed or collection proceedings begun is suspended during the period from the date of a filing of a petition in bankruptcy until 30 days after either: (1) notice to the commissioner of revenue that the bankruptcy proceedings have been closed or dismissed, or (2) the automatic stay has been ended or has expired, whichever occurs first.

The suspension of the statute of limitations under this section applies to the person the petition in bankruptcy is filed against, and all other persons who may also be wholly or partially liable for the tax.

Subd. 6. EXTENSION AGREEMENT. If before the expiration of time prescribed in subdivisions 1 and 4 for the assessment of tax or the filing of a claim for refund, both the commissioner of revenue and the taxpayer have consented in writing to the assessment or filing of a claim for refund after that time, the tax may be assessed or the claim for refund filed at any time before the expiration of the agreed upon period. The period may be extended by later agreements in writing before the expiration of the period previously agreed upon.

Sec. 23. [349.217] CIVIL PENALTIES.

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Subdivision 1. PENALTY FOR FAILURE TO PAY TAX. If a tax is not paid within the time specified for payment, a penalty is added to the amount required to be shown as tax. The penalty is three percent of the unpaid tax if the failure is for not more than 30 days, with an additional penalty of three percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 24 percent in the aggregate.

If the taxpayer has not filed a return, for purposes of this subdivision the time specified for payment is the final date a return should have been filed.

Subd. 2. PENALTY FOR FAILURE TO MAKE AND FILE RETURN. If a taxpayer fails to make and file a return within the time prescribed or an extension, a penalty is added to the tax. The penalty is three percent of the amount of tax not paid on or before the date prescribed for payment of the tax if the failure is for not more than 30 days, with an additional five percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days, during which the failure continues, not exceeding 23 percent in the aggregate.

If a taxpayer fails to file a return within 60 days of the date prescribed for filing of the return (determined with regard to any extension of time for filing), the addition to tax under this subdivision must be at least the lesser of: (1) \$200; or (2) the greater of (a) 25 percent of the amount required to be shown as tax on the return without reduction for any payments made or refundable credits allowable against the tax, or (b) \$50.

Subd. 3. COMBINED PENALTIES. When penalties are imposed under subdivisions 1 and 2, except for the minimum penalty under subdivision 2, the penalties imposed under both subdivisions combined must not exceed 38 percent.

Subd. 4. PENALTY FOR INTENTIONAL DISREGARD OF LAW OR RULES. If part of an additional assessment is due to negligence or intentional disregard of the provisions of this chapter or rules of the commissioner of revenue (but without intent to defraud), there is added to the tax an amount equal to ten percent of the additional assessment.

Subd. 5. PENALTY FOR FALSE OR FRAUDULENT RETURN; EVASION. If a person files a false or fraudulent return, or attempts in any manner to evade or defeat a tax or payment of tax, there is imposed on the person a penalty equal to 50 percent of the tax found due for the period to which the return related, less amounts paid by the person on the basis of the false or fraudulent return.

Subd. 6. PENALTY FOR SALES AFTER REVOCATION, SUSPENSION, OR EXPIRATION. A distributor who engages in, or whose representative engages in, the offering for sale, sale, transport, delivery, or furnishing of gambling equipment to a person, firm, or organization, after the distributor's

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license or permit has been revoked or suspended, or has expired, and until such license or permit has been reinstated or renewed, is liable for a penalty of \$1,000 for each day the distributor continues to engage in the activity. This subdivision does not apply to the transport of gambling equipment for the purpose of returning the equipment to a licensed manufacturer.

Subd. 7. PAYMENT OF PENALTIES. The penalties imposed by this section must be collected and paid in the same manner as taxes.

Subd. 8. PENALTIES ARE ADDITIONAL. The civil penalties imposed by this section are in addition to the criminal penalties imposed by this chapter.

Subd. 9. ORDER PAYMENTS CREDITED. All payments received may be credited first to the oldest liability not secured by a judgment or lien in the discretion of the commissioner of revenue, but in all cases must be credited first to penalties, next to interest, and then to the tax due.

Sec. 24. [349.2171] TAX-RELATED CRIMINAL PENALTIES.

Subdivision 1. PENALTY FOR FAILURE TO FILE OR PAY. (a) A person required to file a return, report, or other document with the commissioner of revenue, who knowingly fails to file it when required, is guilty of a gross misdemeanor. A person required to file a return, report, or other document who willfully attempts to evade or defeat a tax by failing to file it when required is guilty of a felony.

(b) A person required to pay or to collect and remit a tax, who knowingly fails to do so when required, is guilty of a gross misdemeanor. A person required to pay or to collect and remit a tax, who willfully attempts to evade or defeat a tax law by failing to do so when required, is guilty of a felony.

Subd. 2. FALSE OR FRAUDULENT RETURNS; PENALTIES. (a) A person required to file a return, report, or other document with the commissioner of revenue, who delivers to the commissioner of revenue a return, report, or other document known by the person to be fraudulent or false concerning a material matter, is guilty of a felony.

(b) A person who knowingly aids or assists in, or advises in the preparation or presentation of a return, report, or other document that is fraudulent or false concerning a material matter, whether or not the falsity or fraud committed is with the knowledge or consent of the person authorized or required to present the return, report, or other document, is guilty of a felony.

Subd. 3. SALES WITHOUT PERMIT; VIOLATIONS. (a) A person who engages in the business of selling pull-tabs or tipboards in Minnesota without the licenses or permits required under this chapter, or an officer of a corporation who so engages in the sales, is guilty of a gross misdemeanor.

(b) A person selling gambling equipment in Minnesota after revocation of a license or permit under this chapter, when the commissioner of revenue or the board has not issued a new license or permit, is guilty of a felony.

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Subd. 4. CRIMINAL PENALTIES. Criminal penalties imposed by this section are in addition to civil penalties imposed by this chapter.

Subd. 5. STATUTE OF LIMITATIONS. Notwithstanding section 628.26, or other provision of the criminal laws of this state, an indictment may be found and filed, or a complaint filed, upon a criminal offense specified in this section, in the proper court within six years after the offense is committed.

Sec. 25. [349.218] INTEREST.

Subdivision 1. INTEREST RATE. When an interest assessment is required under this section, interest is computed at the rate specified in section 270.75.

Subd. 2. LATE PAYMENT. If a tax is not paid within the time specified by law for payment, the unpaid tax bears interest from the date the tax should have been paid until the date the tax is paid.

Subd. 3. EXTENSIONS. If an extension of time for payment has been granted, interest must be paid from the date the payment should have been made if no extension had been granted, until the date the tax is paid.

Subd. 4. ADDITIONAL ASSESSMENTS. If a taxpayer is liable for additional taxes because of a redetermination by the commissioner of revenue, or for any other reason, the additional taxes bear interest from the time the tax should have been paid, without regard to any extension allowed, until the date the tax is paid.

Subd. 5. ERRONEOUS REFUNDS. In the case of an erroneous refund, interest accrues from the date the refund was paid unless the erroneous refund results from a mistake of the department, then no interest or penalty is imposed unless the deficiency assessment is not satisfied within 60 days of the order.

Subd. 6. INTEREST ON JUDGMENTS. Notwithstanding section 549.09, if judgment is entered in favor of the commissioner of revenue with regard to any tax, the judgment bears interest at the rate specified in section 270.75 from the date the judgment is entered until the date of payment.

Subd. 7. INTEREST ON PENALTIES. (a) A penalty imposed under section 349.217, subdivision 1, 2, 3, 4, or 5 bears interest from the date the return or payment was required to be filed or paid (including any extensions) 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 ten days from the date of notice. In that case interest is imposed from the date of notice to the date of payment.

Sec. 26. [349.219] ADMINISTRATIVE REVIEW.

Subdivision 1. TAXPAYER RIGHT TO RECONSIDERATION. A taxpayer may obtain reconsideration by the commissioner of revenue of an order assessing tax, a denial of a request for abatement of penalty assessed under

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section 349.152, subdivision 1, clause (5), or 349.217, or a denial of a claim for refund of money paid to the commissioner of revenue under provisions, assessments, or orders under this chapter by filing an administrative appeal as provided in subdivision 4. A taxpayer cannot obtain reconsideration if the action taken by the commissioner of revenue is the outcome of an administrative appeal.

Subd. 2. APPEAL BY TAXPAYER. A taxpayer who wishes to seek administrative review must follow the procedure provided by subdivision 4.

Subd. 3. NOTICE DATE. For purposes of this section the term "notice date" means the date of the order adjusting the tax or order denying a request for abatement, or, in the case of a denied refund, the date of the notice of denial.

Subd. 4. TIME AND CONTENT FOR ADMINISTRATIVE APPEAL. Within 60 days after the notice date, the taxpayer must file a written appeal with the commissioner of revenue. The appeal need not be in any particular form but must contain the following information:

- (1) name and address of the taxpayer;
- (2) if a corporation, the state of incorporation of the taxpayer, and the principal place of business of the corporation;
- (3) the Minnesota identification number or social security number of the taxpayer;
- (4) the type of tax involved;
- (5) the date;
- (6) the tax years or periods involved and the amount of tax involved for each year or period;
- (7) the findings in the notice that the taxpayer disputes;
- (8) a summary statement that the taxpayer relies on for each exception; and
- (9) the taxpayer's signature or signature of the taxpayer's duly authorized agent.

Subd. 5. EXTENSIONS. When requested in writing and within the time allowed for filing an administrative appeal, the commissioner of revenue may extend the time for filing an appeal for a period not to exceed 30 days from the expiration of the 60 days from the notice date.

Subd. 6. AUTOMATIC EXTENSION OF STATUTE OF LIMITATIONS. Notwithstanding any statute of limitations to the contrary, when the commissioner of revenue has made a determination and the taxpayer has authority to file an administrative appeal, the period during which the commissioner can make further assessments or other determinations does not expire before:

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(1) 90 days after the notice date if no protest is filed under subdivision 4; or

(2) 90 days after the commissioner of revenue notifies the taxpayer of the determination on the appeal.

Subd. 7. DETERMINATION OF APPEAL. On the basis of applicable law and available information, the commissioner of revenue shall determine the validity, if any, in whole or part of the appeal and notify the taxpayer of the decision. This notice must be in writing and contain the basis for the determination.

Subd. 8. AGREEMENT DETERMINING TAX LIABILITY. When it appears to be in the best interests of the state, the commissioner of revenue may settle taxes, penalties, or interest that the commissioner has under consideration by virtue of an appeal filed under this section. An agreement must be in writing and signed by the commissioner of revenue and the taxpayer or the taxpayer's representative authorized by the taxpayer to enter into an agreement. An agreement must be filed in the office of the commissioner of revenue.

Subd. 9. APPEAL OF AN ADMINISTRATIVE APPEAL. Following the determination or settlement of an appeal, the commissioner of revenue must issue an order reflecting that disposition. Except in the case of an agreement determining tax under this section, the order is appealable to the Minnesota tax court under section 271.06.

Subd. 10. APPEAL WHERE NO DETERMINATION. If the commissioner of revenue does not make a determination within six months of the filing of an administrative appeal, the taxpayer may elect to appeal to tax court.

Subd. 11. EXEMPTION FROM ADMINISTRATIVE PROCEDURE ACT. This section is not subject to chapter 14.

Sec. 27. STATE TO BE SUPPLIER OF GAMBLING EQUIPMENT.

Notwithstanding any other law to the contrary, after June 30, 1990, the state of Minnesota will be the sole supplier of all gambling equipment under Minnesota Statutes, chapter 349. The commissioner of revenue shall no later than January 15, 1990, submit to the legislature a bill making all statutory changes required to implement this section including proposing the required staff and appropriation. The bill shall include provisions requiring the state to provide an adequate supply and variety of gambling equipment and to supply it efficiently. The commissioner of revenue shall provide copies of this bill to the chair of the house of representatives tax committee and to the chair of the senate committee on taxes and tax laws. Notwithstanding any contrary requirements of Minnesota Statutes, section 3C.035, subdivision 2, the revisor shall assess the commissioner of revenue for the actual cost of bill drafting services rendered to the department with respect to the bill required by this section.

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Sec. 28. INSTRUCTION TO THE REVISOR.

The revisor of statutes is directed to change the words "charitable gambling" wherever they appear in Minnesota Statutes to "lawful gambling" in Minnesota Statutes 1990 and subsequent editions of the statutes.

Sec. 29. REPEALER.

(a) Minnesota Statutes 1988, section 349.2121, subdivision 4, is repealed.

(b) Minnesota Rules, part 7860.0010, subpart 11a, is repealed.

Sec. 30. EFFECTIVE DATE.

Sections 1 to 18 and 27 to 29 are effective October 1, 1989.

Section 23 is effective for tax or reporting periods beginning on or after October 1, 1989.

Sections 19 to 22, 25, and 26 are effective for returns and reports becoming due on or after October 1, 1989.

Section 24 is effective for violations occurring on or after October 1, 1989.

ARTICLE 14

TAX INCREMENT FINANCING

Section 1. Minnesota Statutes 1989 Supplement, section 469.174, subdivision 7, is amended to read:

Subd. 7. **ORIGINAL NET TAX CAPACITY.** (a) Except as provided in paragraph (b), "original net tax capacity" means the tax capacity of all taxable real property within a tax increment financing district as most recently certified by the commissioner of revenue as of the date of the request by an authority for certification by the county auditor, together with subsequent adjustments as set forth in section 469.177, subdivisions 1 and 4. In determining the original net tax capacity the net tax capacity of real property exempt from taxation at the time of the request shall be zero, except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the net tax capacity of the property shall be the net tax capacity as most recently determined by the commissioner of revenue.

(b) The original net tax capacity of any designated hazardous substance site or hazardous substance subdistrict shall be determined on January 2 following as of the date the agency or municipality authority certifies to the county auditor

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that the agency or municipality has entered a redevelopment or other agreement for the removal actions or remedial actions specified in a development response action plan, or otherwise provided funds to finance the development response action plan. The original net tax capacity equals (i) the net tax capacity of the parcel or parcels in the site or subdistrict, as most recently determined by the commissioner of revenue, less (ii) the estimated ~~reasonable and necessary~~ costs of the removal actions and remedial actions as specified in a development response action plan to be undertaken with respect to the parcel ~~as certified to the county auditor by the municipality or agency~~ or parcels, (iii) but not less than zero.

(c) The original net tax capacity of a hazardous substance site or subdistrict shall be increased by the amount by which it was reduced pursuant to paragraph (b), clause (ii), upon certification by the municipality that the cost of the removal and remedial actions specified in the development response action plan, except for long-term monitoring and similar activities, have been ~~completed~~ paid or reimbursed.

(d) For purposes of this subdivision, "real property" shall include any property normally taxable as personal property by reason of its location on or over publicly owned property.

Sec. 2. Minnesota Statutes 1988, section 469.174, subdivision 10, is amended to read:

Subd. 10. **REDEVELOPMENT DISTRICT.** (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one of the following conditions, reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the ~~parcels in area~~ of the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) parcels consisting of 70 percent of the ~~parcels in area~~ of the district are occupied by buildings, streets, utilities, or other improvements and 20 percent of the buildings are structurally substandard and an additional 30 percent of the buildings are found to require substantial renovation or clearance in order to remove such existing conditions as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community; or

(3) ~~the property consists of underutilized air rights existing over a public street, highway, or right-of-way; or~~

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(4) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way; ~~or~~

(5) ~~the district consists of an existing or proposed industrial park no greater in size than 250 acres; which contains a sewage lagoon contaminated with polychlorinated biphenyls.~~

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

(c) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, or other improvements unless 15 percent of the area of the parcel contains improvements.

(d) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a), clauses (1) to (3), to be included in the district, and the entire area of the district must satisfy paragraph (a).

Sec. 3. Minnesota Statutes 1988, section 469.174, subdivision 16, is amended to read:

Subd. 16. **DESIGNATED HAZARDOUS SUBSTANCE SITE.** "Designated hazardous substance site" means any parcel or parcels with respect to which the authority ~~or municipality~~ has certified to the county auditor that the authority ~~or municipality~~ has entered into a redevelopment or other agreement providing for the removal actions or remedial actions specified in a development response action plan or the ~~municipality or~~ authority will use other available money, including without limitation tax increments, to finance the removal or remedial actions. A parcel described in the plan or plan amendment may be designated for inclusion in the hazardous substance subdistrict prior to approval of the development action response plan on the basis of the reasonable expectation of the municipality. Such parcel may not be certified as part of the subdistrict until the development action response plan has been approved.

Sec. 4. Minnesota Statutes 1988, section 469.174, subdivision 17, is amended to read:

Subd. 17. **DEVELOPMENT ACTION RESPONSE PLAN.** "Development action response plan" means a plan or proposal for removal actions or remedial actions if the plan or proposal is submitted to the pollution control agency and the actions ~~contained~~ recommended in the plan or proposal are approved in writing by the commissioner of the agency as reasonable and neces-

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sary to protect the public health, welfare, and environment. The commissioner shall review the development action response plan and approve, modify or reject the recommended actions within 60 days after submission of the plan (or revised plan) by the authority. The commissioner shall notify the authority in writing of the decision on the recommended actions within 30 days after the decision and, if the recommended actions are rejected, shall specify the reasons for rejection.

Sec. 5. Minnesota Statutes 1988, section 469.174, is amended by adding a subdivision to read:

Subd. 20. INTERNAL REVENUE CODE. "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1988.

Sec. 6. Minnesota Statutes 1989 Supplement, section 469.175, subdivision 3, is amended to read:

Subd. 3. **MUNICIPALITY APPROVAL.** A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. This The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a mined underground space development district, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) to (5), must be retained and made available to the public by the authority until the district has been terminated.

(2) that the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

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(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole.

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise.

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority, or the plan shall be deemed approved. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall be conclusive of the findings therein and of the public need for the financing.

Sec. 7. Minnesota Statutes 1988, section 469.175, is amended by adding a subdivision to read:

Subd. 6a. REPORTING REQUIREMENTS. (a) The municipality must annually report to the commissioner of revenue the following amounts for the entire municipality:

(1) the total principal amount of nondefeased tax increment financing bonds that are outstanding at the end of the previous calendar year; and

(2) the total annual amount of principal and interest payments that are due for the current calendar year on (i) general obligation tax increment financing bonds, and (ii) other tax increment financing bonds.

(b) The municipality must annually report to the commissioner of revenue the following amounts for each tax increment financing district located in the municipality:

(1) the type of district, whether economic development, redevelopment, housing, soils condition, mined underground space, or hazardous substance site;

(2) the date on which the district is required to be decertified;

(3) the captured tax capacity of the district, by property class as specified by the commissioner of revenue, for taxes payable in the current calendar year;

(4) the tax increment revenues for taxes payable in the current calendar year;

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(5) whether the tax increment financing plan or other governing document permits increment revenues to be expended (i) to pay bonds, the proceeds of which were or may be expended on activities located outside of the district, (ii) for deposit into a common fund from which money may be expended on activities located outside of the district, or (iii) to otherwise finance activities located outside of the tax increment financing district; and

(6) any additional information that the commissioner of revenue may require.

(c) The report required by this subdivision must be filed with the commissioner of revenue on or before March 1 of each year.

(d) This section applies to districts certified before, on, and after August 1, 1979.

Sec. 8. Minnesota Statutes 1989 Supplement, section 469.175, subdivision 7, is amended to read:

Subd. 7. CREATION OF HAZARDOUS SUBSTANCE SUBDISTRICT; RESPONSE ACTIONS. (a) ~~A municipality or~~ An authority which is creating or has created a tax increment financing district may establish within the district a hazardous substance subdistrict upon the notice and after the discussion, public hearing, and findings required for approval of or modification to the original plan. The geographic area of the subdistrict is made up of any parcels in the district designated for inclusion by the municipality or authority that are designated hazardous substance sites, and any additional parcels in the district designated for inclusion that are contiguous to the hazardous ~~substances~~ substance sites except for the interposition of a right-of-way. Before or at the time of approval of the tax increment financing plan or plan modification providing for the creation of the hazardous substance subdistrict, the ~~municipality~~ authority must make the findings under paragraphs (b) to (d), and set forth in writing the reasons and supporting facts for each.

(b) Development or redevelopment of the site, in the opinion of the ~~municipality~~ authority, would not reasonably be expected to occur solely through private investment and tax increment otherwise available, and therefore the hazardous substance district is deemed necessary.

(c) Other parcels that are not designated hazardous substance sites are expected to be developed together with a designated hazardous substance site.

(d) The subdistrict is not larger than, and the period of time during which increments are elected to be received is not longer than, that which is necessary in the opinion of the municipality to provide for the additional costs due to the designated hazardous substance site.

(e) Upon request by a ~~municipality or an~~ authority that has incurred expenses for removal or remedial actions to implement a development response action plan, the attorney general may:

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(1) bring a civil action on behalf of the ~~municipality or~~ authority to recover the expenses, including administrative costs and litigation expenses, under section 115B.04 or other law; or

(2) assist the ~~municipality or agency~~ authority in bringing an action as described in clause (1), by providing legal and technical advice, intervening in the action, or other appropriate assistance.

The decision to participate in any action to recover expenses is at the discretion of the attorney general.

