

(d) Amounts paid as police state aid in September 1996, to the following municipalities are hereby ratified as the intended 1996 police state aid payment amounts:

- (1) Albert Lea;
- (2) Anoka;
- (3) Austin;
- (4) Bloomington;
- (5) Buhl;
- (6) Chisholm;
- (7) Columbia Heights;
- (8) Crystal;
- (9) Duluth;
- (10) Fridley;
- (11) Hibbing;
- (12) New Ulm;
- (13) Red Wing;
- (14) Richfield;
- (15) Rochester;
- (16) St. Louis Park;
- (17) St. Paul;
- (18) West St. Paul; and
- (19) Winona.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective the day following final enactment.

Presented to the governor May 8, 1997

Signed by the governor May 9, 1997, 8:10 a.m.

CHAPTER 126—S.F.No. 338

An act relating to agriculture; changing limitations on ownership of agricultural land by corporations, limited liability companies, pension or investment funds, and limited partnerships; amending Minnesota Statutes 1996, section 500.24, subdivisions 2, 3, 3a, 3b, and 4.

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

Section 1. Minnesota Statutes 1996, section 500.24, subdivision 2, is amended to read:

Subd. 2. **DEFINITIONS.** For the purposes of this section, the terms defined The definitions in this subdivision have the meanings here given them; apply to this section.

(a) "Farming" means the production of (1) agricultural products; (2) livestock or livestock products; (3) milk or milk products; or (4) fruit or other horticultural products. It

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does not include the processing, refining, or packaging of said products, nor the provision of spraying or harvesting services by a processor or distributor of farm products. It does not include the production of timber or forest products or, the production of poultry or poultry products, or the feeding and caring for livestock that are delivered to a corporation for slaughter or processing for up to 20 days before slaughter or processing.

(b) "Family farm" means an unincorporated farming unit owned by one or more persons residing on the farm or actively engaging in farming.

(c) "Family farm corporation" means a corporation founded for the purpose of farming and the ownership of agricultural land in which the majority of the voting stock is held by and the majority of the stockholders are persons or the spouses of persons related to each other within the third degree of kindred according to the rules of the civil law, and at least one of said related persons is residing on or actively operating the farm, and none of whose stockholders are corporations; provided that a family farm corporation shall not cease to qualify as such hereunder by reason of any devise or bequest of shares of voting stock.

(d) "Authorized farm corporation" means a corporation meeting the following standards under clause (1) or (2):

- (1)(i) its it has no more than five ~~shareholders do not exceed five in number;~~
- (ii) (2) all its shareholders, other than any estate, are natural persons;
- (iii) (3) it does not have more than one class of shares; and
- (iv) (4) ~~its revenues~~ revenue from rent, royalties, dividends, interest, and annuities does not exceed 20 percent of its gross receipts; and
- (v) (5) shareholders holding 51 percent or more of the interest in the corporation must be residing reside on the farm or are actively engaging in farming;
- (vi) the authorized farm corporation (6) it does not, directly or indirectly, owns own or otherwise has ~~have~~ an interest, ~~whether legal, beneficial, or otherwise,~~ in any title to ~~no~~ more than 1,500 acres of real estate used for farming or capable of being used for farming in this state agricultural land; and
- (vii) a shareholder of the authorized farm corporation is not a shareholder (7) none of its shareholders are shareholders in other authorized farm corporations that directly or indirectly in combination with the authorized farm corporation own not more than 1,500 acres of real estate used for farming or capable of being used for farming in this state; or agricultural land.

(2)(i) the corporation (e) "Authorized livestock farm corporation" means a corporation formed for the production of livestock and meeting the following standards:

- (1) it is engaged in the production of livestock other than dairy cattle; and not engaged in farming activities otherwise prohibited under this section;
- (ii) (2) all its shareholders, other than an any estate, are natural persons or a family farm corporation corporations;
- (iii) (3) it does not have more than one class of shares;

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(iv) ~~(4)~~ its revenue from rent, royalties, dividends, interest, and annuities does not exceed 20 percent of its gross receipts;

(v) ~~(5)~~ shareholders holding 75 percent or more of the control and, financial, and capital investment in the corporation must be are farmers residing in Minnesota and at least 51 percent of the required percentage of farmers must be are actively engaged in livestock production;

