

- (1) Upon written consent of the parties;
- (2) When it appears, on motion, that a party has been made a defendant for the purpose of preventing a change of venue as provided in this section;
- (3) When an impartial trial cannot be held in the place where the action is pending; or
- (4) When the convenience of witnesses and the ends of justice would be promoted by the change.

Application for a change under clause (2), (3), or (4), shall be made by motion which shall be returnable and heard at the place of commencement of the action.

Sec. 76. REPEALER.

Minnesota Statutes 2000, sections 216A.06; and 237.69, subdivision 3, are repealed.

Sec. 77. INSTRUCTION TO REVISOR.

The revisor of statutes shall change the words "public service" to the word "commerce" in the following sections of Minnesota Statutes: 13.68; 13.681; 17A.04, subdivisions 6, 7, and 8; 17A.10, subdivision 1; 41A.09, subdivision 7; 116C.03, subdivision 2; 160.262, subdivision 3; 216A.085, subdivision 1; 216B.241, subdivision 1; 237.295, subdivision 1; 237.662, subdivision 3; 237.70, subdivision 7; 239.05, subdivisions 6c, 7a, 8, and 8c; 272.0211, subdivision 1; 296A.02, subdivision 1; 308A.210, subdivisions 5 and 6; 325F.733, subdivision 7; and 469.164, subdivision 2.

Sec. 78. EFFECTIVE DATE.

This article is effective July 1, 2001.

Presented to the governor June 28, 2001

Signed by the governor June 30, 2001, 8:52 p.m.

CHAPTER 5—H.F.No. 1

An act relating to the financing and operation of government in this state; providing for payment of a sales tax rebate; providing for education finance; providing property tax reform; making changes to income, corporate franchise, sales and use, property, motor vehicle sales, motor vehicle registration, mortgage registry, deed, insurance premiums, MinnesotaCare, motor fuels, cigarette and tobacco, liquor; lawful gambling, minerals, estate, and special taxes; changing and allowing tax credits, subtractions, and exemptions; conforming with changes in federal income tax provisions; providing for allocation of income; changing property tax valuation, assessment, levy, classification, credit, aid, homestead, exemption, review, appeal, and distribution provisions; imposing a state property tax levy on certain property and providing for use of the proceeds; providing a property tax homestead credit; imposing levy limits; changing