(f) If the attorney general brings an action as provided in paragraph (e), clause (1), the ~~municipality or~~ authority shall certify its reasonable and necessary expenses incurred to implement the development response action plan and shall cooperate with the attorney general as required to effectively pursue the action. The certification by the ~~municipality or~~ authority is prima facie evidence that the expenses are reasonable and necessary. The attorney general may deduct litigation expenses incurred by the attorney general from any amounts recovered in an action brought under paragraph (e), clause (1). The ~~municipality or~~ authority shall reimburse the attorney general for litigation expenses not recovered in an action under paragraph (e), clause (1), ~~and but only from the additional tax increment required to be used as described in section 469.176, subdivision 4e.~~ The authority must reimburse the attorney general for litigation expenses incurred to assist in bringing an action under paragraph (e), clause (2), but only from amounts recovered by the authority in an action or, if the amounts are insufficient, from the additional tax increment required to be used as described in section 469.176, subdivision 4e. All money recovered or paid to the attorney general for litigation expenses under this paragraph shall be paid to the general fund of the state for deposit to the account of the attorney general. For the purposes of this section, "litigation expenses" means attorney fees and costs of discovery and other preparation for litigation.

(g) The ~~municipality or~~ authority shall reimburse the pollution control agency for its administrative expenses incurred to review and approve a development action response plan ~~and associated activities; and.~~ The authority must reimburse the pollution control agency for expenses incurred for any services rendered to the attorney general to support the attorney general in actions brought or assistance provided under paragraph (e), but only from amounts recovered by the municipality or authority in an action brought under paragraph (e) or from the additional tax increment required to be used as described in section 469.176, subdivision 4e. All money paid to the pollution control agency under this paragraph shall be deposited in the environmental response, compensation and compliance fund.

(h) Actions taken by a ~~municipality or an~~ authority consistent with a development response action plan are deemed to be authorized response actions for the purpose of section 115B.17, subdivision 12. ~~A municipality or agency~~ An

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authority that takes actions consistent with a development response action plan qualifies for the defenses available under sections 115B.04, subdivision 11, and 115B.05, subdivision 9.

(i) All money recovered by ~~a municipality or an~~ authority in an action brought under paragraph (e) in excess of the amounts paid to the attorney general and the pollution control agency must be treated as excess increments and be distributed as provided in section 469.176, subdivision 2, clause (4), to the extent the removal and remedial actions were initially financed with increment revenues.

Sec. 9. Minnesota Statutes 1989 Supplement, section 469.176, subdivision 1, is amended to read:

Subdivision 1. **DURATION OF TAX INCREMENT FINANCING DISTRICTS.** (a) Subject to the limitations contained in paragraphs (b) to ~~(f)~~ (g), any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as the bonds continue to be outstanding. The municipality may, at the time of approval of the initial tax increment financing plan, provide for a shorter maximum duration limit than specified in paragraphs (b) to (g). The specified limit applies in place of the otherwise applicable limit.

(b) The tax increment pledged to the payment of the bonds and interest thereon may be discharged and the tax increment financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to the maturity or redemption date.

(c) For bonds issued pursuant to section 469.178, subdivisions 2 and 3, the full faith and credit and any taxing powers of the municipality or authority shall continue to be pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full.

(d) No tax increment shall be paid to an authority for a tax increment financing district after three years from the date of certification of the original net tax capacity of the taxable real property in the district by the county auditor or after August 1, 1982, for tax increment financing districts authorized prior to August 1, 1979, unless within the three-year period (1) bonds have been issued pursuant to section 469.178, or in aid of a project pursuant to any other law, except revenue bonds issued pursuant to sections 469.152 to 469.165, prior to August 1, 1979, or (2) the authority has acquired property within the district, or (3) the authority has constructed or caused to be constructed public improvements within the district.

(e) No tax increment shall in any event be paid to the authority from a redevelopment district after 25 years from date of receipt by the authority of the

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first tax increment, after 25 years from the date of the receipt for a housing district, after 25 years from the date of the receipt for a mined underground space development district, after 12 years from approval of the tax increment financing plan for a soils condition district, and after eight years from the date of the receipt, or ten years from approval of the tax increment financing plan, whichever is less, for an economic development district.

For tax increment financing districts created prior to August 1, 1979, no tax increment shall be paid to the authority after April 1, 2001, or the term of a nondefeased bond or obligation outstanding on April 1, 1990, secured by increments from the district or project area, whichever time is greater, provided that in no case will a tax increment be paid to an authority after August 1, 2009, from such a district. If a district's termination date is extended beyond April 1, 2001, because bonds were outstanding on April 1, 1990, with maturities extending beyond April 1, 2001, the following restrictions apply. No increment collected from the district may be expended after April 1, 2001, except to pay or defease (i) bonds issued before April 1, 1990, or (ii) bonds issued to refund the principal of the outstanding bonds and pay associated issuance costs, provided the average maturity of the refunding bonds does not exceed the bonds refunded.

(f) Modification of a tax increment financing plan pursuant to section 469.175, subdivision 4, shall not extend the durational limitations of this subdivision.

(g) If a parcel of a district is part of a designated hazardous substance site or a hazardous substance subdistrict, tax increment may be paid to the authority from the parcel for longer than the period otherwise provided by this subdivision. The extended period for collection of tax increment begins on the date of receipt of the first tax increment from the parcel that is more than any tax increment received from the parcel before the date of the certification under section 469.175, subdivision 7, paragraph (b), and received after the date of certification to the county auditor described in section 469.175, subdivision 7, paragraph (b). The extended period for collection of tax increment is the lesser of: (1) 25 years from the date of commencement of the extended period; or (2) the period necessary to recover the costs of removal actions or remedial actions specified in a development response action plan.

Sec. 10. Minnesota Statutes 1988, section 469.176, is amended by adding a subdivision to read:

Subd. 4j. REDEVELOPMENT DISTRICTS. At least 90 percent of the revenues derived from tax increments from a redevelopment district must be used to finance the cost of correcting conditions that allow designation of redevelopment districts under section 469.174, subdivision 10. These costs include acquiring properties containing structurally substandard buildings or improvements, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development, demolition of structures, clearing of the land, and installation of utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative expenses of the authority may be included in the qualifying costs.

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Sec. 11. Minnesota Statutes 1989 Supplement, section 469.176, subdivision 6, is amended to read:

Subd. 6. **ACTION REQUIRED.** If, after four years from the date of certification of the original net tax capacity of the tax increment financing district pursuant to section 469.177, no demolition, rehabilitation, or renovation of property or other site preparation, including qualified improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel, and the original net tax capacity of that parcel shall be excluded from the original net tax capacity of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation, or renovation or other site preparation on that parcel including qualified improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced, and the county auditor shall certify the net tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original net tax capacity of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district. For purposes of this subdivision, qualified improvements of a street are limited to (1) construction or opening of a new street, (2) relocation of a street, and (3) substantial reconstruction or rebuilding of an existing street.

Sec. 12. [469.1761] INCOME REQUIREMENTS; HOUSING PROJECTS.

Subdivision 1. REQUIREMENT IMPOSED. In order for a tax increment financing district to qualify as a housing district, the income limitations provided in this section must be satisfied. The requirements imposed by this section apply to residential property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, or other subsidies. The provisions of this section do not apply (1) to interest reduction programs, provided that the duration of the district is limited to 12 years from the collection of the first increment or (2) to districts located in a targeted area as defined in section 462C.02, subdivision 9, clause (e).

Subd. 2. OWNER OCCUPIED HOUSING. For owner occupied residential property, 95 percent of the housing units must be initially purchased and occupied by individuals whose family income is less than or equal to the income requirements for qualified mortgage bond projects under section 143(f) of the Internal Revenue Code.

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Subd. 3. RENTAL PROPERTY. For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. A property also satisfies the requirements of section 142(d) if 50 percent of the residential units in the project are occupied by individuals whose income is 80 percent or less of area median gross income. The requirements of this subdivision apply for the duration of the tax increment financing district.

Subd. 4. NONCOMPLIANCE; ENFORCEMENT. Failure to comply with the requirements of this section results in application of the duration limits for economic development districts to the district. If at the time of the noncompliance the district has exceeded the duration limits for an economic development district, the district must be decertified effective for taxes assessed in the next calendar year. The commissioner of revenue shall enforce the provisions of this section. The commissioner may waive insubstantial violations. Appeal of the commissioner's orders of noncompliance must be made to the tax court in the manner provided in section 271.06.

Sec. 13. Minnesota Statutes 1988, section 469.177, subdivision 10, is amended to read:

Subd. 10. PAYMENT TO SCHOOL FOR REFERENDUM LEVY. The provisions of this subdivision apply to tax increment financing districts and projects for which certification was requested before May 1, 1988, that are located in a school district in which the voters have approved new tax capacity rates or an increase in tax capacity rates after the tax increment financing district was certified (1) if there are no outstanding bonds on May 1, 1988, to which increment from the district is pledged, or (2) if the referendum is approved after May 1, 1988, and there are no bonds outstanding at the time the referendum is approved, that were issued before May 1, 1988, or (3) if the referendum increasing the tax capacity rate was approved after the most recent issue of bonds to which increment from the district is pledged. If clause (1) or (2) applies, the authority must annually pay to the school district an amount of increment equal to the increment that is attributable to the increase in the tax capacity rate under the referendum. If clause (3) applies, upon approval by a majority vote of the governing body of the municipality and the school board, the authority must pay to the school district an amount of increment equal to the increment that is attributable to the increase in the tax capacity rate under the referendum. The amounts of these increments may be expended and must be treated by the school district in the same manner as provided for the revenues derived from the referendum levy approved by the voters. The provisions of this subdivision apply to projects for which certification was requested before, on, and after August 1, 1979.

Sec. 14. Laws 1988, chapter 719, article 12, section 29, as amended by Laws 1989, chapters 209, article 1, section 48, and 277, article 2, section 69, is amended to read:

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Sec. 29. TRANSITION RULES.

(a) The provisions of sections 3, 6, 10, and 16 do not apply to proposed tax increment financing districts for which the authority called for a public hearing in a resolution dated March 23, 1987, and for which a public hearing was held on April 28, 1987. The provisions of Minnesota Statutes 1987 Supplement, section 469.174, subdivision 10, and 469.176, subdivision 4, apply to such districts.

(b) The provisions of sections 3, 6, 10, and 16 do not apply to candidate sites identified in the old highway 8 corridor plan as approved by an authority on October 14, 1986, if the requests for certification of the districts are filed with the county before January 1, 1998. The provisions of Minnesota Statutes 1987 Supplement, sections 469.174, subdivision 10, and 469.176, subdivision 4, apply to such districts.

(c) The provisions of section 16, subdivision 4c, do not apply to an economic development district located in a development district approved on November 9, 1987, provided the request for certification of the tax increment district is submitted to the county by ~~September 30, 1988~~ October 31, 1989.

Sec. 15. HOMESTEAD AND AGRICULTURAL CREDIT AID; TIF DISTRICTS; FALCON HEIGHTS AND LAUDERDALE.

Subdivision 1. PAYMENT OF AID. The commissioner of revenue shall pay the cities of Falcon Heights and Lauderdale homestead and agricultural credit aid as provided by this section. The payments must be made at the times provided by Minnesota Statutes, section 273.1398.

Subd. 2. DEFINITIONS. For purposes of this section, (1) the definitions contained in Minnesota Statutes, section 273.1398 apply, and (2) qualified tax increment financing district means a tax increment financing district comprised exclusively of class 1 and class 4 property as those classes were defined in Minnesota Statutes 1988.

Subd. 3. CALCULATION OF AID AMOUNT. (a) Homestead and agricultural credit aid for a qualified tax increment financing district for taxes payable in 1990 equals the lesser of the following:

(1) total tax increment revenues for the district for taxes payable in 1989, minus the product of (i) the qualified tax increment financing district's gross tax capacity rate, (ii) its net tax capacity based on payable 1989 market values and net tax capacity percentages in effect for taxes payable in 1990, and (iii) 0.9767; or

(2) 105 percent of the principal and interest, due during the calendar year, on bonds that were issued before January 1, 1989, and to which the qualified district's increment revenues are pledged, less the total tax capacity rate for the

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year multiplied by the captured tax capacity of the tax increment financing district.

(b) For 1991 and later years, the district must receive aid equal to the amount it received in 1990 or the amount under paragraph (a), clause (2), for the year, whichever is less.

Subd. 4. APPROPRIATION. The amount necessary to make the payments required by this section is annually appropriated to the commissioner of revenue.

Subd. 5. CITY INFORMATION. The cities of Falcon Heights and Lauderdale must provide the commissioner of revenue with the information necessary to make the calculations required under subdivision 3, paragraph (a), clause (2).

Sec. 16. MOORHEAD TAX INCREMENT FINANCING.

In the case of a tax increment financing district in the city of Moorhead created prior to August 1, 1979, and used to finance a hotel, parking facility, and conference project, the date "April 1, 1992" must be substituted for "April 1, 1990" in Minnesota Statutes, section 469.176, subdivision 1, paragraph (e), each place it occurs.

Sec. 17. DURATION OF TAX INCREMENT FINANCING DISTRICT.

Notwithstanding Minnesota Statutes, section 469.176, subdivision 1, tax increment financing district No. 2 in development district No. 1 within the city of Chanhassen may continue to receive tax increments through the year 1992, provided that any increment received during the years 1990 through 1992 may only be used to pay development costs associated with improvement of those portions of state trunk highway No. 101 or 5 within the development district or to pay the administrative expenses of the tax increment financing district.

Sec. 18. TRANSITION RULES.

Subdivision 1. Section 10 does not apply to tax increment financing districts established in development districts approved by an authority under Minnesota Statutes, sections 469.124 to 469.134 on April 24, 1989, provided the request for certification of the district is submitted to the county before June 1, 1991.

Subd. 2. Sections 2 and 10 do not apply to municipal redevelopment districts established or enlarged in a development district originally approved by an authority on September 1, 1980, under Minnesota Statutes 1978, chapter 472A, if those redevelopment districts are established or enlarged for proposed projects identified in exclusive negotiations agreements dated March 7, 1989.

Subd. 3. Section 10 does not apply to a redevelopment district in the city of Minneapolis that includes the former Sheraton Ritz hotel site, provided the

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request for certification of the district is submitted to the county before June 1, 1991.

Sec. 19. **EFFECTIVE DATE.**

Sections 2, 6, 9, 10, 11, and 12 are effective for districts for which the request for certification was filed with the county on or after the day following final enactment. Sections 1, 3, 4, 5, 7, 8, 13, 14, 15, and 18, subdivisions 1 and 2 are effective the day following final enactment. Section 16 is effective the day after compliance with Minnesota Statutes, section 645.021, by the governing body of the city of Moorhead. Section 17 is effective the day after compliance with Minnesota Statutes, section 645.021, by the Chanhassen city council. Section 18, subdivision 3, is effective upon compliance by the city council of the city of Minneapolis with Minnesota Statutes, section 645.021.

ARTICLE 15

BUDGET RESERVE

Section 1. Minnesota Statutes 1988, section 16A.15, subdivision 6, is amended to read:

Subd. 6. **BUDGET AND CASH FLOW RESERVE ACCOUNT.** A budget and cash flow reserve account is created in the general fund in the state treasury. The commissioner of finance shall, as authorized from time to time by law, restrict part or all of the budgetary balance in the general fund for use as the budget and cash flow reserve account. The commissioner of finance shall transfer to the budget and cash flow reserve account such amounts as are available to bring the total amount, including any existing balance in the account on June 30, ~~1988~~ 1989, to ~~\$265,000,000~~ \$550,000,000. The amounts restricted shall remain in the account until drawn down under subdivision 1 or increased under section 16A.1541.

Sec. 2. Minnesota Statutes 1989 Supplement, section 16A.1541, is amended to read:

16A.1541 ADDITIONAL REVENUES; PRIORITY.

If on the basis of a forecast of general fund revenues and expenditures the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money to the budget and cash flow reserve account until the total amount in the account equals five percent of total general fund appropriations for the current biennium as established by the most recent legislative session after reducing the property tax levy recognition percent under section 421.904, subdivision 4a, to 27 percent. Beginning in November 1990, forecast unrestricted budgetary general fund balances are first appropriated to

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reduce the property tax levy recognition percent under section 121.904, subdivision 4a, to 27 percent before money is allocated to the budget and cash flow reserve account under the preceding sentence.

The amounts necessary to meet the requirements of this section are appropriated from the general fund.

Sec. 3. **EFFECTIVE DATE.**

Sections 1 and 2 are effective the day following final enactment.

ARTICLE 16

HUMAN SERVICES

Section 1. **[256.025] PAYMENT PROCEDURES.**

Subdivision 1. DEFINITIONS. (a) For purposes of this section, the following terms have the meanings given them.

(b) "Base amount" means the calendar year 1990 county share of local agency expenditures for all of the programs specified in subdivision 2.

(c) "Local agency expenditure" means the total expenditure or cost incurred by the county of financial responsibility for the benefits and services for each of the programs specified in subdivision 2. The term includes the federal, state, and county share of costs for programs in which there is federal financial participation. For programs in which there is no federal financial participation, the term includes the state and county share of costs. The term excludes county administrative costs, unless otherwise specified.

(d) "Nonfederal share" means the sum of state and county shares of costs of the programs specified in subdivision 2.

(e) The "county share of local agency expenditures growth amount" is the amount by which the county share of local agency expenditures in calendar years 1991 to 1997 has increased over the base amount.

Subd. 2. COVERED PROGRAMS AND SERVICES. The procedures in this section govern payment of local agency expenditures for benefits and services distributed under the following programs:

(1) Aid to Families with Dependent Children under sections 256.82, subdivision 1, and 256.935, subdivision 1;

(2) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

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- (3) general assistance medical care under section 256D.03, subdivision 6;
- (4) general assistance under section 256D.03, subdivision 2;
- (5) work readiness under section 256D.03, subdivision 2;
- (6) emergency assistance under section 256.871, subdivision 6;
- (7) Minnesota supplemental aid under section 256D.36, subdivision 1;
- (8) preadmission screening and alternative care grants under section 256B.091;
- (9) work readiness services under section 256D.051;
- (10) case management services under section 256.736, subdivision 13;
- (11) general assistance claims processing, medical transportation and related costs; and
- (12) medical assistance, medical transportation and related costs.

Subd. 3. PAYMENT METHODS. The state shall pay counties, according to the reporting cycle established by the commissioner, all federal funds available for the services and benefits distributed under subdivision 2 together with an amount of state funds equal to the state share of expenditures, except as provided for in section 256.017. Beginning July 1, 1991, the state will reimburse counties for the county share of local agency expenditures for benefits and services distributed under subdivision 2 and funded by the human services account established under article 3, section 13. Payments under subdivision 4 are only for client benefits and services distributed under subdivision 2 and do not include reimbursement for county administrative expenses.

Subd. 4. PAYMENT SCHEDULE. Beginning July 1, 1991, the state will reimburse counties, according to the following payment schedule, for the county share of local agency expenditures for the programs specified in subdivision 2.

(a) Beginning July 1, 1991, the state will reimburse or pay the county share of local agency expenditures according to the reporting cycle as established by the commissioner, for the programs identified in subdivision 2. Payments for the period of January 1, 1991, through July 31, 1991, shall be made subsequent to July 1, 1991. Payments for the period August 1991 through December 1991 shall be made subsequent to the first of each month thereafter through December 31, 1991.

(b) Payment for 1/24 of the base amount and the January 1992 county share of local agency expenditures growth amount for the programs identified in subdivision 2 shall be made during January 1992. For the period of February 1, 1992, through July 31, 1992, payment of the base amount shall be made subsequent to July 1, 1992, and payment of the growth amount over the base amount

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shall be made monthly. Payments for the period August 1992 through December 1992 shall be made subsequent to the first of each month thereafter through December 31, 1992.

(c) Payment for the county share of local agency expenditures during January 1993 shall be made during January 1993. Payment for 1/24 of the base amount and the February 1993 county share of local agency expenditures growth amount for the programs identified in subdivision 2 shall be made during February 1993. For the period of March 1, 1993, through July 31, 1993, payment of the base amount shall be made subsequent to July 1, 1993, and payment of the growth amount over the base amount shall be made monthly. Payments for the period August 1993 through December 1993 shall be made subsequent to the first of each month thereafter through December 31, 1993.

(d) Monthly payments for the county share of local agency expenditures from January 1994 through February 1994 shall be made subsequent to the first of each month through February 1994. Payment for 1/24 of the base amount and the March 1994 county share of local agency expenditures growth amount for the programs identified in subdivision 2 shall be made during March 1994. For the period of April 1, 1994, through July 31, 1994, payment of the base amount shall be made subsequent to July 1, 1994, and payment of the growth amount over the base amount shall be made monthly. Payments for the period August 1994 through December 1994 shall be made subsequent to the first of each month thereafter through December 31, 1994.

(e) Monthly payments for the county share of local agency expenditures from January 1995 through March 1995 shall be made subsequent to the first of each month through March 1995. Payment for 1/24 of the base amount and the April 1995 county share of local agency expenditures growth amount for the programs identified in subdivision 2 shall be made during April 1995. For the period of May 1, 1995, through July 31, 1995, payment of the base amount shall be made subsequent to July 1, 1995, and payment of the growth amount over the base amount shall be made monthly. Payments for the period August 1995 through December 1995 shall be made subsequent to the first of each month thereafter through December 31, 1995.