(vi) ~~the authorized farm corporation (6) it does not, directly or indirectly, owns own or otherwise has have an interest, whether legal, beneficial, or otherwise, in any title to ne more than 1,500 acres of real estate used for farming or capable of being used for farming in this state agricultural land; and~~

(vii) ~~a shareholder of the authorized farm corporation is not a shareholder (7) none of its shareholders are shareholders in other authorized farm corporations that directly or indirectly in combination with the authorized farm corporation own not more than 1,500 acres of real estate used for farming or capable of being used for farming in this state; and~~

(viii) ~~the corporation was formed for the production of livestock other than dairy cattle by natural persons or family farm corporations that provide 75 percent or more of the capital investment agricultural land.~~

(e) ~~(f)~~ "Agricultural land" means land real estate used for farming or capable of being used for farming in this state.

(f) ~~(g)~~ "Pension or investment fund" means a pension or employee welfare benefit fund, however organized, a mutual fund, a life insurance company separate account, a common trust of a bank or other trustee established for the investment and reinvestment of money contributed to it, a real estate investment trust, or an investment company as defined in United States Code, title 15, section 80a-3. "Pension or investment fund" does not include a benevolent trust established by the owners of a family farm, authorized farm corporation or family farm corporation.

(g) ~~(h)~~ "Farm homestead" means a house including adjoining buildings that has been used as part of a farming operation or is part of the agricultural land used for a farming operation.

(h) ~~(i)~~ "Family farm partnership" means a limited partnership formed for the purpose of farming and the ownership of agricultural land in which the majority of the interests in the partnership is held by and the majority of the partners are persons or the spouses of persons related to each other within the third degree of kindred according to the rules of the civil law, and at least one of the related persons is residing on or actively operating the farm, and none of the partners are corporations. A family farm partnership does not cease to qualify as a family farm partnership because of a devise or bequest of interest in the partnership.

(i) ~~(j)~~ "Authorized farm partnership" means a limited partnership meeting the following standards:

(1) it has been issued a certificate from the secretary of state or is registered with the county recorder and farming and ownership of agricultural land is stated as a purpose or character of the business;

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(2) ~~its no more than five partners do not exceed five in number;~~

(3) all its partners, other than an any estate, are natural persons;

(4) ~~its revenues~~ revenue from rent, royalties, dividends, interest, and annuities do not exceed 20 percent of its gross receipts;

(5) its general partners hold at least 51 percent of the interest in the land assets of the partnership and reside on the farm or are actively engaging in farming not more than 1,500 acres as a general partner in an authorized limited partnership;

(6) its limited partners do not participate in the business of the limited partnership including operating, managing, or directing management of farming operations;

(7) ~~the authorized farm partnership it does not, directly or indirectly, does not own or otherwise have an interest, whether legal, beneficial, or otherwise, in a any title to more than 1,500 acres of real estate used for farming or capable of being used for farming in this state agricultural land;~~ and

(8) ~~a limited partner of the authorized farm partnership is not a none of its limited partners are limited partner partners in other authorized farm partnerships that directly or indirectly in combination with the authorized farm partnership own not more than 1,500 acres of real estate used for farming or capable of being used for farming in this state agricultural land.~~

(j) ~~(k)~~ "Farmer" means a natural person who regularly participates in physical labor or operations management in the farmer's person's farming operation and files "Schedule F" as part of the person's annual Form 1040 filing with the United States Internal Revenue Service.

~~(k)~~ (l) "Actively engaged in livestock production" means that a person performs performing day-to-day physical labor or day-to-day operations management that significantly contributes to livestock production and the functioning of a livestock operation.

(m) "Research or experimental farm" means a corporation, limited partnership, or pension or investment fund that owns or operates agricultural land for research or experimental purposes, provided that any commercial sales from the operation are incidental to the research or experimental objectives of the corporation. A corporation, limited partnership, or pension or investment fund seeking initial approval by the commissioner to operate agricultural land for research or experimental purposes must first submit to the commissioner a prospectus or proposal of the intended method of operation containing information required by the commissioner including a copy of any operational contract with individual participants.

(n) "Breeding stock farm" means a corporation or limited partnership that owns land for the purpose of raising breeding stock, including embryos, for resale to farmers or for the purpose of growing seed, wild rice, nursery plants, or sod. An entity that is organized to raise livestock other than dairy cattle under this paragraph that does not qualify as an authorized farm corporation must:

(1) sell all castrated animals to be fed out or finished to farming operations that are neither directly nor indirectly owned by the business entity operating the breeding stock operation; and

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(2) report its total production and sales annually to the commissioner.

