

**SESSION LAWS**  
  
**of the**  
  
**STATE OF MINNESOTA**

**ENACTED BY THE SEVENTY-NINTH LEGISLATURE**

**AT THE 1995 REGULAR SESSION**

**JANUARY 3 TO MAY 22, 1995**

---

**CHAPTER 1—H.F.No. 45**

*An act relating to taxation; making technical corrections and clarifications; making administrative changes; amending Minnesota Statutes 1994, sections 270.0604, subdivision 4; 273.11, subdivision 16; 273.121; 290.067, subdivision 1; and 297B.01, subdivision 8; and Laws 1994, chapter 587, article 11, section 9, subdivision 5.*

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

Section 1. Minnesota Statutes 1994, section 270.0604, subdivision 4, is amended to read:

Subd. 4. **ISSUANCE.** The issuance of revenue notices is at the discretion of the commissioner of revenue. The commissioner shall establish procedures governing the issuance of revenue notices and tax information bulletins. At least one week before publication of a revenue notice in the State Register, the commissioner shall provide a copy of the notice to the chairs of the taxes committee of the house of representatives and the taxes and tax laws committee of the senate.

Sec. 2. Minnesota Statutes 1994, section 273.11, subdivision 16, is amended to read:

Subd. 16. **VALUATION EXCLUSION FOR CERTAIN IMPROVEMENTS.** Improvements to homestead property made before January 2, 2003, shall be fully or partially excluded from the value of the property for assessment

purposes provided that (1) the house is at least 35 years old at the time of the improvement and (2) either (a) the assessor's estimated market value of the house on January 2 of the current year is equal to or less than \$150,000, or (b) if the estimated market value of the house is over \$150,000 market value but is less than \$300,000 on January 2 of the current year, the property qualifies if

(i) it is located in a city or town in which 50 percent or more of the homes were constructed before 1960 based upon the 1990 federal census, and

(ii) the city or town's median family income based upon the 1990 federal census is less than the statewide median family income based upon the 1990 federal census.

Any house which has an estimated market value of \$300,000 or more on January 2 of the current year is not eligible to receive any property valuation exclusion under this section. For purposes of determining this eligibility, "house" means land and buildings.

The age of a residence is the number of years that the residence has existed at its present site. In the case of an owner-occupied duplex or triplex, the improvement is eligible regardless of which portion of the property was improved.

If the property lies in a jurisdiction which is subject to a building permit process, a building permit must have been issued prior to commencement of the improvement. Any improvement must add at least \$1,000 to the value of the property to be eligible for exclusion under this subdivision. Only improvements to the structure which is the residence of the qualifying homesteader or construction of or improvements to no more than one two-car garage per residence qualify for the provisions of this subdivision. If an improvement was begun between January 2, 1992, and January 2, 1993, any value added from that improvement for the January 1994 and subsequent assessments shall qualify for exclusion under this subdivision provided that a building permit was obtained for the improvement between January 2, 1992, and January 2, 1993. Whenever a building permit is issued for property currently classified as homestead, the issuing jurisdiction shall notify the property owner of the possibility of valuation exclusion under this subdivision. The assessor shall require an application, including documentation of the age of the house from the owner, if unknown by the assessor. The application may be filed subsequent to the date of the building permit provided that the application is must be filed prior to July 1 of the next assessment date year in which the market value from the qualifying improvement is added to that property's assessment.

After the adjournment of the 1994 county board of equalization meetings, no exclusion may be granted for an improvement by a local board of review or county board of equalization unless (1) a building permit was issued prior to the commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed on a timely basis. No abatement of the taxes for qualifying improvements may be granted by a county board unless

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

(1) a building permit was issued prior to commencement of the improvement if the jurisdiction requires a building permit, and (2) an application was completed on a timely basis.

The assessor shall note the qualifying value of each improvement on the property's record, and the sum of those amounts shall be subtracted from the value of the property in each year for ten years after the improvement has been made, at which time an amount equal to 20 percent of the qualifying value shall be added back in each of the five subsequent assessment years. The valuation exclusion shall terminate whenever (1) the property is sold, or (2) the property is reclassified to a class which does not qualify for treatment under this subdivision. Improvements made by an occupant who is the purchaser of the property under a conditional purchase contract do not qualify under this subdivision unless the seller of the property is a governmental entity. The qualifying value of the property shall be computed based upon the increase from that structure's market value as of January 2 preceding the acquisition of the property by the governmental entity.