(f) Monthly payments for the county share of local agency expenditures from January 1996 through April 1996 shall be made subsequent to the first of each month through April 1996. Payment for 1/24 of the base amount and the May 1996 county share of local agency expenditures growth amount for the programs identified in subdivision 2 shall be made during May 1996. For the period of June 1, 1996, through July 31, 1996, payment of the base amount shall be made subsequent to July 1, 1996, and payment of the growth amount over the base amount shall be made monthly. Payments for the period August 1996 through December 1996 shall be made subsequent to the first of each month thereafter through December 31, 1996.

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(g) Monthly payments for the county share of local agency expenditures from January 1997 through May 1997 shall be made subsequent to the first of each month through May 1997. Payment for 1/24 of the base amount and the June 1997 county share of local agency expenditures growth amount for the programs identified in subdivision 2 shall be made during June 1997. For the period of June 1, 1997, through July 31, 1997, payment shall be made subsequent to July 1, 1997. Payments for the period August 1997 through December 1997 shall be made subsequent to the first of each month thereafter through December 31, 1997.

(h) Effective January 1, 1998, monthly payments for the county share of local agency expenditures shall be made subsequent to the first of each month.

Payments under this subdivision are subject to the provisions of section 256.017.

Subd. 5. COMPARISON OF EXPENDITURES. By October 1 of each year beginning with 1991, the department shall determine actual county share of local agency expenditures reported under subdivision 4 for the previous state fiscal year and compare these actual county share expenditures to actual state payments made under the schedule in subdivision 4 for the same period. Adjustment of any difference shall be paid upon the direction of the state agency.

Sec. 2. Minnesota Statutes 1988, section 256.736, subdivision 13, is amended to read:

Subd. 13. STATE SHARE. (a) The state must pay 75 percent of the nonfederal share of costs incurred by counties under subdivision 11; except that after July 1, 1988, the commissioner shall adjust the state share to reflect county performance. Factors which the commissioner may consider in adjusting the state share must include, but are not limited to, the following:

(1) percentage of priority caretakers leaving the AFDC program after one year, two years, and three years;

(2) percentage of minor parents who finish high school; and

(3) percentage of priority caretakers who are in training or education and are successfully working toward their contracted goals.

The commissioner may raise or lower the state share of costs by a maximum of ten percent.

Beginning July 1, 1991, the state will reimburse counties, up to the limit of state appropriations, according to the payment schedule in section 1 of this article, for the county share of local agency expenditures made under subdivision 11 from January 1, 1991, on. Payment to counties under this subdivision is subject to the provisions of section 256.017.

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(b) If the state appropriation is not sufficient to fund the cost of case management services for all caretakers identified in subdivision 2a, the commissioner must define a statewide subgroup of caretakers which includes all caretakers in subdivision 2a, clause (1) and as many caretakers as possible from subdivision 2a, clauses (2) and (3).

Sec. 3. Minnesota Statutes 1989 Supplement, section 256.82, subdivision 1, is amended to read:

Subdivision 1. **MONTHLY PAYMENTS.** ~~For the period from January 1 to June 30;~~ Based upon estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency, payment shall be made monthly in advance by the state to the counties of all federal funds available for that purpose for such succeeding month; ~~together with.~~ The state share of the nonfederal portion of local agency expenditures shall be 85 percent and the county share shall be 15 percent. Payments to counties for costs incurred shall include an amount of state funds equal to 85 percent of the difference between the total estimated cost and the federal funds so available for payments made except as provided for in section 256.017. Adjustment of any overestimate or underestimate made by any county shall be made upon the direction of the state agency in any succeeding month. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period except as provided for in section 256.017. For the period from July 1 to December 31 based upon the estimates submitted by the county agency to the state agency, which shall state the estimated required expenditures for the succeeding month, upon the direction of the state agency, payment shall be made monthly in advance by the state to the counties of all state and federal funds available for that purpose for the succeeding month except as provided for in section 256.017. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Beginning July 1, 1991, the state will reimburse counties according to the payment schedule in section 1 of this article for the county share of local agency expenditures under this subdivision from January 1, 1991, on. Payment to counties under this subdivision is subject to the provisions of section 256.017. Adjustment of any overestimate or underestimate made by any county shall be made paid upon the direction of the state agency in any succeeding month. Effective January 1, 1990, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation.

Sec. 4. Minnesota Statutes 1989 Supplement, section 256.871, subdivision 6, is amended to read:

Subd. 6. **REPORTS OF ESTIMATED EXPENDITURES; PAYMENTS.** The county agency shall submit to the state agency reports required under section 256.01, subdivision 2, paragraph (17). Fiscal reports shall estimate expend-

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itures for each succeeding month in such form as required by the state agency. For the period from January 1 to June 30, Payment shall be made monthly in advance by the state agency to the counties, of federal funds available for that purpose for each succeeding month; together with, The state share of the nonfederal portion of local agency expenditures shall be ten percent and the county share shall be 90 percent. Payments to counties for costs incurred shall include an amount of state funds equal to ten percent of the difference between the total estimated cost and the federal funds so available; except as provided for in section 256.017. Subsequent to July 1 of each year the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period; except as provided for in section 256.017. For the period from July 1 to December 31, payment shall be made monthly in advance by the state agency to the counties, of all state and federal funds available for that purpose for the succeeding month; except as provided for in section 256.017. Payment shall be made on the basis of federal and state participation rates described in this subdivision. Effective January 1, 1990, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation. Beginning July 1, 1991, the state will reimburse counties according to the payment schedule set forth in section 1 of this article for the county share of local agency expenditures made under this subdivision from January 1, 1991, on. Payment to counties under this subdivision is subject to the provisions of section 256.017. Adjustment of any overestimate or underestimate made by any county shall be made paid upon the direction of the state agency in any succeeding month.

Sec. 5. Minnesota Statutes 1989 Supplement, section 256.935, subdivision 1, is amended to read:

Subdivision 1. On the death of any person receiving public assistance through aid to dependent children, the county agency shall pay an amount for funeral expenses not exceeding \$370 and actual cemetery charges. No funeral expenses shall be paid if the estate of the deceased is sufficient to pay such expenses or if the children, or spouse, who were legally responsible for the support of the deceased while living, are able to pay such expenses; provided, that the additional payment or donation of the cost of cemetery lot, interment, religious service, or for the transportation of the body into or out of the community in which the deceased resided, shall not limit payment by the county agency as herein authorized. Freedom of choice in the selection of a funeral director shall be granted to persons lawfully authorized to make arrangements for the burial of any such deceased recipient. In determining the sufficiency of such estate, due regard shall be had for the nature and marketability of the assets of the estate. The county agency may grant funeral expenses where the sale would cause undue loss to the estate. Any amount paid for funeral expenses shall be a prior claim against the estate, as provided in section 524.3-805, and any amount recovered shall be reimbursed to the agency which paid the expenses. The commissioner shall specify requirements for reports, including fiscal reports, according to section 256.01, subdivision 2, paragraph (17). For the period from January 1 to June 30; The state share of local agency expenditures shall be 50

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percent and the county share shall be 50 percent. The state shall reimburse the county for 50 percent of any payments local agency expenditures made for funeral expenses except as provided for in section 256.017. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period. For the period from July 1 to December 31, the state shall reimburse the county for 100 percent of any payments made for funeral expenses except as provided for in section 256.017.

Beginning July 1, 1991, the state will reimburse counties according to the payment schedule set forth in section 1 of this article for the county share of local agency expenditures made under this subdivision from January 1, 1991, on. Payment to counties under this subdivision is subject to the provisions of section 256.017.

Sec. 6. Minnesota Statutes 1989 Supplement, section 256B.041, subdivision 5, is amended to read:

Subd. 5. **PAYMENT BY COUNTY TO STATE TREASURER.** If required by federal law or rules promulgated thereunder, or by authorized rule of the state agency, each county shall pay to the state treasurer the portion of medical assistance paid by the state for which it is responsible. ~~Effective January 1, 1990, the state rate of participation shall be determined as a percentage that equals the difference between 100 percent and the percentage rate of federal financial participation. The county's share of cost shall be ten percent of that portion not met by federal funds.~~

~~For the period from January 1 to June 30, The county shall advance ten percent of that portion of medical assistance costs not met by federal funds, based upon estimates submitted by the state agency to the county agency, stating the estimated expenditures for the succeeding month. Upon the direction of the county agency, payment shall be made monthly by the county to the state for the estimated expenditures for each month. Adjustment of any overestimate or underestimate based on actual expenditures shall be made by the state agency by adjusting the estimate for any succeeding month. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.017. For the period from July 1 to December 31, payments will be made by the state agency, except as provided for in section 256.017, and the county agency will be advised of the amounts paid monthly.~~

Beginning July 1, 1991, the state will reimburse counties according to the payment schedule in section 1 of this article for the county share of local agency expenditures under this subdivision from January 1, 1991, on. Payment to counties under this subdivision is subject to the provisions of section 256.017.

Sec. 7. Minnesota Statutes 1988, section 256B.091, subdivision 8, is amended to read:

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Subd. 8. **ALTERNATIVE CARE GRANTS.** The commissioner shall provide grants to counties participating in the program to pay costs of providing alternative care to individuals screened under subdivision 4 and nursing home or boarding care home residents who request a screening. Prior to July of each year, the commissioner shall allocate state funds available for alternative care grants to each local agency. This allocation must be made as follows: half of the state funds available for alternative care grants must be allocated to each county according to the total number of adults in that county who are recipients age 65 or older who are reported to the department by March 1 of each state fiscal year and half of the state funds available for alternative care grants must be allocated to a county according to that county's number of Medicare enrollments age 65 or older for the most recent statistical report. Payment is available under this subdivision only for individuals (1) for whom the screening team would recommend nursing home or boarding care home admission, or continued stay if alternative care were not available; (2) who are receiving medical assistance or who would be eligible for medical assistance within 180 days of admission to a nursing home; (3) who need services that are not available at that time in the county through other public assistance; and (4) who are age 65 or older.

The commissioner shall establish by rule, in accordance with chapter 14, procedures for determining grant reallocations, limits on the rates for payment of approved services, including screenings, and submittal and approval of a biennial county plan for the administration of the preadmission screening and alternative care grants program. Grants may be used for payment of costs of providing care-related supplies, equipment, and services such as, but not limited to, foster care for elderly persons, day care whether or not offered through a nursing home, nutritional counseling, or medical social services, which services are provided by a licensed health care provider, a home health service eligible for reimbursement under Titles XVIII and XIX of the federal Social Security Act, or by persons employed by or contracted with by the county board or the local welfare agency. The county agency shall ensure that a plan of care is established for each individual in accordance with subdivision 3, clause (e)(2), and that a client's service needs and eligibility is reassessed at least every six months. The plan shall include any services prescribed by the individual's attending physician as necessary and follow up services as necessary. The county agency shall provide documentation to the commissioner verifying that the individual's alternative care is not available at that time through any other public assistance or service program and shall provide documentation in each individual's plan of care and to the commissioner that the most cost-effective alternatives available have been offered to the individual and that the individual was free to choose among available qualified providers, both public and private. The county agency shall document to the commissioner that the agency made reasonable efforts to inform potential providers of the anticipated need for services under the alternative care grants program, including a minimum of 14 days written advance notice of the opportunity to be selected as a service provider and an annual public meeting with providers to explain and review the

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criteria for selection, and that the agency allowed potential providers an opportunity to be selected to contract with the county board. Grants to counties under this subdivision are subject to audit by the commissioner for fiscal and utilization control.

The county must select providers for contracts or agreements using the following criteria and other criteria established by the county:

- (1) the need for the particular services offered by the provider;
- (2) the population to be served, including the number of clients, the length of time services will be provided, and the medical condition of clients;
- (3) the geographic area to be served;
- (4) quality assurance methods, including appropriate licensure, certification, or standards, and supervision of employees when needed;
- (5) rates for each service and unit of service exclusive of county administrative costs;
- (6) evaluation of services previously delivered by the provider; and
- (7) contract or agreement conditions, including billing requirements, cancellation, and indemnification.

The county must evaluate its own agency services under the criteria established for other providers. The county shall provide a written statement of the reasons for not selecting providers.

The commissioner shall establish a sliding fee schedule for requiring payment for the cost of providing services under this subdivision to persons who are eligible for the services but who are not yet eligible for medical assistance. The sliding fee schedule is not subject to chapter 14 but the commissioner shall publish the schedule and any later changes in the State Register and allow a period of 20 working days from the publication date for interested persons to comment before adopting the sliding fee schedule in final forms.

The commissioner shall apply for a waiver for federal financial participation to expand the availability of services under this subdivision. The commissioner shall provide grants to counties from the nonfederal share, unless the commissioner obtains a federal waiver for medical assistance payments, of medical assistance appropriations. A county agency may use grant money to supplement but not supplant services available through other public assistance or service programs and shall not use grant money to establish new programs for which public money is available through sources other than grants provided under this subdivision. A county agency shall not use grant money to provide care under this subdivision to an individual if the anticipated cost of providing this care would exceed the average payment, as determined by the commissioner, for the

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level of care that the recipient would receive if placed in a nursing home or boarding care home. ~~For the period from January 1 to June 30; The nonfederal share may be used to pay up to 90 percent of the start-up and service delivery costs of providing care under this subdivision. The state share of the nonfederal portion of costs shall be 90 percent and the county share shall be ten percent.~~ Each county agency that receives a grant shall pay ten percent of the costs for persons who are eligible for the services but who are not yet eligible for medical assistance. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period; except as provided for in section 256.017. ~~For the period from July 1 to December 31, the nonfederal share may be used to pay up to 100 percent of the start-up and service delivery costs of providing care under this subdivision.~~

Beginning July 1, 1991, the state will reimburse counties according to the payment schedule in section 1 of this article for the county share of costs incurred under this subdivision from January 1, 1991, on, for individuals who are receiving medical assistance.

Beginning July 1, 1991, the state will reimburse counties, up to the limit of state appropriations, according to the payment schedule in section 1 of this article, for the county share of costs incurred under this subdivision from January 1, 1991, on, for individuals who would be eligible for medical assistance within 180 days of admission to a nursing home.

The commissioner shall promulgate emergency rules in accordance with sections 14.29 to 14.36, to establish required documentation and reporting of care delivered.

Sec. 8. Minnesota Statutes 1988, section 256B.19, subdivision 1, is amended to read:

Subdivision 1. **DIVISION OF COST.** The cost of medical assistance paid by each county of financial responsibility shall be borne as follows: ~~For the period from January 1 to June 30; payments shall be made by the state to the county for that portion of medical assistance paid by the federal government and the state on or before the 20th day of each month for the succeeding month upon requisition from the county showing the amount required for the succeeding month.~~ Ninety percent of the expense of assistance not paid by federal funds available for that purpose shall be paid by the state and five percent shall be paid by the county of financial responsibility; ~~except as provided for in section 256.017.~~

~~For the period from January 1 to June 30; For counties that participate in a Medicaid demonstration project under sections 256B.69 and 256B.71, the division of the nonfederal share of medical assistance expenses for payments made to prepaid health plans or for payments made to health maintenance organizations in the form of prepaid capitation payments, this division of medical assistance expenses shall be 95 percent by the state and five percent by the county of financial responsibility. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period; except as provided for in section 256.017.~~

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For the period from July 1 to December 31, except as provided for in section 256.017, payments shall be made by the state to the county for that portion of medical assistance paid by the federal government and the state on or before the 20th day of each month for the succeeding month upon requisition from the county showing the amount required for the succeeding month. The expense of assistance not paid by federal funds available for that purpose shall be paid by the state.

Beginning July 1, 1991, the state will reimburse counties according to the payment schedule in section 1 of this article for the county share of costs incurred under this subdivision from January 1, 1991, on. Payment to counties under this subdivision is subject to the provisions of section 256.017.

In counties where prepaid health plans are under contract to the commissioner to provide services to medical assistance recipients, the cost of court ordered treatment ordered without consulting the prepaid health plan that does not include diagnostic evaluation, recommendation, and referral for treatment by the prepaid health plan is the responsibility of the county of financial responsibility.

Sec. 9. Minnesota Statutes 1988, section 256B.19, is amended by adding a subdivision to read:

Subd. 2a. DIVISION OF COSTS. Beginning July 1, 1991, the state shall reimburse counties according to the payment schedule in section 1 of this article, for the nonfederal share of costs incurred for medical assistance common carrier transportation and related travel expenses provided for medical purposes to medical assistance recipients from January 1, 1991, on. For purposes of this subdivision, transportation shall have the meaning given it in Code of Federal Regulations, title 42, section 440.170(a), as amended through October 1, 1987, and travel expenses shall have the meaning given in Code of Federal Regulations, title 42, section 440.170(a)(3), as amended through October 1, 1987.

The county shall ensure that only the least costly, most appropriate transportation and travel expenses are used. The state may enter into volume purchase contracts, or use a competitive bidding process, whenever feasible, to minimize the costs of transportation services. If the state has entered into a volume purchase contract or used the competitive bidding procedures of chapter 16B to arrange for transportation services, the county may be required to use such arrangements to be eligible for state reimbursement of the 50 percent county share of medical assistance common carrier transportation and related travel expenses provided for medical purposes.

Sec. 10. Minnesota Statutes 1989 Supplement, section 256D.03, subdivision 2, is amended to read:

Subd. 2. For the period from January 1 to June 30, state aid shall be paid to local agencies for 75 percent of all general assistance and work readiness grants up to the standards of sections 256D.01, subdivision 1a, and 256D.051,

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and according to procedures established by the commissioner, except as provided for under section 256.017. Subsequent to July 1 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period, except as provided for in section 256.017.

For the period from July 1 to December 31, ~~After December 31, 1980~~, state aid shall be paid to local agencies for ~~100~~ 75 percent of all general assistance and work readiness grants up to the standards of sections 256D.01, subdivision 1a, and 256D.051, and according to procedures established by the commissioner, except as provided for under section 256.017 and except that, after December 31, ~~1988~~ 1987, state aid is reduced to 65 percent of all work readiness assistance if the local agency does not make occupational or vocational literacy training available and accessible to recipients who are eligible for assistance under section 256D.051.

After December 31, ~~1988~~ 1986, state aid must be paid to local agencies for 65 percent of work readiness assistance paid under section 256D.051 if the county does not have an approved and operating community investment program.

Beginning July 1, 1991, the state will reimburse counties according to the payment schedule in section 1 of this article for the county share of local agency expenditures made under this subdivision from January 1, 1991, on. Payment to counties under this subdivision is subject to the provisions of section 256.017.

Subd. 2a. LOCAL AGENCY OPTIONS. Any local agency may, from its own resources, make payments of general assistance and work readiness assistance: (a) at a standard higher than that established by the commissioner without reference to the standards of section 256D.01, subdivision 1; or (b) to persons not meeting the eligibility standards set forth in section 256D.05, subdivision 1, or 256D.051 but for whom the aid would further the purposes established in the general assistance or work readiness program in accordance with rules adopted by the commissioner pursuant to the administrative procedure act.

Sec. 11. Minnesota Statutes 1988, section 256D.03, subdivision 6, is amended to read:

Subd. 6. DIVISION OF COSTS. The state share of local agency expenditures for general assistance medical care shall be 90 percent and the county share shall be ten percent. The state shall pay 100 percent of the cost of general assistance medical care paid pursuant to this section; Payments made under this subdivision shall be made in accordance with sections 256B.041, subdivision 5; and 256B.19, subdivision 1; except as provided for in section 256.017.

Beginning July 1, 1991, the state will reimburse counties according to the payment schedule in section 1 of this article for the county share of costs incurred under this subdivision from January 1, 1991, on. Payment to counties under this subdivision is subject to the provisions of section 256.017.

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Notwithstanding any provision to the contrary, beginning July 1, 1991, the state shall pay 100 percent of the costs for centralized claims processing by the department of administration relative to claims beginning January 1, 1991, and submitted on behalf of general assistance medical care recipients by vendors in the general assistance medical care program.

Beginning July 1, 1991, the state shall reimburse counties up to the limit of state appropriations for general assistance medical care common carrier transportation and related travel expenses provided for medical purposes after December 31, 1990. Reimbursement shall be provided according to the payment schedule set forth in section 1 of this article. For purposes of this subdivision, transportation shall have the meaning given it in Code of Federal Regulations, title 42, section 440.170(a), as amended through October 1, 1987, and travel expenses shall have the meaning given in Code of Federal Regulations, title 42, section 440.170(a)(3), as amended through October 1, 1987.

The county shall ensure that only the least costly most appropriate transportation and travel expenses are used. The state may enter into volume purchase contracts, or use a competitive bidding process, whenever feasible, to minimize the costs of transportation services. If the state has entered into a volume purchase contract or used the competitive bidding procedures of chapter 16B to arrange for transportation services, the county may be required to use such arrangements to be eligible for state reimbursement for general assistance medical care common carrier transportation and related travel expenses provided for medical purposes.