(o) "Aquatic farm" means a corporation or limited partnership that owns or leases agricultural land as a necessary part of an aquatic farm as defined in section 17.47, subdivision 3.

(p) "Religious farm" means a corporation formed primarily for religious purposes whose sole income is derived from agriculture.

(q) "Utility corporation" means a corporation regulated under Minnesota Statutes 1974, chapter 216B, that owns agricultural land for purposes described in that chapter, or an electric generation or transmission cooperative that owns agricultural land for use in its business if the land is not used for farming except under lease to a family farm unit, a family farm corporation, or a family farm partnership.

(r) "Benevolent trust" means a pension fund or family trust established by the owners of a family farm, authorized farm corporation, authorized livestock farm corporation, or family farm corporation that holds an interest in title to agricultural land on which one or more of those owners or shareholders have resided or have been actively engaged in farming as required by paragraph (b), (c), (d), or (e).

(s) "Development organization" means a corporation, limited partnership, or pension or investment fund that owns agricultural land for which the corporation, limited partnership, or pension or investment fund has documented plans to use and subsequently uses the land within six years from the date of purchase for a specific nonfarming purpose, or if the land is zoned nonagricultural, or if the land is located within an incorporated area. A corporation, limited partnership, or pension or investment fund may hold agricultural land in the amount necessary for its nonfarm business operation; provided, however, that pending the development of agricultural land for nonfarm purposes, the land may not be used for farming except under lease to a family farm unit, a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, or an authorized farm partnership, or except when controlled through ownership, options, leaseholds, or other agreements by a corporation that has entered into an agreement with the United States under the New Community Act of 1968 (Title IV of the Housing and Urban Development Act of 1968, United States Code, title 42, sections 3901 to 3914) as amended, or a subsidiary or assign of such a corporation.

(t) "Exempt land" means agricultural land owned or leased by a corporation as of May 20, 1973, agricultural land owned or leased by a pension or investment fund as of May 12, 1981, or agricultural land owned or leased by a limited partnership as of May 1, 1988, including the normal expansion of that ownership at a rate not to exceed 20 percent of the amount of land owned as of May 20, 1973, for a corporation; May 12, 1981, for a pension or investment fund; or May 1, 1988, for a limited partnership, measured in acres, in any five-year period, and including additional ownership reasonably necessary to meet the requirements of pollution control rules. A corporation, limited partnership, or pension or investment fund that is eligible to own or lease agricultural land under this section prior to May 1997 may continue to own or lease agricultural land subject to the same conditions and limitations as previously allowed.

(u) "Gifted land" means agricultural land acquired as a gift, either by grant or devise, by an educational, religious, or charitable nonprofit corporation, limited partnership, or

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pension or investment fund if all land so acquired is disposed of within ten years after acquiring the title.

(v) "Repossessed land" means agricultural land acquired by a corporation, limited partnership, or pension or investment fund by process of law in the collection of debts, or by any procedure for the enforcement of a lien or claim on the land, whether created by mortgage or otherwise if all land so acquired is disposed of within five years after acquiring the title. The five-year limitation is a covenant running with the title to the land against any grantee, assignee, or successor of the pension or investment fund, corporation, or limited partnership. The land so acquired must not be used for farming during the five-year period, except under a lease to a family farm unit, a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, or an authorized farm partnership. Notwithstanding the five-year divestiture requirement under this paragraph, a financial institution may continue to own the agricultural land if the agricultural land is leased to the immediately preceding former owner, but must dispose of the agricultural land within ten years of acquiring the title. Livestock acquired by a pension or investment fund, corporation, or limited partnership in the collection of debts, or by a procedure for the enforcement of lien or claim on the livestock whether created by security agreement or otherwise after August 1, 1994, must be sold or disposed of within one full production cycle for the type of livestock acquired or 18 months after the livestock is acquired, whichever is later.

(w) "Commissioner" means the commissioner of agriculture.