The total qualifying value for a homestead may not exceed \$50,000. The total qualifying value for a homestead with a house that is less than 70 years old may not exceed \$25,000. The term "qualifying value" means the increase in estimated market value resulting from the improvement if the improvement occurs when the house is at least 70 years old, or one-half of the increase in estimated market value resulting from the improvement otherwise. The \$25,000 and \$50,000 maximum qualifying value under this subdivision may result from up to three separate improvements to the homestead. The application shall state, in clear language, that if more than three improvements are made to the qualifying property, a taxpayer may choose which three improvements are eligible, provided that after the taxpayer has made the choice and any valuation attributable to those improvements has been excluded from taxation, no further changes can be made by the taxpayer.

If 50 percent or more of the square footage of a structure is voluntarily razed or removed, the valuation increase attributable to any subsequent improvements to the remaining structure does not qualify for the exclusion under this subdivision. If a structure is unintentionally or accidentally destroyed by a natural disaster, the property is eligible for an exclusion under this subdivision provided that the structure was not completely destroyed. The qualifying value on property destroyed by a natural disaster shall be computed based upon the increase from that structure's market value as determined on January 2 of the year in which the disaster occurred. A property receiving benefits under the homestead disaster provisions under section 273.123 is not disqualified from receiving an exclusion under this subdivision. If any combination of improvements made to a structure after January 1, 1993, increases the size of the structure by 100 percent or more, the valuation increase attributable to the portion of the improvement that causes the structure's size to exceed 100 percent does not qualify for exclusion under this subdivision.

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

Sec. 3. Minnesota Statutes 1994, section 273.121, is amended to read:

**273.121 VALUATION OF REAL PROPERTY, NOTICE.**

Any county assessor or city assessor having the powers of a county assessor, valuing or classifying taxable real property shall in each year notify those persons whose property is to be assessed or reclassified that year if the person's address is known to the assessor, otherwise the occupant of the property. The notice shall be in writing and shall be sent by ordinary mail at least ten days before the meeting of the local board of review or equalization. It shall contain: (1) the market value, (2) the limited market value under section 273.11, subdivision 1a, (3) the qualifying amount of any improvements under section 273.11, subdivision 16, (4) the market value subject to taxation after subtracting the amount of any qualifying improvements, (5) the new classification, (6) a note that if the property is homestead and at least 35 years old, improvements made to the property may be eligible for a valuation exclusion under section 273.11, subdivision 16, (7) the assessor's office address, and ~~(7)~~(8) the dates, places, and times set for the meetings of the local board of review or equalization and the county board of equalization. If the assessment roll is not complete, the notice shall be sent by ordinary mail at least ten days prior to the date on which the board of review has adjourned. The assessor shall attach to the assessment roll a statement that the notices required by this section have been mailed. Any assessor who is not provided sufficient funds from the assessor's governing body to provide such notices, may make application to the commissioner of revenue to finance such notices. The commissioner of revenue shall conduct an investigation and, if satisfied that the assessor does not have the necessary funds, issue a certification to the commissioner of finance of the amount necessary to provide such notices. The commissioner of finance shall issue a warrant for such amount and shall deduct such amount from any state payment to such county or municipality. The necessary funds to make such payments are hereby appropriated. Failure to receive the notice shall in no way affect the validity of the assessment, the resulting tax, the procedures of any board of review or equalization, or the enforcement of delinquent taxes by statutory means.

Sec. 4. Minnesota Statutes 1994, section 290.067, subdivision 1, is amended to read:

Subdivision 1. **AMOUNT OF CREDIT.** (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as an aid to families with dependent children grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

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

(b) If a child who is six years of age or less at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but not older than six years of age at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

(1) has a child ~~one year of age or less~~ who has not attained the age of one year at the close of the taxable year;

(2) files a joint tax return for the taxable year; and

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) \$2,400 will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter, the credit determined under section 21 of the Internal Revenue Code must be allocated based on the ratio by which the earned income of the claimant and the claimant's spouse from Minnesota sources bears to the total earned income of the claimant and the claimant's spouse.