In counties where prepaid health plans are under contract to the commissioner to provide services to general assistance medical care recipients, the cost of court ordered treatment that does not include diagnostic evaluation, recommendation, or referral for treatment by the prepaid health plan is the responsibility of the county of financial responsibility.

Sec. 12. Minnesota Statutes 1989 Supplement, section 256D.051, subdivision 6, is amended to read:

Subd. 6. **SERVICE COSTS.** The commissioner shall reimburse 92 percent of local agency expenditures for providing work readiness services including direct participation expenses and administrative costs, except as provided in section 256.017; and reimbursement from the state appropriation must not exceed an average of \$260 each year for each registrant who has completed an employment development plan for direct expenses incurred by the registrant for transportation, clothes, and tools necessary for employment. Beginning July 1, 1991, the state will reimburse counties, up to the limit of state appropriations, according to the payment schedule in section 1 of this article for the county share of costs incurred under this subdivision from January 1, 1991, on. Beginning January 1, 1991, the average reimbursable cost per recipient must not exceed \$283 annually. Payment to counties under this subdivision is subject to

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the provisions of section 256.017. After paying direct expenses as needed by individual registrants, the local agency may use any remaining money to provide additional services as needed by any registrant including employability assessments and employability development plans, education, orientation, employment search assistance, placement, other work experience, on-the-job training, and other appropriate activities and the administrative costs incurred providing these services.

Sec. 13. Minnesota Statutes 1989 Supplement, section 256D.36, subdivision 1, is amended to read:

Subdivision 1. **STATE PARTICIPATION.** Commencing January 1, 1974, the commissioner shall certify to each local agency the names of all county residents who were eligible for and did receive aid during December, 1973, pursuant to a categorical aid program of old age assistance, aid to the blind, or aid to the disabled. Each year for the period from January 1 to June 30; From and after January 1, 1980, until January 1, 1981, the state shall pay 85 70 percent and the county shall pay 15 30 percent of the supplemental aid calculated for each county resident certified under this section who is an applicant for or recipient of supplemental security income; ~~except as provided for in section 256.017.~~ After June 30 of each year, the state agency shall reimburse the county agency for the funds expended during the January 1 to June 30 period; ~~except as provided for in section 256.017.~~ For the period from July 1 to December 31, the state agency shall pay 100 percent of the supplemental aid calculated for each county resident certified under this section who is an applicant for or recipient of supplemental security income; ~~except as provided for in section 256.017.~~ After December 31, 1980, the state share of aid paid shall be 85 percent and the county share shall be 15 percent. The amount of supplemental aid for each individual eligible under this section shall be calculated according to the formula in title II, section 212 (a) (3) of Public Law Number 93-66, as amended.

Beginning July 1, 1991, the state will reimburse counties according to the payment schedule in section 1 of this article for the county share of local agency expenditures for financial benefits to individuals under this subdivision from January 1, 1991, on. Payment to counties under this subdivision is subject to the provisions of section 256.017.

Sec. 14. Minnesota Statutes 1988, section 256G.01, subdivision 3, is amended to read:

Subd. 3. **PROGRAM COVERAGE.** This chapter applies to all programs administered by the commissioner in which residence is the determining factor in establishing financial responsibility. These include, but are not limited to: Aid to Families with Dependent Children; medical assistance; general assistance; work readiness; general assistance medical care; Minnesota supplemental aid; commitment proceedings, including voluntary admissions; poor relief funded

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wholly through local agencies; and social services, including title XX, IV-E and other components of the community social services act, sections 256E.01 to 256E.12. ~~It also applies to service responsibility in the income maintenance and health care programs administered by the commissioner.~~

Sec. 15. Minnesota Statutes 1989 Supplement, section 256G.02, subdivision 4, is amended to read:

Subd. 4. **COUNTY OF FINANCIAL RESPONSIBILITY.** (a) "County of financial responsibility" has the meanings in paragraphs (b) to ~~(e)~~ (h).

(b) For an applicant who resides in the state and is not in a facility described in subdivision 6, it means the county in which the applicant resides at the time of application.

(c) For an applicant who resides in a facility described in subdivision 6, it means the county in which the applicant last resided in nonexcluded status immediately before entering the facility.

(d) For an applicant who has not resided in this state for any time other than the excluded time, and subject to the limitations in section 256G.03, subdivision 2, it means the county in which the applicant resides at the time of making application.

(e) For medical assistance purposes only, and for an infant who has resided only in an excluded time facility, it means the county that would have been responsible for the infant if eligibility had been established, based on that of the birth mother, at the time of application.

(f) Notwithstanding paragraphs (b) to (d), the county of financial responsibility for medical assistance recipients is the county from which a recipient is receiving a maintenance grant or money payment under the program of Aid to Families with Dependent Children or Minnesota supplemental aid.

(g) Notwithstanding paragraphs (b) to (f), the county of financial responsibility for social services for a person receiving Aid to Families with Dependent Children, general assistance, general assistance medical care, medical assistance, or Minnesota supplemental aid is the county from which that person is receiving the aid or assistance. If more than one named program is open concurrently, financial responsibility for social services attaches to the program that has the earliest date of application and has been open without interruption.

~~(#)~~ (h) Notwithstanding paragraphs (b) to ~~(e)~~ (g), the county of financial responsibility for semi-independent living services provided under section 252.275, and Minnesota Rules, parts 9525.0500 to 9525.0660, is the county of residence in nonexcluded status immediately before the placement into or request for those services.

Sec. 16. Minnesota Statutes 1988, section 256G.05, is amended to read:

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256G.05 NON-MINNESOTA RESIDENTS RESPONSIBILITY FOR EMERGENCIES.

Subdivision 1. RESIDENCE NOT A TEST. In situations involving emergencies verified by a local agency, financial responsibility for aid to families with dependent children, general assistance, general assistance medical care, and Minnesota supplemental aid rests with the county in which an otherwise eligible person is physically present when the application is filed. Financial responsibility is limited to 30 days unless otherwise specified in the context of the program.

Subd. 2. NON MINNESOTA RESIDENTS. State residence is not required for receiving emergency assistance in the general assistance, general assistance medical care, and Minnesota supplemental aid programs only. The receipt of emergency assistance must not be used as a factor in determining county or state residence.

Sec. 17. Minnesota Statutes 1988, section 256G.07, is amended to read:

256G.07 MOVING TO ANOTHER COUNTY.

Subdivision 1. EFFECT OF MOVING. ~~Except as provided in subdivision 4,~~ A person who has applied for and is receiving services or assistance under a program governed by this chapter, in any county in this state, and who moves to another county in this state, is entitled to continue to receive that assistance from the county from which that person has moved until that person has resided in nonexcluded status for two full calendar months in the county to which that person has moved. For purposes of general assistance and general assistance medical care, this time period is, however, one full calendar month.

Subd. 2. TRANSFER OF RECORDS. Before the person has resided in nonexcluded status for two calendar months or one calendar month in the case of general assistance and general assistance medical care, in the county to which that person has moved, the local agency of the county from which the person has moved shall complete an eligibility review and transfer all necessary records relating to that person to the local agency of the county to which the person has moved.

Subd. 3. CONTINUATION OF CASE. When the case is terminated for 30 days or less before the recipient reapplies, that case remains the financial responsibility of the county from which the recipient moved until the residence requirement in subdivision 1 is met.

Subd. 3a. MULTIPLE FINANCIAL RESPONSIBILITY. When more than one county becomes financially responsible for a case involving a single assistance unit, under a program covered by this chapter, that case must be immediately reconsidered by the affected county agencies. Beginning with the first day of the calendar month after that reconsideration, financial responsibility for the entire assistance unit belongs to the county that was initially responsible for the program with the earliest date of application.

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Subd. 4. **SOCIAL SERVICE PROVISION.** The types and level of social services to be provided in any case governed by this chapter are those otherwise provided in the county in which the person is physically residing at the time those services are provided.

Sec. 18. Minnesota Statutes 1988, section 256G.10, is amended to read:

256G.10 DERIVATIVE SETTLEMENT ELIMINATED.

Except as described in section 256G.02, subdivision 4, paragraph (e), residence under this chapter must be determined independently for each applicant. The residence of the parent or guardian does not determine the residence of the child or ward. Physical or legal custody has no bearing on residence determinations. This section does not, however, apply to situations involving another state or limit the application of an interstate compact.

Sec. 19. Minnesota Statutes 1988, section 256G.11, is amended to read:

256G.11 NO RETROACTIVE EFFECT.

This chapter is not retroactive and does not require ~~the retroactive~~ redetermination of financial responsibility for cases existing on January 1, 1988. This chapter applies only to applications and redeterminations of eligibility taken or routinely made after January 1, 1988.

Notwithstanding this section, existing social services cases shall be treated in the same manner as cases for those programs outlined in section 256G.02, subdivision 4, paragraph (g), for which an application is taken or a redetermination is made after January 1, 1988.

Sec. 20. Laws 1989, chapter 282, article 5, section 133, is amended to read:

Sec. 133. REPEALER.

Subdivision 1. **WELFARE REFORM.** Minnesota Statutes 1988, ~~sections 256D.051, subdivision 6a, and section 268.86,~~ subdivisions 7, ~~are~~ is repealed.

Subd. 2. **AFDC AND MSA SIMPLIFICATION.** (a) Sections 256D.01, subdivision 1c; and 256D.06, subdivisions 3, 4, and 6, are repealed.

(b) Sections 256D.35, subdivisions 2, 3, 4, and 8; 256D.36, subdivision 2; 256D.37, subdivisions 2, 4, 6, 7, 8, 9, 10, 11, 12, 13, and 14; 256D.38; 256D.39; 256D.41; 256D.42; and 256D.43, are repealed.

Subd. 3. **GENERAL ASSISTANCE AND WORK READINESS.** Minnesota Statutes 1988, sections 256D.051, subdivision 6a; 256D.06, subdivisions 3, 4, 6, and 6a; and 256D.052, subdivisions 5, 6, and 7, are repealed effective October 1, 1990.

Sec. 21. REPEALER.

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Minnesota Statutes 1988, section 245.775, is repealed effective July 1, 1990.

Sec. 22. REENACTMENT.

Minnesota Statutes 1988, section 256D.051, subdivision 6a, is reenacted retroactively to July 1, 1989, and its repeal by Laws 1989, chapter 282, article 5, section 133, subdivision 1, is of no effect.

Sec. 23. EFFECTIVE DATE.

Sections 1 to 22 are effective the day after final enactment.

ARTICLE 17

MISCELLANEOUS

Section 1. Minnesota Statutes 1988, section 270.067, subdivision 1, is amended to read:

Subdivision 1. **STATEMENT OF PURPOSE.** State governmental policy objectives are sought to be achieved both by direct expenditure of governmental funds and by the granting of special and selective tax relief or tax expenditures. Both direct expenditures of governmental funds and tax expenditures have an effect on the ability of the state and local governments to lower tax rates or to increase expenditures. As a result, tax expenditures should receive a regular and comprehensive review by the legislature as to (a) their total cost, (b) their effectiveness in achieving their objectives, (c) their effect on the fairness and equity of the distribution of the tax burden, and (d) the public and private cost of administering tax expenditure financed programs. This section is intended to facilitate a regular review of the state and local tax expenditure budget by the legislature by providing for the preparation of a regular ~~biennial~~ tax expenditure budget.

Sec. 2. Minnesota Statutes 1988, section 270.067, subdivision 2, is amended to read:

Subd. 2. **PREPARATION; SUBMISSION.** The commissioner of revenue shall prepare a tax expenditure budget for the state every four years. The tax expenditure budget report shall be submitted to the legislature as a supplement to the governor's budget and at the same time as provided for submission of the budget pursuant to section 16A.11, subdivision 1, except that the next such report shall be submitted in 1993, and every four years thereafter.

Sec. 3. Minnesota Statutes 1988, section 295.34, subdivision 1, is amended to read:

Subdivision 1. Except as provided in subdivision 2, every telephone com-

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pany shall file a return with the commissioner of revenue on or before April 15 of each year, and submit payment therewith, of the following percentages of its gross earnings, including long distance access charges, of the preceding calendar year derived from business within this state:

(a) for gross earnings from service to rural subscribers and from exchange business of all cities of the fourth class and statutory cities having a population of 10,000 or less

for calendar years beginning before December 31, 1988, four percent,

for calendar year 1989, three percent, provided that the estimated tax payments made on March 15 and June 15, 1989, pursuant to section 295.365, must be made as if the tax were imposed at a rate of four percent,

for calendar year 1990, 1.5 percent,

for calendar year 1991, one percent, and

for calendar years beginning after December 31, 1991, exempt; and

(b) for gross earnings derived from all other business

for calendar years beginning before December 31, 1988, seven percent,

for calendar year 1989, 5.5 percent, provided that the estimated tax payments made on March 15 and June 15, 1989, pursuant to section 295.365, must be made as if the tax were imposed at a rate of seven percent,

for calendar year 1990, three percent,

for calendar year 1991, 2.5 percent, and

for calendar years beginning after December 31, 1991, exempt.

A tax shall not be imposed on the gross earnings of a telephone company from business originating or terminating outside of Minnesota, except that the gross earnings tax is imposed on all long distance access charges allocated to interstate service received in payment from a telephone company before December 31, 1989.

The tax imposed is in lieu of all other taxes, except the taxes imposed by chapter 290, property taxes assessed beginning in 1989, payable in 1990, and sales and use taxes imposed as a result of chapter 297A. All money paid by a company for connecting fees and switching charges to any other company shall be reported as earnings by the company to which they are paid. For the purposes of this section, the population of any statutory city shall be considered as that stated in the latest federal census.

(c) For the period January 1, 1984 through December 31, 1986, all money

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paid by a company for connecting fees and switching charges, including carriers access charges except that portion paid for directory assistance and billing and collection services, to any other company must be reported as earnings by the company to which they are paid, but are not deemed to be earnings of the collecting and paying company.

(d) Gross earnings include customer access charges. Customer access charges are not gross earnings from business originating or terminating outside of Minnesota for purposes of the gross earnings tax. Customer access charges include the flat rate monthly charges received by a telephone company from its customers, that are authorized by the Federal Communications Commission and that compensate a telephone company for the cost of a local telephone plant to the extent attributable to interstate service.

Sec. 4. STATEMENT OF PURPOSE.

The purpose of section 3 is to confirm and clarify the original intent of the legislature in enacting the exemption for gross earnings from business originating or terminating outside of Minnesota in Minnesota Statutes, section 295.34. Section 3 does not create a new category of earnings subject to the gross earnings tax. It ratifies existing state interpretation of the telephone gross earnings tax and Minnesota Statutes, section 295.34.

Sec. 5. Minnesota Statutes 1989 Supplement, section 357.021, subdivision 1a, is amended to read:

Subd. 1a. Every person, including the state of Minnesota and all bodies politic and corporate, who shall transact any business in the district court, shall pay to the court administrator of said court the sundry fees prescribed in subdivision 2. When the public authority responsible for child support enforcement is a party to any action or proceeding in the district court or according to section 518.551, subdivision 10, no fee is required under this section. The court administrator shall transmit the fees monthly to the county treasurer who shall forward the funds to the state treasurer for deposit in the state treasury and credit to the general fund.

Sec. 6. Minnesota Statutes 1988, section 373.40, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** For purposes of this section, the following terms have the meanings given.

(a) "Bonds" means an obligation as defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, buildings, or other improvements within the county for the purpose of a county courthouse, administrative building, health or social service facility, correctional facility, jail, law enforcement center, hospital, morgue, library, park, and roads

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and bridges. An improvement must have an expected useful life of five years or more to qualify. "Capital improvement" does not include light rail transit or any activity related to it or a recreation or sports facility building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming pool, exercise room or health spa), unless the building is part of an outdoor park facility and is incidental to the primary purpose of outdoor recreation.

(c) "Commissioner" means the commissioner of trade and economic development.

(d) "Metropolitan county" means a county located in the seven-county metropolitan area as defined in section 473.121 or a county with a population of 90,000 or more.

(e) "Population" means the population established by the most recent of the following (determined as of the date the resolution authorizing the bonds was adopted):

(1) the federal decennial census,

(2) a special census conducted under contract by the United States Bureau of the Census, or

(3) a population estimate made either by the metropolitan council or by the state demographer under section 116K.04, subdivision 4, clause (10).

(f) "~~Taxable gross~~ Tax capacity" means total taxable ~~gross~~ tax capacity, but does not include captured ~~gross~~ tax capacity.

Sec. 7. Minnesota Statutes 1988, section 373.40, subdivision 2, is amended to read:

Subd. 2. **APPLICATION OF ELECTION REQUIREMENT.** (a) Bonds issued by a county to finance capital improvements under an approved capital improvement plan are not subject to the election requirements of section 375.18 or 475.58. The bonds must be approved by vote of at least three-fifths of the members of the county board. In the case of a metropolitan county, the bonds must be approved by vote of at least two-thirds of the members of the county board.

(b) Before ~~each~~ issuance of bonds qualifying under this section, the county must publish a notice of its intention to issue the bonds and the date and time of a hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the county or in a newspaper of general circulation in the county. The notice must be published at least 14, but not more than 28, days before the date of the hearing.

(c) A county may issue the bonds only upon obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a

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petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the county in the last general election and is filed with the county auditor within 30 days after the public hearing. The commissioner of revenue shall prepare a suggested form of the question to be presented at the election.

Sec. 8. Minnesota Statutes 1988, section 444.075, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** For purposes of this section, the term "municipality" means a home rule charter or statutory city, ~~wherever located; except a city of the first class, or a town located in a metropolitan county as defined in section 473.121, subdivision 4~~ that is not in an orderly annexation process on the date of enactment of this act. The term "governing body" means the town board ~~of supervisors~~ with respect to towns.

Sec. 9. Minnesota Statutes 1988, section 444.16, is amended to read:

444.16 STORM SEWER IMPROVEMENT DISTRICTS; MUNICIPALITY DEFINED.

Subdivision 1. DEFINITIONS. For the purposes of ~~Laws 1974, chapter 206~~ "municipality" means any city, however organized sections 444.16 to 444.21 the terms in this section have the meanings given them.

Subd. 2. MUNICIPALITY. "Municipality" means a home rule charter or statutory city or a town that is not in an orderly annexation process on the date of enactment of this act.

Subd. 3. GOVERNING BODY. "Governing body" means the city council for a city and the town board for a town.

Sec. 10. Minnesota Statutes 1988, section 444.17, is amended to read:

444.17 ESTABLISHMENT OF DISTRICT.

The ~~council~~ governing body of a municipality may by ordinance adopted by a two-thirds vote of all of its members, establish within its ~~corporate~~ territorial limits a storm sewer improvement tax district. The ordinance shall describe with particularity the territory or area within the municipality to be included within the district. No such ordinance shall be adopted until after a public hearing has been held on the question. A notice of the time, place and purpose of the hearing shall be published for two successive weeks in the official newspaper of the municipality or in a qualified newspaper of general circulation in the municipality and the last notice shall be at least seven days prior to the day of the hearing. The ordinance when adopted shall be filed with the county auditor and county recorder.

Sec. 11. Minnesota Statutes 1988, section 444.18, is amended to read:

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444.18 AUTHORITY OF COUNCIL GOVERNING BODY; RECOVERY OF COST; IMPROVEMENT PROCEDURES.

Subdivision 1. Following the adoption of an ordinance pursuant to ~~Laws 1974, chapter 206 under sections 444.16 to 444.21~~, the council governing body may acquire, construct, reconstruct, extend, maintain, and otherwise improve storm sewer systems and related facilities within the district. Storm water holding areas and ponds within and without the ~~corporate limits~~ municipality may also be acquired, constructed, maintained, and improved for the benefit of any such district. The cost of the systems and facilities described in this subdivision may be recovered by the tax authorized in section 444.20.

Subd. 2. The procedures of sections 429.031 to 429.081 shall apply when the council governing body of a municipality determines to make an improvement pursuant to this section.

Sec. 12. Minnesota Statutes 1988, section 444.19, is amended to read:

444.19 BONDS.

At any time after a contract for the construction of all or part of an improvement has been entered into or the work has been ordered done by day labor, the council governing body may issue obligations in ~~such an~~ an amount as it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making the improvement, including every item of cost from inception to completion and all fees and expenses incurred in connection with the improvement or the financing thereof. The obligations shall be payable primarily out of the proceeds of the tax levied pursuant to section 444.20. The council governing body may by resolution adopted prior to the sale of obligations pledge the full faith, credit and taxing power of the municipality to assure payment of the principal and interest in the event the proceeds of the tax levy in the district are insufficient to pay ~~such the~~ the principal and interest. Obligations shall be issued in accordance with chapter 475, except that an election is not required, and the amount of ~~any such the~~ the obligations is not included in determining the net indebtedness of the municipality under the provisions of any law or charter limiting such indebtedness.