Sec. 2. Minnesota Statutes 1996, section 500.24, subdivision 3, is amended to read:

Subd. 3. FARMING AND OWNERSHIP OF AGRICULTURAL LAND BY CORPORATIONS RESTRICTED. No corporation, limited liability company, pension or investment fund, or limited partnership shall engage in farming; nor shall any corporation, limited liability company, pension or investment fund, or limited partnership, directly or indirectly, own, acquire, or otherwise obtain an any interest, whether legal, beneficial or otherwise, in any title to real estate used for farming or capable of being used for farming in this state. Livestock that are delivered for slaughter or processing may be fed and cared for by a corporation up to 20 days prior to slaughter or processing. Provided, however, that the restrictions in this subdivision do not apply to corporations or partnerships in clause (b) and do not apply to corporations, limited partnerships, and pension or investment funds that record its name and the particular exception under clauses (a) to (s) under which the agricultural land is owned or farmed, have a conservation plan prepared for the agricultural land, report as required under subdivision 4, and satisfy one of the following conditions under clauses (a) to (s): in agricultural land other than a bona fide encumbrance taken for purposes of security. This subdivision does not apply to general partnerships. This subdivision does not apply to any agricultural land, corporation, limited partnership, or pension or investment fund that meet any of the definitions in subdivision 2, paragraphs (b) to (e), (i), (j), and (m) to (v), has a conservation plan prepared for the agricultural land, and reports as required under subdivision 4.

(a) a bona fide encumbrance taken for purposes of security;

(b) a family farm corporation, an authorized farm corporation, a family farm partnership, or an authorized farm partnership as defined in subdivision 2 or a general partnership;

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(c) agricultural land and land capable of being used for farming owned by a corporation as of May 20, 1973, or a pension or investment fund as of May 12, 1981, including the normal expansion of such ownership at a rate not to exceed 20 percent of the amount of land owned as of May 20, 1973, or, in the case of a pension or investment fund, as of May 12, 1981, measured in acres, in any five-year period, and including additional ownership reasonably necessary to meet the requirements of pollution control rules;

(d) agricultural land operated for research or experimental purposes with the approval of the commissioner of agriculture, provided that any commercial sales from the operation must be incidental to the research or experimental objectives of the corporation. A corporation, limited partnership, or pension or investment fund seeking to operate agricultural land for research or experimental purposes must submit to the commissioner a prospectus or proposal of the intended method of operation, containing information required by the commissioner including a copy of any operational contract with individual participants, prior to initial approval of an operation. A corporation, limited partnership, or pension or investment fund operating agricultural land for research or experimental purposes prior to May 1, 1988, must comply with all requirements of this clause except the requirement for initial approval of the project;

(e) agricultural land operated by a corporation or limited partnership for the purpose of raising breeding stock, including embryos, for resale to farmers or operated for the purpose of growing seed, wild rice, nursery plants or sod. An entity that is organized to raise livestock other than dairy cattle under this clause that does not meet the definition requirement for an authorized farm corporation must:

(1) sell all castrated animals to be fed out or finished to farming operations that are neither directly nor indirectly owned by the business entity operating the breeding stock operation; and

(2) report its total production and sales annually to the commissioner of agriculture;

(f) agricultural land and land capable of being used for farming leased by a corporation or limited partnership in an amount, measured in acres, not to exceed the acreage under lease to such corporation as of May 20, 1973, or to the limited partnership as of May 1, 1988, and the additional acreage required for normal expansion at a rate not to exceed 20 percent of the amount of land leased as of May 20, 1973, for a corporation or May 1, 1988, for a limited partnership in any five-year period, and the additional acreage reasonably necessary to meet the requirements of pollution control rules;

(g) agricultural land when acquired as a gift (either by grant or a devise) by an educational, religious, or charitable nonprofit corporation or by a pension or investment fund or limited partnership; provided that all lands so acquired by a pension or investment fund, and all lands so acquired by a corporation or limited partnership which are not operated for research or experimental purposes, or are not operated for the purpose of raising breeding stock for resale to farmers or operated for the purpose of growing seed, wild rice, nursery plants or sod must be disposed of within ten years after acquiring title thereto;

(h) agricultural land acquired by a pension or investment fund or a corporation other than a family farm corporation or authorized farm corporation, as defined in subdivision 2, or a limited partnership other than a family farm partnership or authorized farm partnership as defined in subdivision 2, for which the corporation or limited partnership has