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

Sec. 5. Minnesota Statutes 1994, section 297B.01, subdivision 8, is amended to read:

Subd. 8. **PURCHASE PRICE.** "Purchase price" means the total consideration valued in money for a sale, whether paid in money or otherwise; ~~provided however, that when.~~ The purchase price excludes the amount of a manufacturer's rebate paid or payable to the purchaser. If a motor vehicle is taken in trade as a credit or as part payment on a motor vehicle taxable under ~~Laws 1971, chapter 853~~ this chapter, the credit or trade-in value allowed by the person selling the motor vehicle shall be deducted from the total selling price to establish the purchase price of the vehicle being sold and the trade-in allowance allowed by the seller shall constitute the purchase price of the motor vehicle accepted as a trade-in. The purchase price in those instances where the motor vehicle is acquired by gift or by any other transfer for a nominal or no monetary consideration shall also include the average value of similar motor vehicles, established by standards and guides as determined by the motor vehicle registrar. The purchase price in those instances where a motor vehicle is manufactured by a person who registers it under the laws of this state shall mean the manufactured cost of such motor vehicle and manufactured cost shall mean the amount expended for materials, labor and other properly allocable costs of manufacture, except that in the absence of actual expenditures for the manufacture of a part or all of the motor vehicle, manufactured costs shall mean the reasonable value of the completed motor vehicle.

The term "purchase price" shall not include the portion of the value of a motor vehicle due solely to modifications necessary to make the motor vehicle handicapped accessible. The term "purchase price" shall not include the transfer of a motor vehicle by way of gift between a husband and wife or parent and child, nor shall it include the transfer of a motor vehicle by a guardian to a ward when there is no monetary consideration and the title to such vehicle was registered in the name of the guardian, as guardian, only because the ward was a minor. There shall not be included in "purchase price" the amount of any tax imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the consumer.

Sec. 6. Laws 1994, chapter 587, article 11, section 9, subdivision 5, is amended to read:

Subd. 5. **PUBLIC INSTRUMENTALITY.** Revenue bonds of the authority are deemed and must be treated as instrumentalities of the public government agency; ~~and as such, together with interest on the bonds, are exempt from taxation.~~

Sec. 7. **EFFECTIVE DATE.**

Sections 1 and 5 are effective the day following final enactment. Section 2 is effective July 1, 1994, and thereafter. Section 3 is effective beginning with 1995 valuation notices. Section 4 is effective for taxable years beginning after December 31, 1993. Section 6 is effective September 21, 1994.

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

Presented to the governor February 13, 1995

Signed by the governor February 14, 1995, 11:32 a.m.

---

**CHAPTER 2—H.F.No. 98**

*An act relating to gambling; providing for an alternate member of the advisory council on gambling; amending Laws 1994, chapter 633, article 8, section 5, subdivision 2.*

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

Section 1. Laws 1994, chapter 633, article 8, section 5, subdivision 2, is amended to read:

Subd. 2. **MEMBERSHIP.** The council consists of 14 members, as follows:

(1) one member, appointed by the governor, who shall be the person on the governor's staff who is the primary responsible person on the governor's staff for gambling policy, who shall act as chair of the council;

(2) eight members appointed by the governor, each of whom must reside in a different congressional district;

(3) one member appointed by the attorney general who must be an attorney in the attorney generals' office; and

(4) the chairs of the committees having jurisdiction over gambling in the senate and the house of representatives, a member of the minority party in the house of representatives appointed by the speaker of the house and a member of the minority party of the senate appointed by the subcommittee on committees of the senate committee on rules and administration. The chair of a gambling policy division of the house of representatives committee having jurisdiction over gambling may act as an alternate to the chair of that house of representatives committee as a member of the advisory council.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.

Presented to the governor February 16, 1995

Signed by the governor February 17, 1995, 12:58 p.m.

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