Sec. 13. Minnesota Statutes 1988, section 444.20, is amended to read:

444.20 TAXES.

The council governing body of a municipality may levy a tax on all taxable property within the district ~~such taxes as are in an amount~~ as are in an amount necessary to finance the cost of the improvement, including maintenance and to pay the principal and interest on obligations issued pursuant to section 444.19. ~~Such taxes~~ The tax shall be collected and paid over as other taxes, but shall be spread only upon the property described in the ordinance. ~~Such taxes~~ The tax shall be disbursed by the council governing body only for the benefit of district as established by the ordinance.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 14. Minnesota Statutes 1988, section 469.167, subdivision 2, is amended to read:

Subd. 2. **DURATION.** The designation of an area as an enterprise zone shall be effective for seven years after the date of designation, except that enterprise zones in border cities eligible to receive allocations for tax reductions under section 469.169, subdivisions 7 and 8, and under section 469.171, subdivision 6a, shall be effective until these allocations have been expended.

Sec. 15. Minnesota Statutes 1988, section 469.171, subdivision 7, is amended to read:

Subd. 7. **DURATION.** Each tax reduction provided to a business pursuant to this subdivision shall terminate not longer than five years after the effective date of the tax reduction for the business unless the business is located in a border city enterprise zone designated under section 469.168, subdivision 4, clause (c), that is not a city of the first class. Each tax reduction provided to a business that is located in a border city enterprise zone designated under section 469.168, subdivision 4, clause (c), that is not located in a city of the first class shall terminate not longer than seven years after the effective date of the tax reduction for the business, may be provided until the allocations provided under subdivision 6a, and under section 469.169, subdivisions 7 and 8, have been expended. Subject to the five-year or the seven-year limitation in this subdivision, the tax reductions may be provided after expiration of the zone's designation.

Sec. 16. Minnesota Statutes 1988, section 474A.061, subdivision 1, is amended to read:

Subdivision 1. **APPLICATION.** An issuer may apply for an allocation under this section by submitting to the department an application on forms provided by the department, accompanied by (1) a preliminary resolution, (2) a statement of bond counsel that the proposed issue of obligations requires an allocation under this chapter, (3) the type of qualified bonds to be issued, and (4) an application deposit in the amount of one percent of the requested allocation before the last Monday in August, or in the amount of two percent of the requested allocation on or after the last Monday in August. An issuer applying for an allocation from the multifamily housing pool who does not sign an agreement requiring that the project comply with the gross rent restrictions of the low-income housing credit program under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1988, must submit an additional application deposit in the amount of two percent of the requested allocation before the last Monday in August, or in the amount of one percent of the requested allocation on or after the last Monday in August. An entitlement issuer may not apply for an allocation from the multifamily housing pool or from the public facilities pool unless it has either permanently issued bonds equal to the amount of its entitlement allocation for the current year plus any

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amount of bonding authority carried forward from previous years or returned for reallocation all of its unused entitlement allocation. For purposes of this subdivision, its entitlement allocation includes an amount obtained under section 474A.04, subdivision 6.

Sec. 17. Minnesota Statutes 1988, section 474A.061, subdivision 2, is amended to read:

Subd. 2. **ALLOCATION PROCEDURE.** From the beginning of the calendar year until the last Monday in August, the commissioner shall allocate available bonding authority under this section on Monday of each week to applications received on or before the Monday of the preceding week. From the beginning of the calendar year until the last Monday in July, the commissioner shall allocate available bonding authority from the multifamily housing pool only to issuers who sign an agreement with the commissioner requiring that the project comply with the gross rent restrictions of the low-income housing credit program under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1988.

(a) From the beginning of the calendar year until the last Monday in July, if there are two or more qualifying applications for residential rental project bonds from the multifamily housing pool and there is insufficient bonding authority to provide allocations for all projects in any one week after all eligible bonding authority has been transferred as provided in section 474A.081, the available bonding authority shall be awarded by lot unless otherwise agreed to by the respective issuers.

After the last Monday in July, if there are two or more applications for residential rental project bonds from the multifamily housing pool and there is insufficient bonding authority to provide allocations for all projects in any one week after all eligible bonding authority has been transferred as provided in section 474A.081, the available bonding authority must be awarded to the issuer agreeing to require that the project comply with the gross rent restrictions of the low-income housing credit program under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1988. If all issuers agree to the gross rent restriction requirement, the available bonding authority shall be awarded by lot unless otherwise agreed to by the respective issuers. If there is additional bonding authority available after allocations have been awarded to all issuers agreeing to the gross rent restriction requirement and there is insufficient bonding authority to provide allocations for all other projects in any one week, the available bonding authority shall be awarded by lot unless otherwise agreed to by the respective issuers.

(b) If there are two or more applications for manufacturing projects from the manufacturing pool and there is insufficient bonding authority to provide allocations for all projects in any one week after all eligible bonding authority has been transferred as provided in section 474A.081, the available bonding

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authority shall be awarded by lot unless otherwise agreed to by the respective issuers.

(c) If there are two or more applications for public facility bonds from the public facilities pool and there is insufficient bonding authority to provide allocations for all projects in any one week, the available bonding authority shall be awarded by lot unless otherwise agreed to by the respective issuers.

If an application is rejected, the commissioner must notify the applicant and return the application deposit to the applicant within 30 days unless the applicant requests in writing that the application be resubmitted. The granting of an allocation of bonding authority under this section must be evidenced by a certificate of allocation.

Sec. 18. Minnesota Statutes 1988, section 474A.061, subdivision 4, is amended to read:

Subd. 4. **RETURN OF ALLOCATION; DEPOSIT REFUND.** (a) If an issuer that receives an allocation under this section determines that it will not issue obligations equal to all or a portion of the allocation received under this section by the end of the current year or within the time period permitted by federal tax law, the issuer must notify the department. If the issuer notifies the department prior to the last Monday in August, the amount of allocation returned must be reallocated through the pool from which it was originally allocated. If the issuer notifies the department on or after the last Monday in August, the amount of allocation returned must be reallocated through the unified pool. If the issuer notifies the department after the last Monday in November, the amount of allocation returned must be reallocated to the Minnesota housing finance agency.

(b) An issuer that returns for reallocation all or a portion of an allocation received under this section shall receive within 30 days a refund of all of its application ~~deposit~~ deposits equal to:

(1) one-half of the amount on deposit for the amount of bonding authority returned before the first Monday in November;

(2) one-fourth of the amount on deposit for the amount of bonding authority returned on or after the first Monday in November and before the third Monday in November; and

(3) one-eighth of the amount on deposit for the amount of bonding authority returned on or after the third Monday in November and before the last Monday in November.

No refund shall be available for allocations returned on or after the last Monday in November.

Sec. 19. Minnesota Statutes 1988, section 474A.091, subdivision 2, is amended to read:

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Subd. 2. **APPLICATION.** An issuer may apply for an allocation under this section by submitting to the department an application on forms provided by the department accompanied by (1) a preliminary resolution, (2) a statement of bond counsel that the proposed issue of obligations requires an allocation under this chapter, (3) the type of qualified bonds to be issued, and (4) an application deposit in the amount of two percent of the requested allocation. An issuer applying for an allocation for residential rental project bonds who does not sign an agreement requiring that the project comply with the gross rent restrictions of the low-income housing credit program under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1988, must submit an additional application deposit in the amount of one percent of the requested allocation. An entitlement issuer may not apply for an allocation for public facility bonds, residential rental project bonds, or mortgage bonds under this section unless it has either permanently issued bonds equal to the amount of its entitlement allocation for the current year plus any amount carried forward from previous years or returned for reallocation all of its unused entitlement allocation. For purposes of this subdivision, its entitlement allocation includes an amount obtained under section 474A.04, subdivision 6.

The Minnesota housing finance agency may not apply for an allocation for mortgage bonds under this section until after the last Monday in September. Notwithstanding the restrictions imposed on unified pool allocations after October 1 under subdivision 3, paragraph (c)(2), the Minnesota housing finance agency may be awarded allocations for mortgage bonds from the unified pool after October 1.

Sec. 20. Minnesota Statutes 1988, section 474A.091, subdivision 3, is amended to read:

Subd. 3. **ALLOCATION PROCEDURE.** (a) The commissioner shall allocate available bonding authority under this section on the Monday of every other week beginning with the first Monday in September through and on the last Monday in November. Applications for allocations must be received by the department by the Monday preceding the Monday on which allocations are to be made.

(b) On or before October 1, allocations shall be awarded from the unified pool in the following order of priority:

(1) applications for small issue bonds, with preference given to projects to be located in distressed counties designated under section 297A.257;

(2) applications for residential rental project bonds, with preference given to issuers agreeing to require that the project comply with the gross rent restrictions of the low-income housing credit program under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1988;

(3) applications for public facility bonds;

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- (4) applications for redevelopment bonds;
- (5) applications for mortgage bonds; and
- (6) applications for governmental bonds.

(c)(1) On the first Monday in October, \$20,000,000 of bonding authority or an amount equal to the total annual amount of bonding authority allocated to the manufacturing pool under section 474A.03, subdivision 1, less the amount allocated to issuers from the manufacturing pool for that year, whichever is less, is reserved within the unified pool for small issue bonds. On the first Monday in October, \$5,000,000 of bonding authority or an amount equal to the total annual amount of bonding authority allocated to the public facilities pool under section 474A.03, subdivision 1, less the amount allocated to issuers from the public facilities pool for that year, whichever is less, is reserved within the unified pool for public facility bonds. If sufficient bonding authority is not available to reserve the required amounts for both small issue bonds and public facility bonds, three-fourths of the remaining available bonding authority is reserved for small issue bonds and one-fourth of the remaining available bonding authority is issuers. If an application is rejected, the commissioner must notify the applicant and return the application deposit to the applicant within 30 days unless the applicant requests in writing that the application be resubmitted. The granting of an allocation of bonding authority under this section must be evidenced by issuance of a certificate of allocation.

Sec. 21. KANDIYOHI COUNTY RURAL DEVELOPMENT FINANCE AUTHORITY.

Subdivision 1. ESTABLISHMENT. The Kandiyohi county board may, by adopting a written enabling resolution, establish a county rural development finance authority that, subject to subdivision 2, has the following powers: powers of an economic development authority under Minnesota Statutes, sections 469.090 to 469.107, except for the authority to issue general obligation bonds under Minnesota Statutes, section 469.102; and powers of a rural development financing authority under sections 469.142 to 469.151.

Subd. 2. ECONOMIC DEVELOPMENT AUTHORITY POWERS. If the county rural development finance authority exercises the powers of an economic development authority, the county may exercise all of the powers relating to an economic development authority granted to a city under Minnesota Statutes, sections 469.090 to 469.108. The levy imposed by the county board under Minnesota Statutes, section 469.107, is not subject to the levy limitations in Minnesota Statutes, sections 275.50 to 275.56. The county rural development finance authority may create and define the boundaries of economic development districts at any place or places within the county. Minnesota Statutes, section 469.174, subdivision 10, and the contiguity requirement specified under Minnesota Statutes, section 469.101, subdivision 1, do not apply to limit the areas that may be designated as county economic development districts.

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Subd. 3. LIMIT OF POWERS. (a) The enabling resolution may impose the following limits on the actions of the authority:

(1) that the authority may not exercise any of the powers contained in subdivision 1 unless those powers are specifically authorized in the enabling resolution; and

(2) any other limitation or control established by the county board by the enabling resolution.

(b) The enabling resolution may be modified at any time, but may not be applied in a manner that impairs contracts executed before the modification is made. All modifications to the enabling resolution must be by written resolution.

(c) Before the commencement of a project by the authority, the governing body of the municipality in which the project is to be located or the Kandiyohi county board, if the project is outside municipal corporate limits, shall by majority vote approve the project as recommended by the authority.

Subd. 4. BOARD OF DIRECTORS. (a) The authority consists of a board of seven directors. The directors shall be appointed by the Kandiyohi county board. Each director shall be appointed to serve for three years or until a successor is appointed and qualified. No director may serve more than two consecutive terms. The initial appointment of directors must be made so that no more than one-third of the directors' positions will require appointment in any one year due to fulfillment of their three-year appointment. The appointment of directors must be made to reflect representation of the entire county by population, appointing one director to represent each of the five county commissioner districts. The other two directors must be representatives of various county-based economic development organizations or be directors at-large. No more than two directors may reside in any one county commissioner district.

(b) Two of the directors initially appointed shall serve for terms of one year, two for two years, and three for three years. Each vacancy must be filled for the unexpired term in the manner in which the original appointment was made. A vacancy occurs if a director no longer resides in the county. No director shall be an officer, employee, director, shareholder, or member of any corporation, firm, or association with which the authority has entered into any operating lease, or other agreement. The directors may be removed by the county for the reasons and in the manner provided under Minnesota Statutes, section 469.010, and shall receive no compensation other than reimbursement for expenses incurred in the performance of their duties. Directors shall have no personal liability for obligations of the authority or the methods of enforcement and collection of the obligations.

Sec. 22. TOWN OF OTSEGO; ECONOMIC DEVELOPMENT.

New language is indicated by underline, deletions by ~~strikeout~~.

Subdivision 1. ECONOMIC DEVELOPMENT AUTHORITY. The town of Otsego may establish an economic development authority. The town may establish the authority in the manner provided in Minnesota Statutes, sections 469.091 to 469.101, and may impose the limits on the authority enumerated in Minnesota Statutes, section 469.092. An authority established under this subdivision has all the powers and duties granted to or imposed upon economic development authorities under Minnesota Statutes, sections 469.090 to 469.106 and 469.174 to 469.178.

Subd. 2. POWERS OF A CITY OR MUNICIPALITY. The town of Otsego and its governing body have all the powers and duties granted to or imposed upon (1) a city and the governing body of a city under Minnesota Statutes, sections 469.090 to 469.107, including the power to levy a tax subject to referendum under Minnesota Statutes, section 469.107; and (2) a municipality and the governing body of a municipality under Minnesota Statutes, sections 469.174 to 469.178 with respect to a project undertaken by an economic development authority under subdivision 1. General obligation bonds may be issued and a tax imposed to pay the principal and interest on the bonds only if the issuance and the tax are approved by a vote of the electors of the town at a regular town meeting. A tax may be levied under Minnesota Statutes, section 469.107, only if approved by a vote of the electors of the town at a regular town meeting.

Sec. 23. CONTINUATION OF PRODUCTION TAX LIABILITY.

Notwithstanding Minnesota Statutes, section 298.25, or any other law to the contrary, the provisions of Minnesota Statutes, section 298.24, will continue to apply to a taconite production facility that has ceased production in 1986 for production years 1989 and 1990 if ownership of that facility is transferred in 1989 to a new owner that intends to resume taconite production at that facility no later than December 31, 1991. The new owner must provide evidence to the commissioner of revenue of its intent and ability to do so. If the new owner fails to resume taconite production at the facility by December 31, 1991, the property shall become subject to ad valorem taxes for the 1991 levy year, taxes payable in 1992, and thereafter, and an additional tax equal to the amount of ad valorem tax that would have been payable on the property for taxes payable in 1990 and 1991, less any taxes paid under Minnesota Statutes, section 298.24, during 1990 and 1991, shall also be extended against the property on the tax list for 1992.

Sec. 24. SPENDING REDUCTION RECOMMENDATIONS.

The governor shall make recommendations for consideration by the legislature in its 1990 session of at least \$50,000,000 of budget reductions or savings for fiscal year 1991 and at least \$100,000,000 of budget reductions or savings for the 1992-1993 biennium.

Sec. 25. NORTH PINE AREA HOSPITAL DISTRICT.

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Notwithstanding Minnesota Statutes, section 447.31, subdivision 2, the North Pine area hospital district shall include any city or town located in Pine county that, at any time after April 1, 1989, has elected or does elect to be a part of the hospital district.

Sec. 26. APPROPRIATIONS.

There is appropriated from the general fund to the commissioner of revenue the following amounts for the administration of this act.

	Fiscal Year 1990
<u>Total</u>	<u>\$922,300</u>
<u>Summary by purpose</u>	
<u>Truth in Taxation</u>	<u>\$128,800</u>
<u>Charitable Gambling</u>	<u>\$107,500</u>
<u>Property Tax Refunds</u>	<u>\$ 94,000</u>
<u>Systems</u>	<u>\$250,000</u>
<u>Tax Samples</u>	<u>\$ 76,000</u>
<u>Commercial-Industrial Refund</u>	<u>\$266,000</u>

The appropriation for systems is available until June 30, 1991.

Sec. 27. APPROVED COMPLEMENT.

The approved complement of the department of revenue is increased by seven for fiscal year 1990.

Sec. 28. FEES; DRAFTING SERVICES.

Notwithstanding any contrary requirements of Minnesota Statutes, section 3C.035, subdivision 2, the revisor of statutes shall assess the commissioner of revenue for the actual cost of bill drafting services rendered to the department after October 31, 1989, but before February 15, 1990, if the services are required because of (1) a provision of this act requiring the commissioner to prepare legislation in the legislative session beginning February 12, 1990, or (2) clarifying, administrative, or technical changes that are proposed by the commissioner to implement a provision of this act.

Sec. 29. EFFECTIVE DATE.

Sections 1, 2, 4, 5, 14, 15, 16 to 20, 23, 24, and 28 are effective the day following final enactment. Section 3 is effective retroactive to January 1, 1986. Sections 6 and 7 are effective November 1, 1989, and for bonds issued after October 31, 1989. Sections 8 to 13 are effective January 1, 1990. Section 21 is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the county board of Kandiyohi county. Section 22 is effective the day following compliance with Minnesota Statutes, section 645.021, subdivision 3, by the town board of the town of Otsego. Sections 26 and 27 are effective October 1, 1989. Section 25 is effective the day following final enactment.

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ARTICLE 18

RECYCLING REQUIREMENTS AND PROGRAMS

Section 1. **[16B.121] PURCHASE OF RECYCLED, REPAIRABLE, AND DURABLE MATERIALS.**

The commissioner shall take the recycled content and recyclability of commodities to be purchased into consideration in bid specifications. The commissioner shall apply weighting factors to the recycled content and recyclability criteria in order to give a preferential treatment to those criteria. State agencies shall purchase recycled materials when specifications allow the practical use of the recycled materials and the price does not exceed the price of nonrecycled materials by more than ten percent. If possible, state agencies should purchase materials recycled from waste generated in this state.

Sec. 2. **[16B.122] PURCHASE OF PAPER STOCK.**

Subdivision 1. DEFINITIONS. The definitions in this subdivision apply to this section.

(a) "Office paper" means notepads, loose-leaf fillers, tablets, and other paper commonly used in offices.

(b) "Practicable" means capable of being used, consistent with performance, in accordance with applicable specifications, and availability within a reasonable time.

(c) "Printing paper" means paper designed for printing, other than newsprint, such as offset and publication paper.

(d) "Public agency" means the state, an office, agency, or institution of the state, a county, a statutory or home rule charter city, a town, a school district, another special taxing district, or any contractor acting pursuant to a contract with a public agency.

(e) "Uncoated" means not coated with plastic, clay, or other material used to create a glossy finish.

Subd. 2. PURCHASE REQUIRED. A public agency shall purchase uncoated office paper and printing paper whenever practicable.

Sec. 3. Minnesota Statutes 1988, section 115A.03, subdivision 25a, is amended to read:

Subd. 25a. "Recyclable materials" means materials that are separated from mixed municipal solid waste for the purpose of recycling, including paper, glass, plastics, metals, automobile oil, and batteries. Refuse derived fuel or other material that is destroyed by incineration is not a recyclable material.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 4. Minnesota Statutes 1989 Supplement, section 115A.12, subdivision 1, is amended to read:

Subdivision 1. **SOLID AND HAZARDOUS WASTE MANAGEMENT.**

(a) ~~The chair of the board director~~ shall establish a solid waste management advisory council, a hazardous waste management planning council, and a market development coordinating council, that are broadly representative of the geographic areas and interests of the state. ~~The councils shall have not less than nine nor more than 18 members each.~~

(b) The solid waste council shall have not less than nine nor more than 21 members. The membership of the solid waste council shall consist of one-third citizen representatives, one-third representatives from local government units, and one-third representatives from private solid waste management firms. The solid waste council shall contain at least three members experienced in the private recycling industry and at least one member experienced in each of the following areas: state and municipal finance; solid waste collection, processing, and disposal; and solid waste reduction and resource recovery.

(c) The hazardous waste council shall have not less than nine nor more than 18 members. The membership of the hazardous waste advisory council shall consist of one-third citizen representatives, one-third representatives from local government units, and one-third representatives of hazardous waste generators and private hazardous waste management firms.

(d) The market development coordinating council shall have not less than nine nor more than 18 members and shall consist of one representative from the department of trade and economic development, the department of administration, the pollution control agency, the Greater Minnesota Corporation, the metropolitan council, and the legislative commission on waste management. The other members shall represent local government units, private recycling markets, and private recycling collectors. The market development coordinating council expires June 30, 1994.

(e) The chairs of the advisory councils shall be appointed by the ~~chair of the board director~~. The chair of the board director shall provide administrative and staff services for the advisory councils. The advisory councils shall have such duties as are assigned by law or the ~~chair of the board director~~. The solid waste advisory council shall make recommendations to the ~~board~~ office on its solid waste management activities. The hazardous waste advisory council shall make recommendations to the ~~board~~ office on its activities under sections 115A.08, 115A.09, 115A.10, 115A.11, 115A.20, 115A.21, and 115A.24. Members of the advisory councils shall serve without compensation but shall be reimbursed for their reasonable expenses as determined by the ~~chair of the board director~~. The solid waste management advisory council and the hazardous waste management planning council expire June 30, 1994.