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documented plans to use and subsequently uses the land within six years from the date of purchase for a specific nonfarming purpose, or if the land is zoned nonagricultural, or if the land is located within an incorporated area. A pension or investment fund or a corporation or limited partnership may hold such agricultural land in such acreage as may be necessary to its nonfarm business operation; provided, however, that pending the development of agricultural land for nonfarm purposes, such land may not be used for farming except under lease to a family farm unit, a family farm corporation, an authorized farm corporation, a family farm partnership, or an authorized farm partnership, or except when controlled through ownership, options, leaseholds, or other agreements by a corporation which has entered into an agreement with the United States of America pursuant to the New Community Act of 1968 (Title IV of the Housing and Urban Development Act of 1968, United States Code, title 42, sections 3901 to 3914) as amended, or a subsidiary or assign of such a corporation;

(i) agricultural lands acquired by a pension or investment fund or a corporation or limited partnership by process of law in the collection of debts, or by any procedure for the enforcement of a lien or claim thereon, whether created by mortgage or otherwise; provided, however, that all lands so acquired be disposed of within ten years after acquiring the title if acquired before May 1, 1988, and five years after acquiring the title if acquired on or after May 1, 1988, acquiring the title thereto, and further provided that the land so acquired shall not be used for farming during the ten-year or five-year period except under a lease to a family farm unit, a family farm corporation, an authorized farm corporation, a family farm partnership, or an authorized farm partnership. The aforementioned ten-year or five-year limitation period shall be deemed a covenant running with the title to the land against any grantee, assignee, or successor of the pension or investment fund, corporation, or limited partnership. Notwithstanding the five-year divestiture requirement under this clause, a financial institution may continue to own the agricultural land if the agricultural land is leased to the immediately preceding former owner, but must divest of the agricultural land within the ten-year period. Livestock acquired by a pension or investment fund, corporation, or limited partnership in the collection of debts, or by a procedure for the enforcement of lien or claim on the livestock whether created by security agreement or otherwise after August 1, 1994, must be sold or disposed of within one full production cycle for the type of livestock acquired or 18 months after the livestock is acquired, whichever is later;

(j) agricultural land acquired by a corporation regulated under the provisions of Minnesota Statutes 1974, chapter 216B, for purposes described in that chapter or by an electric generation or transmission cooperative for use in its business, provided, however, that such land may not be used for farming except under lease to a family farm unit, a family farm corporation, or a family farm partnership;

(k) agricultural land, either leased or owned, totaling no more than 2,700 acres, acquired after May 20, 1973, for the purpose of replacing or expanding asparagus growing operations, provided that such corporation had established 2,000 acres of asparagus production;

(l) all agricultural land or land capable of being used for farming which was owned or leased by an authorized farm corporation as defined in Minnesota Statutes 1974, section 500.24, subdivision 1, clause (d), but which does not qualify as an authorized farm corporation as defined in subdivision 2, clause (d);

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(m) a corporation formed primarily for religious purposes whose sole income is derived from agriculture;

(n) agricultural land owned or leased by a corporation prior to August 1, 1975, which was exempted from the restriction of this subdivision under the provisions of Laws 1973, chapter 427, including normal expansion of such ownership or leasehold interest to be exercised at a rate not to exceed 20 percent of the amount of land owned or leased on August 1, 1975, in any five-year period and the additional ownership reasonably necessary to meet requirements of pollution control rules;

(o) agricultural land owned or leased by a corporation prior to August 1, 1978, including normal expansion of such ownership or leasehold interest, to be exercised at a rate not to exceed 20 percent of the amount of land owned or leased on August 1, 1978, and the additional ownership reasonably necessary to meet requirements of pollution control rules, provided that nothing herein shall reduce any exemption contained under the provisions of Laws 1975, chapter 324, section 1, subdivision 2;

(p) an interest in the title to agricultural land acquired by a pension fund or family trust established by the owners of a family farm, authorized farm corporation or family farm corporation, but limited to the farm on which one or more of those owners or shareholders have resided or have been actively engaged in farming as required by subdivision 2, clause (b), (c), or (d);

(q) agricultural land owned by a nursing home located in a city with a population, according to the state demographer's 1985 estimate, between 900 and 1,000, in a county with a population, according to the state demographer's 1985 estimate, between 18,000 and 19,000, if the land was given to the nursing home as a gift with the expectation that it would not be sold during the donor's lifetime. This exemption is available until July 1, 1995;

(r) the acreage of agricultural land and land capable of being used for farming owned and recorded by an authorized farm corporation as defined in Minnesota Statutes 1986, section 500.24, subdivision 2, paragraph (d), or a limited partnership as of May 1, 1988, including the normal expansion of the ownership at a rate not to exceed 20 percent of the land owned and recorded as of May 1, 1988, measured in acres, in any five-year period, and including additional ownership reasonably necessary to meet the requirements of pollution control rules;

(s) agricultural land owned or leased as a necessary part of an aquatic farm as defined in section 17.47, subdivision 3.