Sec. 5. Minnesota Statutes 1988, section 115A.15, subdivision 5, is amended to read:

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Subd. 5. **REPORTS.** (a) By January 1 of each odd-numbered year, the commissioner of administration shall submit a report to the governor and to the legislative commission summarizing past activities and proposed goals of the program for the following biennium. The report shall include at least:

(1) a summary list of product and commodity purchases that contain recycled materials;

(2) the results of any performance tests conducted on recycled products and agencies' experience with recycled products used;

(3) a list of all organizations participating in and using the cooperative purchasing program; and

(4) a list of products and commodities purchased for their recyclability and of recycled products reviewed for purchase.

(b) By July 1 of each even-numbered year commissioner of the pollution control agency and the commissioner of public service shall submit recommendations to the commissioner regarding the operation of the program.

Sec. 6. Minnesota Statutes 1988, section 115A.15, is amended by adding a subdivision to read:

Subd. 7. WASTE REDUCTION PROCUREMENT MODEL. To reduce the amount of solid waste generated by the state and to provide a model for other public and private procurement systems, the commissioner, in cooperation with the director of the office of waste management, shall develop waste reduction procurement programs, including an expanded life cycle costing system for procurement of durable and repairable items. On implementation of the model procurement system, the commissioner, in cooperation with the director, shall develop and distribute informational materials for the purpose of promoting the procurement model to other public and private entities under article 21, section 1, subdivision 4.

Sec. 7. Minnesota Statutes 1988, section 115A.15, is amended by adding a subdivision to read:

Subd. 8. RECYCLED MATERIALS PURCHASING. The commissioner of administration shall develop and implement a cooperative purchasing program under section 471.59 to include state agencies, local governmental units, and, where feasible, other state governments and the federal government, for the purpose of purchasing materials made from recycled materials. By July 1, 1991, the commissioner shall develop a program to promote the cooperative purchasing program to those units of government and other persons.

Sec. 8. Minnesota Statutes 1988, section 115A.15, is amended by adding a subdivision to read:

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Subd. 9. RECYCLING GOAL. By December 31, 1993, the commissioner shall recycle at least 40 percent by weight of the solid waste generated by state offices and other operations located in the metropolitan area. The commissioner must keep records of the recycling and composting operation and share them annually with the metropolitan council and counties to assist the council and the counties in their data collection efforts.

Sec. 9. [115A.151] STATE AND LOCAL FACILITIES.

By January 1, 1991, a state agency or local unit of government or school district in the metropolitan area or by January 1, 1993, a state agency or local unit of government or school district outside of the metropolitan area shall:

(1) ensure that facilities under its control, from which mixed municipal solid waste is collected, have containers for at least three recyclable materials; and

(2) transfer all recyclable materials collected to a recycler.

Sec. 10. Minnesota Statutes 1988, section 115A.48, subdivision 3, is amended to read:

Subd. 3. PUBLIC PROCUREMENT. ~~The board office shall provide technical assistance and advice to political subdivisions and other public agencies to encourage solid waste reduction and development of markets for recyclable materials and compost through procurement policies and practices. Political subdivisions, educational institutions, and other public agencies shall aggressively pursue procurement practices that encourage solid waste reduction, recycling, and development of markets for recyclable materials and compost and shall, whenever practical, procure products containing recycled materials.~~

Sec. 11. Minnesota Statutes 1988, section 115A.48, is amended by adding a subdivision to read:

Subd. 5. RECYCLABLE MATERIAL MARKET DEVELOPMENT. (a) The office shall make grants and loans and shall provide technical assistance to persons for research and development or for the acquisition and betterment of projects that develop markets or end uses for recyclable materials. At least 50 percent of all funds appropriated under article 24 for market development efforts must be used to support county market development efforts. Grants to counties for market development must be made available to those counties that achieve significant land disposal abatement through use of source separation of recyclable materials. The office may use any means specified in section 115A.52 to provide technical assistance.

(b) A project may receive a loan for up to 50 percent of the capital cost of the project or \$2,000,000, whichever is less.

(c) A project may receive a grant for up to 25 percent of the capital cost of the project or \$500,000, whichever is less.

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(d) The office shall adopt rules for the program.

Sec. 12. [115A.551] RECYCLING.

Subdivision 1. DEFINITION. (a) For the purposes of this section, "recycling" means, in addition to the meaning given in section 115A.03, subdivision 25b, yard waste composting and recycling that occurs through mechanical or hand separation of materials that are then delivered for reuse in their original form or for use in manufacturing processes that do not cause the destruction of recyclable materials in a manner that precludes further use.

(b) For the purposes of this section, "total solid waste generation" means the total by weight of:

(1) materials separated for recycling;

(2) materials separated for yard waste composting; and

(3) mixed municipal solid waste plus yard waste, used oil, tires, lead acid batteries, and major appliances.

Subd. 2. COUNTY RECYCLING GOALS. By December 31, 1993, each county outside of the metropolitan area will have as a goal to recycle a minimum of 25 percent by weight of total solid waste generation; and by December 31, 1993, each county within the metropolitan area will have as a goal to recycle a minimum of 35 percent by weight of total solid waste generation. Each county will develop and implement or require political subdivisions within the county to develop and implement programs, practices, or methods designed to meet its recycling goal. Nothing in this section or in any other law may be construed to prohibit a county from establishing a higher recycling goal.

Subd. 3. INTERIM GOALS; NONMETROPOLITAN COUNTIES. The office shall establish interim recycling goals for the nonmetropolitan counties to assist them in meeting the goals established in subdivision 2.

Subd. 4. INTERIM MONITORING. The office, for counties outside of the metropolitan area, and the metropolitan council, for counties within the metropolitan area, shall monitor the progress of each county toward meeting the recycling goal in subdivision 2 and shall report to the legislative commission on waste management on the progress of the counties by November 1 of each year. If the office or the council finds that a county is not progressing toward the goal in subdivision 2, it shall negotiate with the county to develop and implement solid waste management techniques designed to assist the county in meeting the goal, such as organized collection, curbside collection of source-separated materials, and volume-based pricing.

Subd. 5. FAILURE TO MEET GOAL. (a) A county failing to meet the interim goals in subdivision 3 shall, as a minimum:

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(1) notify county residents of the failure to achieve the goal and why the goal was not achieved; and

(2) provide county residents with information on recycling programs offered by the county.

(b) If, based on the recycling monitoring described in subdivision 4, the office or the metropolitan council finds that a county will be unable to meet the recycling goal established in subdivision 2, the office or council shall, after consideration of the reasons for the county's inability to meet the goal, recommend legislation for consideration by the legislative commission on waste management to establish mandatory recycling standards and to authorize the office or council to mandate appropriate solid waste management techniques designed to meet the standards in those counties that are unable to meet the goal.

Subd. 6. COUNTY SOLID WASTE PLANS. (a) Each county shall include in its solid waste management plan described in section 115A.46, or its solid waste master plan described in section 473.803, a plan for implementing the recycling goal established in subdivision 2 along with mechanisms for providing financial incentives to solid waste generators to reduce the amount of waste generated and to separate recyclable materials from the waste stream. The recycling plan must include detailed recycling implementation information to form the basis for the strategy required in subdivision 7.

(b) Each county required to submit its plan to the office under section 115A.46 shall amend its plan to comply with this subdivision within one year after the effective date of this section.

Subd. 7. RECYCLING IMPLEMENTATION STRATEGY. Within one year of office approval of the portion of the plan required in subdivision 6, each nonmetropolitan county shall submit for office approval a local recycling implementation strategy. The local recycling implementation strategy must:

(1) be consistent with the approved county solid waste management plan;

(2) identify the materials that are being and will be recycled in the county to meet the goals under this section and the parties responsible and methods for recycling the material; and

(3) define the need for funds to ensure continuation of local recycling, methods of raising and allocating such funds, and permanent sources and levels of local funding for recycling.

Sec. 13. [115A.552] OPPORTUNITY TO RECYCLE.

Subdivision 1. COUNTY REQUIREMENT. Counties shall ensure that residents have an opportunity to recycle. At least one recycling center shall be available in each county. Opportunity to recycle means availability of recycling and curbside pickup or collection centers for recyclable materials at sites that are convenient for persons to use. Counties shall also provide for the recycling of problem materials and major appliances. Counties shall assess the operation of

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existing and proposed recycling centers and shall give due consideration to those centers in ensuring the opportunity to recycle.

Subd. 2. RECYCLING OPPORTUNITIES. An opportunity to recycle must include:

(1) a local recycling center in the county and sites for collecting recyclable materials that are located in areas convenient for persons to use them;

(2) curbside pickup, centralized drop-off, or a local recycling center for at least four kinds of recyclable materials in cities with a population of 5,000 or more persons; and

(3) monthly pickup of at least four recyclable materials in cities of the first and second class and cities with 5,000 or more population in the metropolitan area.

Subd. 3. RECYCLING INFORMATION, EDUCATION, AND PROMOTION. (a) Each county shall provide information on how, when, and where materials may be recycled, including a promotional program that publishes notices at least once every three months and encourages source separation of residential, commercial, industrial, and institutional materials.

(b) The office shall develop materials for counties to use in providing information on and promotion of recycling.

(c) The office shall provide technical assistance to counties to help counties implement recycling programs.

Sec. 14. [115A.553] COLLECTION AND TRANSPORTATION OF RECYCLABLE MATERIALS.

Subdivision 1. COLLECTION CENTERS AND TRANSPORTATION REQUIRED. Each county must ensure alone or in conjunction with other counties that materials separated for recycling are taken to markets for sale or to recyclable material processing centers. An action may not be taken by a county under this section to preclude a person generating or collecting solid waste from delivering recyclable materials to a recycling facility of the generator's or collector's choice.

Subd. 2. LICENSING OF RECYCLABLE MATERIALS COLLECTION. Counties may require county or municipal licenses for collection of recyclable materials.

Subd. 3. TRANSPORTATION SYSTEMS. The office and the commissioner of transportation shall develop an efficient transportation system for recyclable materials to reach markets and processing centers that may be used by counties. The system may include regional collection centers.

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Sec. 15. [115A.554] AUTHORITY OF SANITARY DISTRICTS.

A sanitary district with the authority to regulate solid waste has the authority and duty of counties within the district's boundary for purposes of sections 12, 13, and 14; article 20, sections 8, 14, 18, 24, and 25; and sections 115A.46, subdivision 4; 115A.919; 115A.96, subdivision 6; 375.18, subdivision 14; and 400.08, subdivision 5.

Sec. 16. [115A.555] RECYCLING CENTER DESIGNATION.

The agency shall designate recycling centers for the purpose of section 18. To be designated as a recycling center, a recycling facility must be open a minimum of 12 operating hours each week, 12 months each year, and must accept for recycling at least four different materials such as paper, glass, plastic, and metal.

Sec. 17. Minnesota Statutes 1988, section 116K.04, is amended by adding a subdivision to read:

Subd. 6. MODEL ZONING CRITERIA. The commissioner shall, in consultation with the advisory council on state and local relations, develop and disseminate model zoning criteria for use by local units of government in siting recycling facilities.

Sec. 18. [173.086] RECYCLING CENTER SIGNS.

Subdivision 1. AUTHORITY TO ERECT. A recycling facility that has complied with the permitting rules of the pollution control agency and has been designated a recycling center by the agency under section 16 may erect a recycling center sign upon payment of a fee to the department of transportation or to the local road authority required to cover all costs of fabrication and installation of the signs.

Subd. 2. SIGN STANDARDS. The department of transportation shall design and manufacture the recycling center sign to specifications not contrary to other federal and state highway sign standards. The sign must contain the international three arrow recycling symbol followed by the words "recycling center."

Subd. 3. LOCATION. Each local road authority shall permit recycling center signs to be located on roads in its jurisdiction, subject to sign placement and distance requirements of the local authority in conformance with standard policies for placement of signs for other traffic generators.

Sec. 19. REPORT ON RECYCLING IN PUBLIC BUILDINGS.

The commissioner of administration and the commissioner of public safety shall review the availability of the opportunity to recycle in buildings, including those in the capitol area, and address barriers to recycling systems that may be

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caused by building, safety, and fire codes and historical preservation. The commissioners shall prepare a report on the barriers to recycling systems and the progress in overcoming the barriers and submit it to the legislative commission on waste management by November 1, 1990.

Sec. 20. EFFECTIVE DATE.

Section 13 is effective October 1, 1990.

Sections 1 to 12 and 14 to 19 are effective the day following final enactment.

ARTICLE 19

REVENUE FOR RECYCLING AND SOLID WASTE PROGRAMS

Section 1. [115A.557] COUNTY WASTE REDUCTION AND RECYCLING FUNDING.

Subdivision 1. DISTRIBUTION; FORMULA. Any funds appropriated to the office for the purpose of distribution to counties under this section must be distributed each fiscal year by the office based on population, except a county may not receive less than \$55,000 in a fiscal year. For purposes of this subdivision, "population" has the definition given in section 477A.011, subdivision 3. A county that participates in a multicounty district that manages solid waste and that has responsibility for recycling programs as authorized in article 18, section 13, must pass through to the districts funds received by the county in excess of the \$55,000 annual base under this section in proportion to the population of the county served by that district.

Subd. 2. PURPOSES FOR WHICH MONEY MAY BE SPENT. A county receiving money distributed by the office under this section may use the money only for the development and implementation of programs to:

- (1) reduce the amount of solid waste generated;
- (2) recycle the maximum amount of solid waste technically feasible;
- (3) create and support markets for recycled products;
- (4) remove problem materials from the solid waste stream and develop proper disposal options for them;
- (5) inform and educate all sectors of the public about proper solid waste management procedures;
- (6) provide technical assistance to public and private entities to ensure proper solid waste management; and

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(7) provide educational, technical, and financial assistance for litter prevention.

Subd. 3. ELIGIBILITY TO RECEIVE MONEY. (a) To be eligible to receive money distributed by the office under this section, a county shall within one year of the effective date of this section:

(1) create a separate account in its general fund to credit the money; and

(2) set up accounting procedures to ensure that money in the separate account is spent only for the purposes in subdivision 2.

(b) In each following year, each county shall also:

(1) have in place an approved solid waste management plan or master plan including a recycling implementation strategy under article 18, section 12, subdivision 7, or section 473.803, subdivision 1e, and a household hazardous waste management plan under section 115A.96, subdivision 6, by the dates specified in those provisions;

(2) submit a report by August 1 of each year to the office detailing how the money was spent and the resulting gains achieved in solid waste management practices during the previous fiscal year; and

(3) provide evidence to the office that local revenue equal to 25 percent of the money sought for distribution under this section will be spent for the purposes in subdivision 2.

(c) The office shall withhold all or part of the funds to be distributed to a county under this section if the county fails to comply with this subdivision and subdivision 2.

Subd. 4. REPORT. By November 1 of each year, the office shall report on how the money was spent and the resulting statewide improvements in solid waste management to the house of representatives and senate appropriations and finance committees and the legislative commission on waste management.

Sec. 2. Minnesota Statutes 1988, section 275.50, subdivision 5, is amended to read:

Subd. 5. Notwithstanding any other law to the contrary for taxes levied in ~~1988~~ 1989 payable in ~~1989~~ 1990 and subsequent years, "special levies" means those portions of ad valorem taxes levied by governmental subdivisions to:

(a) pay the costs not reimbursed by the state or federal government, of payments made to or on behalf of recipients of aid under any public assistance program authorized by law, and the costs of purchase or delivery of social services. Except for the costs of general assistance as defined in section 256D.02, subdivision 4, general assistance medical care under section 256D.03 and the

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costs of hospital care pursuant to section 261.21, the aggregate amounts levied pursuant to this clause are subject to a maximum increase of 18 percent over the amount levied for these purposes in the previous year. Effective with taxes levied in 1989, the portion of this special levy for income maintenance programs identified in section 273.1398, subdivision 1, paragraph (i), is eliminated;

(b) pay the costs of principal and interest on bonded indebtedness except on bonded indebtedness issued under section 471.981, subdivisions 4 to 4c or to reimburse for the amount of liquor store revenues used to pay the principal and interest due in the year preceding the year for which the levy limit is calculated on municipal liquor store bonds;

(c) pay the costs of principal and interest on certificates of indebtedness, except tax anticipation or aid anticipation certificates of indebtedness, issued for any corporate purpose except current expenses or funding an insufficiency in receipts from taxes or other sources or funding extraordinary expenditures resulting from a public emergency; and to pay the cost for certificates of indebtedness issued pursuant to sections 298.28 and 298.282;

(d) fund the payments made to the Minnesota state armory building commission pursuant to section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(e) provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(f) pay the amounts required, in accordance with section 275.075, to correct for a county auditor's error of omission but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(g) pay amounts required to correct for an error of omission in the levy certified to the appropriate county auditor or auditors by the governing body of a city or town with statutory city powers in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.50 to 275.56 in the preceding levy year;

(h) pay amounts required by law to be paid to pay the interest on and to reduce the unfunded accrued liability of public pension funds in accordance with the actuarial standards and guidelines specified in sections 356.215 and 356.216 reduced by 106 percent of the amount levied for that purpose in 1976, payable in 1977. For the purpose of this special levy, the estimated receipts expected from the state of Minnesota pursuant to sections 69.011 to 69.031 or any other state aid expressly intended for the support of public pension funds shall be considered as a deduction in determining the required levy for the

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normal costs of the public pension funds. No amount of these aids shall be considered as a deduction in determining the governmental subdivision's required levy for the reduction of the unfunded accrued liability of public pension funds;

(i) to compensate the state for the cost of a reassessment ordered by the commissioner of revenue pursuant to section 270.16; ~~and~~

(j) pay the debt service on tax increment financing revenue bonds to the extent that revenue to pay the bonds or to maintain reserves for the bonds is insufficient as a result of the provisions of Laws 1988, chapter 719, article 5; and

(k) pay an amount of up to 25 percent of the money sought for distribution and approved under section 1, subdivision 3, paragraph (b), clause (3).

Sec. 3. Minnesota Statutes 1988, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) The production, fabrication, printing or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing;

(c) The furnishing, preparing, or serving for a consideration of food, meals or drinks, not including meals or drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities, meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served, meals and lunches served at public and private schools, universities or colleges. "Sales" also includes meals furnished by employers to employees at less than fair market value, except meals furnished at no charge to employees of hospitals, nursing homes, boarding care homes, sanitariums, group homes, and correctional, detention, and detoxification facilities, who are required to eat with the patients, residents, or inmates residing in them. Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

(i) heated food or drinks;

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- (ii) sandwiches prepared by the retailer;
 - (iii) single sales of prepackaged ice cream or ice milk novelties prepared by the retailer;
 - (iv) hand-prepared or dispensed ice cream or ice milk products including cones, sundaes, and snow cones;
 - (v) soft drinks and other beverages prepared or served by the retailer;
 - (vi) gum;
 - (vii) ice;
 - (viii) all food sold in vending machines;
 - (ix) party trays prepared by the retailers; and
 - (x) all meals and single servings of packaged snack food, single cans or bottles of pop, sold in restaurants and bars;
- (d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, massage parlors, health clubs, and spas or athletic facilities;
- (e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;
- (f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intra-state toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state; the tax imposed on amounts paid for telephone services is the liability of and shall be paid by the person paying for the services. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale;
- (g) The furnishing for a consideration of cable television services, including charges for basic monthly service, charges for monthly premium service, and charges for any other similar television services;
- (h) Notwithstanding subdivision 4, and section 297A.25, subdivision 9, the sales of horses including claiming sales and fees paid for breeding a stallion to a mare. This clause applies to sales and fees with respect to a horse to be used for racing whose birth has been recorded by the Jockey Club or the United States Trotting Association or the American Quarter Horse Association;

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(i) The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(j) The furnishing for a consideration of services listed in this paragraph:

(i) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) motor vehicle washing, waxing, and cleaning services, including services provided by coin-operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) services provided by detective agencies, security services, burglar, fire alarm, and armored car services not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1;

(v) pet grooming services; ~~and~~

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; arborist services; tree, bush, and shrub planting, pruning, bracing, spraying, and surgery; and tree trimming for public utility lines.

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a partnership or association for another partnership or association are not taxable under this paragraph if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, and who are eligible to file a consolidated tax return for federal income tax purposes; and

(vii) solid waste collection and disposal services as described in section 7;

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(k) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; and

(l) The granting of membership in a club, association, or other organization if:

(1) the club, association, or other organization makes available for the use of its members sports and athletic facilities (without regard to whether a separate charge is assessed for use of the facilities); and

(2) use of the sports and athletic facilities is not made available to the general public on the same basis as it is made available to members.

Granting of membership includes both one-time initiation fees and periodic membership dues. Sports and athletic facilities include golf courses, tennis, racquetball, handball and squash courts, basketball and volleyball facilities, running tracks, exercise equipment, swimming pools, and other similar athletic or sports facilities. The provisions of this paragraph do not apply to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1986, for educational and social activities for young people primarily age 18 and under.

Sec. 4. Minnesota Statutes 1989 Supplement, section 297A.25, subdivision 11, is amended to read:

Subd. 11. **SALES TO GOVERNMENT.** The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical institutes, state academies, the Minnesota center for arts education, and political subdivisions of the state are exempt. Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, clause (f), but do not include sales under section 297A.01, subdivision 3, paragraph (j), clause (vii). This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities. This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

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Sec. 5. Minnesota Statutes 1989 Supplement, section 297A.25, subdivision 16, is amended to read:

Subd. 16. **SALES TO NONPROFIT GROUPS.** 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 or association of groups that in general limits membership to persons age 55 or older and is 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, are exempt. Sales exempted by this subdivision include sales pursuant to section 297A.01, subdivision 3, clauses (d) and (f), but do not include sales under section 297A.01, subdivision 3, paragraph (i), clause (vii). This exemption shall not apply to building, construction, or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities. This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

Sec. 6. Minnesota Statutes 1989 Supplement, section 297A.44, subdivision 1, is amended to read:

Subdivision 1. (a) Except as provided in paragraphs (b) ~~and~~, (c), ~~and~~ (d), all revenues, including interest and penalties, derived from the excise and use taxes imposed by sections 297A.01 to 297A.44 shall be deposited by the commissioner in the state treasury and credited to the general fund.

(b) All excise and use taxes derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project, from and after the date on which a conditional commitment for a loan guaranty for the project is made pursuant to section 41A.04, subdivision 3, shall be deposited in the Minnesota agricultural and economic account in the special revenue fund. The commissioner of finance shall certify to the commissioner the date on which the project received the conditional commitment. The amount deposited in the loan guaranty account shall be reduced by any refunds and by the costs incurred by the department of revenue to administer and enforce the assessment and collection of the taxes.

(c) All revenues, including interest and penalties, derived from the excise and use taxes imposed on sales and purchases included in section 297A.01, subdivision 3, paragraphs (d) and (l), clauses (1) and (2), must be deposited by the commissioner in the state treasury, and credited as follows:

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(1) first to the general obligation special tax bond debt service account in each fiscal year the amount required by section 16A.661, subdivision 3, paragraph (b); and

(2) after the requirements of clause (1) have been met, the balance must be credited to the general fund.

(d) The revenues, including interest and penalties, derived from the taxes imposed on solid waste collection services as described in section 7 shall be deposited by the commissioner in the state treasury and credited to the general fund to be used for funding solid waste reduction and recycling programs.

Sec. 7. [297A.45] SOLID WASTE COLLECTION AND DISPOSAL SERVICES.

Subdivision 1. DEFINITIONS. The definitions in sections 115A.03 and 297A.01 apply to this section.

Subd. 2. APPLICATION. The tax imposed by section 297A.02 applies to all public and private mixed municipal solid waste collection and disposal services. Notwithstanding section 297A.25, subdivision 11, a political subdivision that purchases collection or disposal services on behalf of its citizens shall pay the tax. If a political subdivision provides collection or disposal services to its residents at a cost in excess of the total direct charge to the residents for the service, the political subdivision shall pay the tax based on its cost of providing the service in excess of the direct charges. A person who transports mixed municipal solid waste generated by that person or by another person without compensation shall pay the tax at the disposal or resource recovery facility based on the disposal charge or tipping fee.

Subd. 3. EXEMPTIONS. (a) The cost of a service or the portion of a service to collect and manage recyclable materials separated from mixed municipal solid waste by the waste generator is exempt from the tax imposed in section 297A.02.

(b) The amount of a surcharge or fee imposed under section 115A.919, 115A.921, 115A.923, or 473.843 is exempt from the tax imposed in section 297A.02.

(c) Waste from a recycling facility that separates or processes recyclable materials and that reduces the volume of the waste by at least 85 percent is exempt from the tax imposed in section 297A.02. To qualify for the exemption under this paragraph, the waste exempted must be collected and disposed of separately from other solid waste.

Subd. 4. CITY SALES TAX MAY NOT BE IMPOSED. Notwithstanding any other law or charter provision to the contrary, a home rule charter or statutory city that imposes a general sales tax may not impose the sales tax on

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solid waste disposal and collection services that are subject to the tax under this section.

Sec. 8. REVENUE REPORT.

By November 1, 1990, the commissioner of revenue shall estimate the amount of revenue to be collected from the tax imposed on solid waste collection and disposal services described in section 7 for fiscal years 1990 and 1991 and shall report that amount to the office of waste management, to the house of representatives and senate appropriations and finance committees, and to the legislative commission on waste management.

Sec. 9. EFFECTIVE DATE.

Sections 3 to 7 are effective for sales made after December 31, 1989. Sections 1, 2, and 8 are effective the day following final enactment.

ARTICLE 20

SOLID WASTE COLLECTION AND DISPOSAL

Section 1. Minnesota Statutes 1988, section 115A.03, is amended by adding a subdivision to read:

Subd. 17a. MAJOR APPLIANCES. "Major appliances" means clothes washers and dryers, dishwashers, hot water heaters, garbage disposals, trash compactors, conventional ovens, ranges and stoves, air conditioners, refrigerators, and freezers.

Sec. 2. Minnesota Statutes 1988, section 115A.03, is amended by adding a subdivision to read:

Subd. 24a. PROBLEM MATERIAL. "Problem material" means a material that, when it is processed or disposed of with mixed municipal solid waste, contributes to one of the following results:

(1) the release of a hazardous substance, or pollutant or contaminant, as defined in section 115B.02, subdivisions 8, 13, and 15;

(2) pollution of water as defined in section 115.01, subdivision 5;

(3) air pollution as defined in section 116.06, subdivision 3; or

(4) a significant threat to the safe or efficient operation of a solid waste processing facility.

Sec. 3. Minnesota Statutes 1989 Supplement, section 115A.46, subdivision 2, is amended to read:

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Subd. 2. **CONTENTS.** (a) The plans shall describe existing collection, processing, and disposal systems, including schedules of rates and charges, financing methods, environmental acceptability, and opportunities for improvements in the systems.

(b) The plans shall include an estimate of the land disposal capacity in acre-feet which will be needed through the year 2000, on the basis of current and projected waste generation practices. In assessing the need for additional capacity for resource recovery or land disposal, the plans shall take into account the characteristics of waste stream components and shall give priority to waste reduction, separation, and recycling.

(c) The plans shall require the most feasible and prudent reduction of the need for and practice of land disposal of mixed municipal solid waste.

(d) The plans shall address at least waste reduction, separation, recycling, and other resource recovery options, and shall include specific and quantifiable objectives, immediately and over specified time periods, for reducing the land disposal of mixed municipal solid waste and for the implementation of feasible and prudent reduction, separation, recycling, and other resource recovery options. These objectives shall be consistent with statewide objectives as identified in statute. The plans shall describe methods for identifying the portions of the waste stream such as leaves, grass, clippings, tree and plant residue, and paper for application and mixing into the soil and use in agricultural practices. The plans shall describe specific functions to be performed and activities to be undertaken to achieve the abatement, reduction, separation, recycling, and other resource recovery objectives and shall describe the estimated cost, proposed manner of financing, and timing of the functions and activities. The plans shall describe proposed mechanisms for complying with the recycling requirements of article 18, section 12, and the household hazardous waste management requirements of section 115A.96, subdivision 6.

(e) The plans shall include a comparison of the costs of the activities to be undertaken, including capital and operating costs, and the effects of the activities on the cost to generators and on persons currently providing solid waste collection, processing, and disposal services. The plans shall include alternatives which could be used to achieve the abatement objectives if the proposed functions and activities are not established.

(f) The plans shall designate how public education shall be accomplished. The plans shall, to the extent practicable and consistent with the achievement of other public policies and purposes, encourage ownership and operation of solid waste facilities by private industry. For solid waste facilities owned or operated by public agencies or supported primarily by public funds or obligations issued by a public agency, the plans shall include criteria and standards to protect comparable private and public facilities already existing in the area from displacement unless the displacement is required in order to achieve the waste management objectives identified in the plan.

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(g) The plans shall establish a siting procedure and development program to assure the orderly location, development, and financing of new or expanded solid waste facilities and services sufficient for a prospective ten-year period, including estimated costs and implementation schedules, proposed procedures for operation and maintenance, estimated annual costs and gross revenues, and proposals for the use of facilities after they are no longer needed or usable.

(h) The plans shall describe existing and proposed county and municipal ordinances and license and permit requirements relating to solid waste management and shall describe existing and proposed regulation and enforcement procedures.

Sec. 4. Minnesota Statutes 1988, section 115A.46, is amended by adding a subdivision to read:

Subd. 4. DELEGATION OF SOLID WASTE RESPONSIBILITIES. A county or a solid waste management district established under sections 115A.62 to 115A.72 may not delegate to another governmental unit or other person any portion of its responsibility for solid waste management unless it establishes a funding mechanism to assure the ability of the entity to which it delegates responsibility to adequately carry out the responsibility delegated.

Sec. 5. [115A.55] SOLID WASTE REDUCTION.

Subdivision 1. OFFICE COORDINATION. The office shall develop and coordinate solid waste reduction programs to include at least public education, promotion of waste reduction, and technical and financial assistance to solid waste generators.

Subd. 2. TECHNICAL ASSISTANCE. The office shall provide technical assistance to solid waste generators to enable the waste generators to implement programs or methods to reduce the amount of solid waste generated. The office may use any means specified in section 115A.52 to provide technical assistance.

Subd. 3. FINANCIAL ASSISTANCE. (a) The office shall make loans and grants to any person for the purpose of developing and implementing projects or practices to prevent or reduce the generation of solid waste including those that involve reuse of items in their original form or in manufacturing processes that do not cause the destruction of recyclable materials in a manner that precludes further use, or involve procuring, using, or producing products with long useful lives. Grants may be used to fund studies needed to determine the technical and financial feasibility of a waste reduction project or practice or for the cost of implementation of a waste reduction project or practice that the office has determined is technically and financially feasible.

(b) In making grants or loans, the office shall give priority to waste reduction projects or practices that have broad application in the state and that have the potential for significant reduction of the amount of waste generated.

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(c) All information developed as a result of a grant or loan shall be made available to other solid waste generators through the public information program established in subdivision 2.

(d) The office shall adopt rules for the administration of this program. Office rules must prescribe the level or levels of matching funds required for grants or loans under this subdivision.

Sec. 6. Minnesota Statutes 1988, section 115A.915, is amended to read:

115A.915 LEAD ACID BATTERIES; LAND DISPOSAL PROHIBITED.

A person may not place a lead acid battery in mixed municipal solid waste or dispose of a lead acid battery after January 1, 1988. A person who violates this section is guilty of a misdemeanor. This section may be enforced by the agency pursuant to section 115.071.

Sec. 7. **[115A.9152] TRANSPORTATION OF USED LEAD ACID BATTERIES.**

(a) A person who transports used lead acid batteries from a retailer must deliver the batteries to a recycling facility.

(b) A person who violates paragraph (a) is guilty of a misdemeanor. The failure to deliver each used lead acid battery to a recycler is a separate violation.

Sec. 8. **[115A.93] LICENSING OF SOLID WASTE COLLECTION.**

Subdivision 1. LICENSE REQUIRED. A person may not collect mixed municipal solid waste for hire without a license from the jurisdiction where the mixed municipal solid waste is collected.

Subd. 2. LICENSING. (a) Each city and town may issue licenses for persons to collect mixed municipal solid waste for hire within their jurisdictions.

(b) County boards shall by resolution adopt the licensing authority of a city or town that does not issue licenses. A county may delegate its licensing authority to a consortium of counties or to municipalities to license collection of mixed municipal solid waste within the county.

Subd. 3. LICENSE REQUIREMENTS. (a) A licensing authority shall require to the extent possible that charges for collection of mixed municipal solid waste vary with the volume or weight of the waste collected.

(b) A licensing authority may impose requirements that are consistent with the county's solid waste policies as a condition of receiving and maintaining a license.

Sec. 9. **[115A.945] VISIBLE SOLID WASTE MANAGEMENT COSTS.**

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Any political subdivision that provides or pays for the costs of collection or disposal of solid waste shall, through a billing or other system, make the prorated share of those costs for each solid waste generator visible and obvious to the generator.

Sec. 10. [115A.952] RETAIL SALE OF PROBLEM MATERIALS; UNIFORM LABELING AND CONSUMER INFORMATION.

Subdivision 1. DUTIES OF AGENCY; RULES. The agency may adopt rules to identify products that are used primarily for personal, family, or household purposes and that constitute a problem material or contain a problem material as defined in section 115A.03, subdivision 24a. The rules may also prescribe a uniform label to be affixed by retailers of identified products as provided in subdivision 4. Packaging that is recyclable or made from recycled material shall not constitute a problem material.

Subd. 2. DUTIES OF COMMISSIONER OF AGRICULTURE. The commissioner of agriculture may adopt rules to provide consumer information and retail handling practices for pesticides, as defined in section 18B.01, subdivision 18; fertilizers, plant amendments, and soil amendments, as defined in section 18C.005, subdivisions 11, 25, and 33; and wood preservatives.

Subd. 3. PREPARATION AND SUPPLY OF MATERIALS. The agency and the commissioner of agriculture shall prepare and the agency shall supply to retailers, without charge to the retailers, the labels and informational materials required to comply with subdivision 4. Informational materials must include specific instructions on environmentally sound ways to use identified products and to handle them when the products or their containers are discarded.

Subd. 4. DUTIES OF RETAILERS. A person who sells or offers for sale at retail any product that is identified pursuant to rules of the agency adopted under subdivision 1 or under rules of the commissioner of agriculture under subdivision 2 shall:

(1) affix a uniform label as prescribed by the rules in a prominent location upon or near the display area of the product. If the adjacent display area is a shelf, the label shall be affixed to the price information for the product on the shelf;

(2) maintain and prominently display informational materials supplied by the agency at the location where identified products covered by the materials are sold or offered for sale; and

(3) comply with the handling practices required under subdivision 2.

Sec. 11. [115A.953] IDENTIFICATION OF ENVIRONMENTALLY SOUND MATERIALS.

The office shall prepare and submit a report to the legislature and the

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legislative commission on waste management by June 30, 1991, on a mechanism to indicate that products are environmentally sound.

Sec. 12. [115A.956] SOLID WASTE DISPOSAL PROBLEM MATERIALS.

Subdivision 1. PROBLEM MATERIAL PROCESSING AND DISPOSAL PLAN. The office shall develop a plan that designates problem materials and available capacity for processing and disposal of problem materials including household hazardous waste that should not be in mixed municipal solid waste.

Subd. 2. PROBLEM MATERIAL SEPARATION AND COLLECTION PLAN. After the office certifies that sufficient processing and disposal capacity is available, the office shall develop a plan for separating problem materials from mixed municipal solid waste, collecting the problem materials, and transporting the problem materials to a processing or disposal facility and may by rule prohibit the disposal of the designated problem materials in mixed municipal solid waste.

Sec. 13. [115A.9561] MAJOR APPLIANCES.

A person may not place major appliances in mixed municipal solid waste or dispose of major appliances in a solid waste processing or disposal facility after July 1, 1990. The agency may enforce this section pursuant to section 115.071.

Sec. 14. [115A.961] HOUSEHOLD BATTERIES; COLLECTION, PROCESSING, AND DISPOSAL.

Subdivision 1. DEFINITION. For the purposes of this section, "household batteries" means disposable or rechargeable dry cells commonly used as power sources for household or consumer products including, but not limited to, nickel-cadmium, alkaline, mercuric oxide, silver oxide, zinc oxide, lithium, and carbon-zinc batteries, but excluding lead acid batteries.

Subd. 2. PROGRAM. (a) The office, in consultation with other state agencies, political subdivisions, and representatives of the household battery industry, may develop household battery programs. The office must coordinate its programs with the legislative commission on Minnesota resources study on batteries.

(b) The office shall investigate options and develop guidelines for collection, processing, and disposal of household batteries. The options the office may investigate include:

(1) establishing a grant program for counties to plan and implement household battery collection, processing, and disposal projects;

(2) establishing collection and transportation systems;

New language is indicated by underline, deletions by ~~strikeout~~.

(3) developing and disseminating educational materials regarding environmentally sound battery management; and

(4) developing markets for materials recovered from the batteries.

(c) The office may also distribute funds to political subdivisions to develop battery management plans and implement those plans.

Subd. 3. PARTICIPATION. A political subdivision, on its own or in cooperation with others, may implement a program to collect, process, or dispose of household batteries. A political subdivision may provide financial incentives to any person, including public or private civic groups, to collect the batteries.

Subd. 4. REPORT. By November 1, 1991, the office shall report to the legislative commission on waste management on its activities under this section with recommendations for legislation necessary to address management of household batteries.

Sec. 15. Minnesota Statutes 1988, section 115A.96, subdivision 2, is amended to read:

Subd. 2² MANAGEMENT PROGRAM. (a) The agency shall establish a statewide program to manage household hazardous wastes. The program must include:

(1) the establishment and operation of collection sites; and

(2) the provision of information, education, and technical assistance regarding proper management of household hazardous wastes.

(b) The agency shall report on its progress on establishing permanent collection sites to the legislative commission on waste management by November 1, 1991.

Sec. 16. Minnesota Statutes 1988, section 115A.96, is amended by adding a subdivision to read:

Subd. 6. HOUSEHOLD HAZARDOUS WASTE MANAGEMENT PLANS. (a) Each county shall include in its solid waste management plan required in section 115A.46, or its solid waste master plan required in section 473.803, a household hazardous waste management plan. The plan must at least:

(1) include a broad based public education component;

(2) include a strategy for reduction of household hazardous waste; and

(3) address separation of household hazardous waste from mixed municipal solid waste and the collection, storage, and disposal of that waste.

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(b) Each county required to submit its plan to the office under section 115A.46 shall amend its plan to comply with this subdivision within one year after the effective date of this section.

(c) Each county in the state shall implement its household hazardous waste management plan by June 30, 1992.

Sec. 17. [115A.99] LITTER PENALTIES AND DAMAGES.

Subdivision 1. CIVIL PENALTY. (a) A person who unlawfully places any portion of solid waste in or on public or private lands, shorelands, roadways, or waters is subject to a civil penalty of not less than twice nor more than five times the amount of cost incurred by a state agency or political subdivision to remove, process, and dispose of the waste.

(b) A state agency or political subdivision that incurs cost as described in this section may bring an action to recover the civil penalty, related legal, administrative, and court costs, and damages for injury to or pollution of the lands, shorelands, roadways, or waters where the waste was placed if owned or managed by the entity bringing the action.

Subd. 2. DEPOSIT OF PENALTIES. Civil penalties collected under this section must be deposited in the general fund of the jurisdiction enforcing the penalties.

Subd. 3. PRIVATE ACTION FOR DAMAGES. A private person may join an action by the state or a political subdivision to recover a civil penalty to allow the person to recover damages for waste unlawfully placed on the person's property.

Sec. 18. [115A.991] LITTER GRANTS.

The office may make grants to each county that has included in its solid waste plan required in section 115A.46, or its solid waste master plan required in section 473.803, programs to prevent, control, or abate litter. The office shall establish eligibility criteria for grants including the required level of matching funds from applicants.

Sec. 19. Minnesota Statutes 1988, section 116.07, is amended by adding a subdivision to read:

Subd. 4k. HOUSEHOLD HAZARDOUS WASTE MANAGEMENT. (a) The agency shall adopt rules to require the owner or operator of a solid waste disposal facility or resource recovery facility to submit a management plan for the separation of household hazardous waste from solid waste prior to disposal or processing and for the proper disposal of the waste. The plan must include:

(1) participation in public education activities on household hazardous waste management in the facility's service area;

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(2) a strategy for reduction of household hazardous waste entering the facility; and

(3) a plan for the storage and disposal of separated household hazardous waste.

(b) After June 30, 1992, the agency may not grant or renew a permit for a facility that has not submitted a household hazardous waste management plan.

Sec. 20. [325E.035] UNIFORM LABELING AND PACKAGING REQUIRED.

It is the policy of this state to manage packaging and labeling in a uniform manner throughout the state. Political subdivisions may not adopt, and are preempted from adopting or enforcing, labeling or packaging requirements that are different from state law.

Sec. 21. Minnesota Statutes 1988, section 325E.115, subdivision 1, is amended to read:

Subdivision 1. **SURCHARGE; COLLECTION; NOTICE.** (a) A person selling lead acid batteries at retail or offering lead acid batteries for retail sale in this state shall:

(1) accept, at the point of transfer, lead acid batteries from customers; ~~and~~

(2) charge a fee of \$5 per battery sold unless the customer returns a used battery to the retailer; and

(3) post written notice, which must be at least 8-1/2 inches by 11 inches in size and must contain the universal recycling symbol and the following language:

(i) "It is illegal to put a motor vehicle battery in the garbage.";

(ii) "Recycle your used batteries."; and

(iii) "State law requires us to accept motor vehicle batteries for recycling."

(b) Any person selling lead acid batteries at wholesale or offering lead acid batteries for sale at wholesale must accept, at the point of transfer, lead acid batteries from customers.

Sec. 22. [325E.1151] LEAD ACID BATTERY PURCHASE AND RETURN.