Sec. 3. Minnesota Statutes 1996, section 500.24, subdivision 3a, is amended to read:

Subd. 3a. **LEASE AGREEMENT; CONSERVATION PRACTICE PROTECTION CLAUSE.** A corporation, pension or investment fund, or limited partnership, other than a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, or an authorized farm partnership, when leasing farm land to a family farm unit, a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, or an authorized farm partnership under provisions of subdivision 3, clause (i) 2, paragraph (v), must include within the lease agreement a provision prohibiting intentional damage or destruction to a conservation practice on the agricultural land.

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Sec. 4. Minnesota Statutes 1996, section 500.24, subdivision 3b, is amended to read:

Subd. 3b. **PROTECTION OF CONSERVATION PRACTICES.** ~~If A corporation, pension or investment fund, or limited partnership, other than a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, or authorized farm partnership, which, during the period of time it holds agricultural land under subdivision 3, clause (i) 2, paragraph (v), intentionally destroys a conservation practice as defined in section 103F.401, subdivision 3, to which the state has made a financial contribution, the corporation, pension or investment fund, or limited partnership must pay the commissioner of agriculture, for deposit in the general fund, an amount equal to the state's total contributions to that conservation practice plus interest from the time of investment in the conservation practice. Interest must be calculated at an annual percentage rate of 12 percent.~~

Sec. 5. Minnesota Statutes 1996, section 500.24, subdivision 4, is amended to read:

Subd. 4. **REPORTS.** (a) ~~The chief executive officer of every pension or investment fund, corporation, or limited partnership, except a family farm corporation or a family farm limited partnership, that holds any interest in agricultural land or land used for the breeding, feeding, pasturing, growing, or raising of livestock, dairy or poultry, or products thereof, or land used for the production of agricultural crops or fruit or other horticultural products, other than a bona fide encumbrance taken for purposes of security, or which is engaged in farming or proposing to commence farming in this state after May 20, 1973, shall file with the commissioner of agriculture a report containing the following information and documents:~~

(1) ~~the name of the pension or investment fund, corporation, or limited partnership and its place of incorporation, certification, or registration;~~

(2) ~~the address of the pension or investment plan headquarters or of the registered office of the corporation in this state, the name and address of its registered agent in this state and, in the case of a foreign corporation or limited partnership, the address of its principal office in its place of incorporation, certification, or registration;~~

(3) ~~the acreage and location listed by quarter-quarter section, township, and county of each lot or parcel of agricultural land or land used for the keeping or feeding of poultry in this state owned or leased by the pension or investment fund, limited partnership, or corporation and used for the growing of crops or the keeping or feeding of poultry or livestock;~~

(4) ~~the names and addresses of the officers, administrators, directors, or trustees of the pension or investment fund, or of the officers, shareholders owning more than ten percent of the stock, including the percent of stock owned by each such shareholder, and the members of the board of directors of the corporation, and the general and limited partners and the percentage of interest in the partnership by each partner;~~

(5) ~~the farm products which the pension or investment fund, limited partnership, or corporation produces or intends to produce on its agricultural land;~~

(6) ~~with the first report, a copy of the title to the property where the farming operations are or will occur indicating the particular exception claimed under subdivision 3, clauses (a) to (r); and~~

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(7) with the first or second report, a copy of the conservation plan proposed by the soil and water conservation district, and with subsequent reports a statement of whether the conservation plan was implemented.

The report of a corporation seeking to qualify hereunder as a family farm corporation, an authorized farm corporation, an authorized livestock farm corporation, a family farm partnership, or authorized farm partnership shall contain the following additional information: the number of shares or the partnership interests owned by persons residing on the farm or actively engaged in farming, or their relatives within the third degree of kindred according to the rules of the civil law or their spouses; the name, address, and number of shares owned by each shareholder or partnership interests owned by each partner; and a statement as to percentage of gross receipts of the corporation derived from rent, royalties, dividends, interest, and annuities. No pension or investment fund, limited partnership, or corporation shall commence farming in this state until the commissioner of agriculture has inspected the report and certified that its proposed operations comply with the provisions of this section.

(b) Every pension or investment fund, limited partnership, or corporation as described in clause paragraph (a) shall, prior to April 15 of each year, file with the commissioner of agriculture a report containing the information required in clause paragraph (a), based on its operations in the preceding calendar year and its status at the end of the year. A pension or investment fund, limited partnership, or corporation that does not file the report by April 15 must pay a \$500 civil penalty. The penalty is a lien on the land being farmed under subdivision 3 until the penalty is paid.

(c) ~~The commissioner or the commissioner's authorized representative may enter into a written agreement with a person required to file a report under this subdivision who, for good cause shown, has failed issue a written waiver or reduction of the civil penalty for failure to make a timely filing of the annual report required by this subdivision. An agreement must be construed as a "no contest" pleading and may encompass a reduction or waiver of the civil penalty for late filing. The agreement waiver or reduction is final and conclusive with respect to the civil penalty, and may not be reopened or modified by an officer, employee, or agent of the state, except upon a showing of fraud or malfeasance or misrepresentation of a material fact. The matter agreed upon in the agreement may not be reopened or modified by an officer, employee, or agent of the state. The report required under paragraph (b) must be completed prior to a reduction or waiver under this paragraph. The commissioner may enter into an agreement under this paragraph only once for each person required to file under this subdivision. The commissioner may enter into an agreement under this paragraph only once for each corporation or partnership.~~

(d) Failure to file a required report, or the willful filing of false information, shall constitute a gross misdemeanor.

Sec. 6. **RENUMBERING INSTRUCTION.**

The revisor of statutes shall renumber Minnesota Statutes, section 500.24, subdivisions 6, 7, and 8 to be subdivisions 1, 2, and 3 of a new section 500.245 with the section heading "RIGHT OF FIRST REFUSAL FOR AGRICULTURAL LAND" and correct all references to those subdivisions in Minnesota Statutes and Minnesota Rules.

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Sec. 7. EFFECTIVE DATE.

Sections 1 to 6 are effective the day after final enactment.

Presented to the governor May 8, 1997

Signed by the governor May 9, 1997, 8:12 a.m.

CHAPTER 127—S.F.No. 256

An act relating to commerce; regulating building and construction contracts; regulating payments and retainages; proposing coding for new law in Minnesota Statutes, chapter 337.

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

Section 1. [337.10] BUILDING AND CONSTRUCTION CONTRACTS; PROHIBITED PROVISIONS.

Subdivision 1. APPLICATION OF LAWS OF ANOTHER STATE. Provisions contained in, or executed in connection with, a building and construction contract to be performed in Minnesota making the contract subject to the laws of another state or requiring that any litigation, arbitration, or other dispute resolution process on the contract occur in another state are void and unenforceable.

Subd. 2. WAIVER OF LIEN OR CLAIM. Provisions contained in, or executed in connection with, a building and construction contract requiring a contractor, subcontractor, or material supplier to waive the right to a mechanics lien or to a claim against a payment bond before the person has been paid for the labor or materials or both that the person furnished are void and unenforceable. This provision shall not affect the validity of the lien waiver as to any third party who detrimentally relies upon the lien waiver.

Subd. 3. PROMPT PAYMENT TO SUBCONTRACTORS. A building and construction contract must require the prime contractor and all subcontractors to promptly pay any subcontractor or material supplier contract within ten days of the prime contractor's receipt of payment from the owner or owner's agent for undisputed services provided by the subcontractor. The contract must require the prime contractor to pay interest of 1-1/2 percent per month to the subcontractor on any undisputed amount not paid on time to the subcontractor. The minimum monthly interest penalty payment for an unpaid balance of \$100 or more is \$10. For an unpaid balance of less than \$100, the prime contractor shall pay the actual penalty due to the subcontractor. A subcontractor who prevails in a civil action to collect interest penalties from a prime contractor must be awarded its costs and disbursements, including attorney fees incurred in bringing the action. This subdivision does not apply to construction of or improvements to residential real estate as defined in section 326.83, subdivision 17, or to construction of or improvements to attached single-family dwellings, if those dwellings are used for residential purposes and have fewer than 13 units per structure.

Subd. 4. PROGRESS PAYMENTS AND RETAINAGES. (a) Unless the building and construction contract provides otherwise, the owner or other persons making

New language is indicated by underline, deletions by strikeout.