Subdivision 1. PURCHASERS MUST RETURN BATTERY OR PAY \$5.

(a) A person who purchases a lead acid battery at retail must:

(1) return a lead acid battery to the retailer; or

(2) pay the retailer a \$5 surcharge.

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(b) A person who has paid a \$5 surcharge under paragraph (a) must receive a \$5 refund from the retailer if the person returns a lead acid battery with a receipt for the purchase of a new battery from that retailer within 30 days after purchasing a new lead acid battery.

(c) A retailer may keep the unrefunded surcharges for lead acid batteries not returned within 30 days.

Subd. 2. RETAILERS MUST ACCEPT BATTERIES. (a) A person who sells lead acid batteries at retail must accept lead acid batteries from consumers and may not charge to receive the lead acid batteries. A consumer may not deliver more than five lead acid batteries to a retailer at one time.

(b) A retailer of lead acid batteries must recycle the lead acid batteries received from consumers.

(c) A retailer who violates paragraph (b) is guilty of a misdemeanor. Each lead acid battery that is not recycled is a separate violation.

Subd. 3. RETAILERS MUST POST NOTICES. (a) A person who sells lead acid batteries at retail must post the notice in paragraph (b) in a manner clearly visible to a consumer making purchasing decisions.

(b) The notice must be at least 8-1/2 inches by 11 inches and contain the universal recycling symbol and state:

"NOTICE: USED BATTERIES

This retailer is required to accept your used lead acid batteries, EVEN IF YOU DO NOT PURCHASE A BATTERY. When you purchase a new battery, you will be charged an additional \$5 unless you return a used battery within 30 days.

Improper disposal of a lead acid battery is a crime."

Subd. 4. NOTICES REQUIRED IN NEWSPAPER ADVERTISEMENTS. (a) An advertisement for sale of new lead acid batteries at retail in newspapers published in this state must contain the notice in paragraph (b).

(b) The notice must state:

"\$5 additional charge unless a used lead acid battery is returned.
Improper disposal of a lead acid battery is a crime."

Sec. 23. Minnesota Statutes 1988, section 368.01, subdivision 14, is amended to read:

Subd. 14. HEALTH. (a) The town board of supervisors shall have power by ordinance;

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(1) to prohibit or regulate slaughterhouses;

(2) to prevent the bringing, depositing, or leaving within the town of any unwholesome substance or deposit of solid waste within the town not otherwise authorized by law, to require the owners or occupants of lands to remove unwholesome substances ~~therefrom~~ or the unauthorized deposit of solid waste and in default thereof if it is not removed to provide for its removal at the expense of the owner or occupant, which expense shall be a lien upon the property and may be collected as a special assessment;

(3) to provide for or regulate the disposal of sewage, garbage, and other refuse; and

(4) to provide for the cleaning of, and removal of obstructions from, any waters in the town and to prevent their obstruction or pollution.

(b) The town board may establish a board of health under section 145A.07, subdivision 2, with all the powers of such boards under the general laws.

Sec. 24. Minnesota Statutes 1988, section 375.18, is amended by adding a subdivision to read:

Subd. 14. UNAUTHORIZED DEPOSIT OF SOLID WASTE. Each county board may by ordinance:

(1) prohibit the deposit of solid waste within the county not otherwise authorized by law;

(2) require the owners or occupants of property to remove the unauthorized deposit of solid waste;

(3) if it is not removed, provide for removal of the solid waste at the owner's or occupant's expense; and

(4) provide for the expense to be a lien on the property and collected as a special assessment.

Sec. 25. Minnesota Statutes 1988, section 400.08, is amended by adding a subdivision to read:

Subd. 5. FINANCIAL INCENTIVES TO RECYCLE. A county may:

(1) charge or may require any person who collects solid waste in the county to charge solid waste generators rates for collection or disposal that vary depending on the volume of waste generated;

(2) require collectors to provide financial incentives to solid waste generators who separate recyclable materials from their waste; or

(3) require use of any other mechanism to provide encouragement or rewards to solid waste generators who reduce their waste generation or who separate recyclable materials from their waste.

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Sec. 26. Minnesota Statutes 1988, section 412.221, subdivision 22, is amended to read:

Subd. 22. **HEALTH.** (a) The council shall have power by ordinance;

(1) to prohibit or regulate slaughterhouses;

(2) to prevent the bringing, depositing, or leaving within the city of any unwholesome substance or deposit of solid waste within the city not otherwise authorized by law, to require the owners or occupants of lands to remove unwholesome substances ~~therefrom~~ or the unauthorized deposit of solid waste and ~~in default thereof if it is not removed~~ to provide for its removal at the expense of the owner or occupant, which expense shall be a lien upon the property and may be collected as a special assessment;

(3) to provide for or regulate the disposal of sewage, garbage, and other refuse; and

(4) to provide for the cleaning of, and removal of obstructions from, any waters in the city and to prevent their obstruction or pollution.

(b) The council may establish a board of health as defined in section 145A.02, subdivision 2, with all the powers of such boards under the general laws.

Sec. 27. Minnesota Statutes 1988, section 473.149, subdivision 1, is amended to read:

Subdivision 1. **POLICY PLAN; GENERAL REQUIREMENTS.** The metropolitan council shall prepare and by resolution adopt as part of its development guide a long range policy plan for solid waste management in the metropolitan area. When adopted, the plan shall be followed in the metropolitan area. The plan shall address the state policies and purposes expressed in section 115A.02. The plan shall substantially conform to all policy statements, purposes, goals, standards, maps and plans in development guide sections and plans adopted by the council, provided that no land shall be thereby excluded from consideration as a solid waste facility site except land determined by the agency to be intrinsically unsuitable for such use. The plan shall include goals and policies for solid waste management, including recycling consistent with article 18, section 12, and household hazardous waste management consistent with section 115A.96, subdivision 6, in the metropolitan area and, to the extent appropriate, statements and information similar to that required under section 473.146, subdivision 1. The plan shall include criteria and standards for solid waste facilities and solid waste facility sites respecting the following matters: general location; capacity; operation; processing techniques; environmental impact; effect on existing, planned, or proposed collection services and waste facilities; and economic viability. The plan shall, to the extent practicable and consistent with the achievement of other public policies and purposes, encourage ownership and operation of solid waste facilities by private industry. For solid waste facilities

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owned or operated by public agencies or supported primarily by public funds or obligations issued by a public agency, the plan shall include additional criteria and standards to protect comparable private and public facilities already existing in the area from displacement unless the displacement is required in order to achieve the waste management objectives identified in the plan. In developing the plan the council shall consider the orderly and economic development, public and private, of the metropolitan area; the preservation and best and most economical use of land and water resources in the metropolitan area; the protection and enhancement of environmental quality; the conservation and reuse of resources and energy; the preservation and promotion of conditions conducive to efficient, competitive, and adaptable systems of waste management; and the orderly resolution of questions concerning changes in systems of waste management. Criteria and standards for solid waste facilities shall be consistent with rules adopted by the pollution control agency pursuant to chapter 116 and shall be at least as stringent as the guidelines, regulations, and standards of the federal environmental protection agency.

Sec. 28. Minnesota Statutes 1988, section 473.803, subdivision 1, is amended to read:

Subdivision 1. **COUNTY MASTER PLANS; GENERAL REQUIREMENTS.** Each metropolitan county, following adoption or revision of the council's solid waste policy plan and in accordance with the dates specified therein, and after consultation with all affected local government units, shall prepare and submit to the council for its approval, a county solid waste master plan to implement the policy plan. The master plan shall be revised and resubmitted at such times as the council's policy plan may require. The master plan shall describe county solid waste activities, functions, and facilities; the existing system of solid waste generation, collection, and processing, and disposal within the county; proposed mechanisms for complying with the recycling requirements of article 18, section 12, and the household hazardous waste management requirements of section 115A.96, subdivision 6; existing and proposed county and municipal ordinances and license and permit requirements relating to solid waste facilities and solid waste generation, collection, and processing, and disposal; existing or proposed municipal, county, or private solid waste facilities and collection services within the county together with schedules of existing rates and charges to users and statements as to the extent to which such facilities and services will or may be used to implement the policy plan; and any solid waste facility which the county owns or plans to acquire, construct, or improve together with statements as to the planned method, estimated cost and time of acquisition, proposed procedures for operation and maintenance of each facility; an estimate of the annual cost of operation and maintenance of each facility; an estimate of the annual gross revenues which will be received from the operation of each facility; and a proposal for the use of each facility after it is no longer needed or usable as a waste facility. The master plan shall, to the extent practicable and consistent with the achievement of other public policies and purposes, encourage ownership and operation of solid waste facilities by private

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industry. For solid waste facilities owned or operated by public agencies or supported primarily by public funds or obligations issued by a public agency, the master plan shall contain criteria and standards to protect comparable private and public facilities already existing in the area from displacement unless the displacement is required in order to achieve the waste management objectives identified in the plan.

Sec. 29. [473.804] HOUSEHOLD HAZARDOUS WASTE MANAGEMENT.

By June 30, 1992, each metropolitan county shall develop and implement a permanent program to manage household hazardous waste. Each program must include at least quarterly collection of wastes. Each program must be consistent with the council's policy plan and must be described as part of each county's solid waste master plan revision as required under section 473.803, subdivision 1.

Sec. 30. REPEALER.

Section 20 is repealed effective June 30, 1990.

Sec. 31. EFFECTIVE DATE.

This article is effective the day following final enactment.

ARTICLE 21

WASTE EDUCATION

Section 1. Minnesota Statutes 1988, section 115A.072, is amended to read:

115A.072 PUBLIC EDUCATION ON WASTE MANAGEMENT.

Subdivision 1. WASTE EDUCATION; COALITION. (a) The board office shall provide for the development and implementation of a program of general public education on waste management in cooperation and coordination with the pollution control agency, metropolitan council, department of education, department of agriculture, state planning agency, environmental quality board, environmental education board, educational institutions, and other public agencies with responsibility for waste management or public education, and three other persons who represent private industry and who have knowledge of or expertise in recycling and solid waste management issues. The objectives of the program are to: develop increased public awareness of and interest in environmentally sound waste management methods; encourage better informed decisions on waste management issues by business, industry, local governments, and the public; and disseminate practical information about ways in which house-

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holds and other institutions and organizations can improve the management of waste.

(b) The office shall appoint an advisory task force, to be called the waste education coalition, of up to 18 members to advise the office in carrying out its responsibilities under this section and whose membership represents the agencies and entities listed in this subdivision.

Subd. 2. OFFICE DUTIES. In addition to its general duties established in subdivision 1, the office shall:

(1) develop a statewide waste management public education campaign with materials that may be easily adapted by political subdivisions to meet their program needs; and

(2) develop and make available to schools educational curricula on waste education for grades kindergarten to 12 to address at least waste reduction, recycling, litter, and proper management and disposal of problem materials.

Subd. 3. EDUCATION GRANTS. (a) The office shall provide grants to persons for the purpose of developing and distributing waste education information.

(b) The office shall provide grants and technical assistance to formal and informal education facilities to develop and implement a model program to incorporate waste reduction, recycling, litter prevention, and proper management of problem materials into educational operations.

(c) The office shall provide grants or awards to formal and informal education facilities to develop or implement ongoing waste reduction, recycling, litter prevention, and proper management of problem materials programs.

Subd. 4. EDUCATION, PROMOTION, AND PROCUREMENT. The office shall include waste reduction as an element of its program of public education on waste management required under section 115A.072. The waste reduction education program must include dissemination of information and may include an award program for model waste reduction efforts. Waste reduction educational efforts must also include provision of information about and promotion of the model procurement program developed by the commissioner of administration under section 115A.15, subdivision 7, or any other model procurement program that results in significant waste reduction.

Sec. 2. WASTE EDUCATION CURRICULUM.

The state board of education shall amend its rules adopted pursuant to Laws 1984, chapter 463, article 7, section 26, subdivisions 1 and 2, to require a waste education component developed pursuant to section 115A.072, subdivision 2, clause (2), as part of the minimum comprehensive educational programs for both secondary and elementary levels. The amended rules adopted by the state board must go into effect beginning in the 1991-1992 school year.

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Sec. 3. EFFECTIVE DATE.

This article is effective the day following final enactment.

ARTICLE 22**WASTE SPENDING****Section 1. MAJOR APPLIANCE DISPOSAL REPORT.**

The office of waste management shall prepare and submit a report to the legislature and the legislative commission on waste management by July 15, 1990, on how major appliances in the state are being disposed of and should be disposed of.

Sec. 2. [115A.558] SAFETY GUIDE.

The pollution control agency, in cooperation with the office of waste management and the metropolitan council, shall prepare and distribute to all interested persons a guide for operation of a recycling or yard waste composting facility to protect the environment and public health.

Sec. 3. SOLID WASTE COMPOSITION STUDY.

The pollution control agency, in cooperation with the office of waste management and the metropolitan council, shall study and comprehensively analyze the composition of solid waste on a statewide and regional basis during each of the four seasons of the year. The study must include and not duplicate existing waste composition information previously gathered and must provide information on recyclables and noncombustibles in the waste, generation of the waste, and other solid waste characteristics. The pollution control agency shall present its findings to the legislative commission on waste management by November 1, 1992.

Sec. 4. STUDY; PURCHASE AND USE OF RECYCLED MATERIALS.

The commissioner of administration shall conduct a study and evaluation of practices, procedures, and methods to ensure that state contracts and purchasing be structured to encourage the procurement and use of recycled materials and to meet the requirements of section 115A.15, subdivision 7.

By July 1, 1991, the commissioner shall develop a plan and implementation strategy based on the study and shall present it, along with any proposals for legislative action, to the legislative commission on waste management.

Sec. 5. PLASTICS STUDY.

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The office of waste management shall conduct a study on appropriate waste management of plastic material. The study shall analyze for the different types of plastic, based on resin grade:

- (1) the trends in use and new plastics being developed;
- (2) the impacts on waste processing technologies;
- (3) the material composition, including heavy metals and additives;
- (4) opportunities for reduction and recycling; and
- (5) market development.

The study shall also analyze and make recommendations on the impact from the use of degradable plastics on reuse and recycling opportunities. The office shall report its findings and recommendations to the legislature by January 1, 1991.

Sec. 6. EFFECTIVE DATE.

This article is effective the day following final enactment.

ARTICLE 23

OFFICE OF WASTE MANAGEMENT

Section 1. OFFICE OF WASTE MANAGEMENT; OPERATIONS.

\$2,650,000 is appropriated from the general fund to the office of waste management created by section 115A.055, for its general operations and management. \$500,000 is for fiscal year 1990 and \$2,150,000 is for fiscal year 1991. The approved complement of the office of waste management is increased by 16 positions in fiscal year 1990 and 28 positions in fiscal year 1991. These appropriations must be added to the appropriations to the office of waste management in Laws 1989, chapter 335, article 1, section 24.

Sec. 2. EFFECTIVE DATE.

This article is effective the day following final enactment.

New language is indicated by underline, deletions by ~~strikeout~~.

ARTICLE 24
APPROPRIATIONS

Section 1. AGENCY APPROPRIATIONS.

Subdivision 1. GENERAL APPROPRIATIONS. \$7,687,000 is appropriated from the general fund to the agencies and for the purposes indicated, to be available for the fiscal year ending June 30 in the years indicated. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

<u>Subd. 2. OFFICE OF WASTE MANAGEMENT.</u>	<u>1990</u>	<u>1991</u>
<u>(a) Solid waste reduction programs</u>	<u>\$ 175,000</u>	<u>\$ 350,000</u>
<u>(b) Solid waste recycling programs</u>	<u>250,000</u>	<u>500,000</u>
<u>(c) Market development programs</u>	<u>800,000</u>	<u>1,600,000</u>
<u>(d) Litter prevention, control, and abatement grants</u>	<u>50,000</u>	<u>100,000</u>
<u>(e) Public education programs</u>	<u>250,000</u>	<u>500,000</u>
<u>(f) Problem materials collection and disposal</u>	<u>75,000</u>	<u>150,000</u>

The approved complement of the office of waste management is increased by 12 positions.

Subd. 3. POLLUTION CONTROL AGENCY.

<u>(a) Problem materials management</u>	<u>500,000</u>	<u>1,000,000</u>
<u>(b) Recycling programs</u>	<u>300,000</u>	<u>750,000</u>

The approved complement of the pollution control agency is increased by seven positions.

Subd. 4. DEPARTMENT OF ADMINISTRATION.

<u>Waste reduction, procurement, and recycling</u>	<u>100,000</u>	<u>200,000</u>
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The approved complement of the department of administration is increased by three positions.

Subd. 5. DEPARTMENT OF REVENUE.

<u>Tax administration</u>	<u>37,000</u>	<u>-0-</u>
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Sec. 2. COUNTY BLOCK GRANTS.

Subdivision 1. GENERAL FUND APPROPRIATION. \$22,281,000 is appro-

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priated from the general fund to the office of waste management for distribution as provided in article 19, section 1, subdivisions 1 to 3, except as otherwise provided in this section. \$6,731,000 is appropriated for fiscal year 1990 and \$15,550,000 is appropriated for fiscal year 1991. Any unencumbered balance remaining in the first year does not cancel and is available for the second year.

Subd. 2. DISTRIBUTION. The distribution for fiscal year 1990 is subject to a minimum payment to each county of \$27,500 rather than \$55,000 under article 19, section 1, subdivision 1. The distribution for fiscal year 1991 shall be in two payments with the second payment made after November 1, 1990.

Subd. 3. REDUCTION FOR DEFICIENT REVENUES. If the amount of revenue estimated by the commissioner of revenue and reported to the office of waste management under article 19, section 8, is less than \$29,968,000, 75 percent of the difference between the amount estimated and \$29,968,000 must be subtracted from the appropriation in subdivision 1, and the distribution to be made after November 1, 1990, must be reduced by the same amount.

Subd. 4. ADDITIONAL GRANTS WITH EXCESS REVENUES. (a) If the amount of revenue estimated by the commissioner of revenue and reported to the office of waste management under article 19, section 8, is greater than \$29,968,000, 75 percent of the difference between the amount estimated and \$29,968,000 is appropriated to the office of waste management to be distributed to counties after November 1, 1990, as provided in this subdivision and is subject to article 19, section 1, subdivisions 2 and 3. No more than \$5,000,000 shall be appropriated for distribution to counties under this subdivision.

(b) Notwithstanding article 19, section 1, subdivision 1, the appropriation in this subdivision must be distributed to counties to provide that in fiscal years 1990 and 1991 each county receives at least 50 percent of the revenue generated in that county by the tax on solid waste collection and disposal services imposed in article 19. The office of waste management shall distribute the appropriation so that the county or counties receiving the smallest percentage of grant received to revenue generated is increased to the percentage of the county or counties with the next smallest percentage of grant received to revenue generated until the appropriation is spent or each county has received a grant of at least 50 percent of the revenue generated in the county. Any remainder must be distributed among all counties in proportion to their population. For purposes of this paragraph, the commissioner of revenue must estimate the amount of revenue generated in each county.

(c) A county that participates in a multicounty district that manages solid waste must pass through money to the district in proportion to the district's population.

Sec. 3. EFFECTIVE DATE.

This article is effective the day following final enactment.

New language is indicated by underline, deletions by ~~strikeout~~.

Presented to the governor October 2, 1989

Signed by the governor October 3, 1989, 4:05 p.m.

CHAPTER 2—H.F.No. 2

An act relating to legislative enactments; providing for the correction of miscellaneous oversights, inconsistencies, ambiguities, unintended results, and technical errors; amending Minnesota Statutes 1988, section 580.04, as amended; Laws 1989, chapters 282, article 2, section 85; 304, section 140; 328, article 3, section 13, subdivisions 1 and 4; 335, article 4, section 109, subdivision 1; and 340, article 1, section 17; repealing Laws 1989, chapter 209, article 1, section 6.

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

Section 1. **TRUST LAW.** Subdivision 1. Laws 1989, chapter 340, article 1, section 17, is amended to read:

Sec. 17. [501B.20] HOLDER OF A GENERAL POWER.

For purposes of giving notice, waiving notice, initiating a proceeding, granting consent or approval, or objecting with regard to any proceedings under this chapter, the sole holder or all coholders of a presently exercisable or testamentary general power of appointment, power of revocation, or unlimited power of withdrawal are deemed to represent ~~the~~ and act for beneficiaries to the extent that their interests as objects, takers in default, or otherwise are subject to the power.

Subd. 2. This section takes effect January 1, 1990.

Sec. 2. **REAL PROPERTY LAW.** Subdivision 1. Laws 1989, chapter 328, article 3, section 13, subdivision 1, is amended to read:

Subdivision 1. **APPLICATION.** This section applies to mortgages executed after December 31, 1989, under which there has been a default in the payment of money existing for at least 60 days as of the date of the filing of the complaint or motion provided for in this section. This section applies only when the mortgaged premises are:

- (1) ten acres or less in size;
- (2) improved with a residential dwelling consisting of less than five units which is neither a model home nor a dwelling under construction; and
- (3) not property used in agricultural production ~~within the meaning of Laws 1986, chapter 398, section 5.~~

New language is indicated by underline, deletions by ~~strikeout~~.