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certain property tax notice and hearing provisions and authorizing waivers; abolishing certain tax levies for metropolitan transit, establishing a transit fund, and dedicating certain tax proceeds to the fund; providing for local government aids; changing certain provisions relating to biomass facilities; providing for utility pass-through of certain property tax reductions; allowing utility rate adjustments for lowering emissions; providing for uniform sales and use tax administration; providing for taxation and incentive payments on forest lands; providing for state takeover of certain costs of district court administration and out-of-home placements; reducing taconite production tax rates and providing for state aid; providing for the distribution of certain taconite production tax payments; providing for electronic filing and payment of taxes; changing procedures for disposition of seized contraband; changing tax increment financing provisions; providing for biomedical innovation initiative grants; changing budget reserve provisions; providing for payments in lieu of taxes; changing provisions relating to property tax refunds; authorizing special taxing districts; changing and clarifying tax administration, collection, enforcement, interest, and penalty provisions; transferring administration and enforcement of the Unfair Cigarette Sales Act from the commissioner of revenue to the commissioner of commerce; changing revenue recapture provisions; authorizing abatements and waivers of fees and certain taxes in disaster areas; changing and imposing fees; changing debt collection provisions for student loans; providing certain powers to certain political subdivisions; providing certain duties and powers to the commissioner of revenue; authorizing publication of names of certain delinquent taxpayers; authorizing border city allocations; changing provisions relating to tax-forfeited lands and providing for tax-forfeited lands transfers; defining a lottery and other terms; classifying data; requiring studies and reports; imposing penalties; appropriating money; amending Minnesota Statutes 2000, sections 16A.152, subdivisions 1a, 2; 16D.08, subdivision 2; 45.011, subdivision 1; 69.021, subdivision 5; 84.922, by adding a subdivision; 88.49, subdivisions 5, 9a; 88.491, subdivision 2; 97A.065, subdivision 2, as amended; 103D.905, subdivision 3; 115B.24, subdivision 2; 116J.424; 123A.45, subdivisions 2, 6; 123B.42, subdivision 3; 123B.53, subdivisions 2, 4, 5; 123B.54; 123B.75, subdivision 5; 123B.92, subdivision 9; 126C.01, subdivision 3; 126C.10, subdivisions 1, 2; 126C.13, subdivision 4; 126C.17, subdivisions 1, 2, 5, 6, 7, 8, by adding subdivisions; 126C.21, subdivision 4; 126C.48, subdivision 8; 126C.63, subdivision 8; 126C.69, subdivisions 2, 3, 9, 12, 15; 144.3831, subdivision 2; 168.013, subdivision 1a; 168.017, subdivision 3; 174.24, subdivision 3b; 179A.101, subdivision 1; 179A.102, subdivision 6; 179A.103, subdivision 1; 216B.2424, subdivision 5; 239.101, subdivision 3; 256L.02, subdivision 3; 270.06; 270.07, subdivision 3, by adding a subdivision; 270.271, subdivisions 1, 3; 270.60, by adding a subdivision; 270.70, subdivision 13; 270.73, subdivision 1; 270.771; 270.78; 270A.03, subdivisions 5, 7; 270A.11; 270B.02, subdivisions 2, 3; 270B.03, subdivision 6; 271.01, subdivision 5; 271.21, subdivision 2; 272.02, subdivisions 10, 22, by adding subdivisions; 273.061, subdivisions 1, 2; 273.072, subdivision 1; 273.11, subdivisions 1a, 14, by adding subdivisions; 273.1104, subdivision 2; 273.111, subdivision 4; 273.121; 273.124, subdivisions 1, 8, 11, 13, 14; 273.13, subdivisions 22, 23, 24, 25, 31; 273.134; 273.135, subdivisions 1, 2; 273.136, subdivision 2; 273.1391, subdivisions 2, 3; 273.1392; 273.1393; 273.1398, subdivision 4a, by adding subdivisions; 273.166, subdivisions 2, 3, 5; 273.42, by adding a subdivision; 274.01, subdivision 1; 274.13, subdivision 1; 275.02; 275.065, subdivisions 3, 5a, 6; 275.066; 275.07, subdivision 1; 275.16; 275.28, subdivision 1; 275.61; 275.62, subdivision 1; 275.70, subdivision 5, by adding subdivisions; 276.04, subdivision 2; 276.11, subdivision 1; 276A.01, subdivisions 2, 3; 276A.06, subdivision 3; 281.17; 282.01, subdivisions 1, 1b, 1c, 1d, 1e; 282.04, subdivision 2; 282.241; 287.035; 287.04; 287.08; 287.12; 287.13, by adding a subdivision; 287.20, subdivisions 2, 9; 287.21, subdivision 1; 287.28; 289A.02, subdivision 7, by adding a subdivision; 289A.12, subdivision 3; 289A.18, subdivision 4, as amended; 289A.20, subdivisions 1, 2, 4; 289A.26, subdivision 2a; 289A.31, subdivision 7;

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289A.50, subdivisions 2, 2a; 289A.55, subdivision 9; 289A.60, subdivisions 1, 2, 7, 21, as amended, by adding a subdivision; 290.01, subdivisions 6b, 7, 19, 19b, 19c, 19d, 22, 29, 31, by adding a subdivision; 290.014, subdivision 5; 290.05, subdivision 1; 290.06, subdivisions 2c, 22, 23; 290.067, subdivisions 2, 2b; 290.0671, subdivisions 1, 1a, 7; 290.0674, subdivision 1; 290.0675, subdivisions 1, 3; 290.091, subdivision 2; 290.0921, subdivisions 1, 2, 3, 6; 290.0922, subdivision 2; 290.093; 290.095, subdivision 2; 290.17, subdivisions 1, 4; 290.191, subdivision 2; 290.21, subdivision 4; 290.92, subdivision 23; 290.9725; 290A.03, subdivisions 6, 12, 13, 15; 290A.04, subdivisions 2, 2a, 2h, 4; 290A.15; 291.005, subdivision 1; 295.50, subdivisions 3, 4, 15; 295.52, subdivisions 4, 7; 295.55, subdivision 4; 295.57, subdivision 1; 296A.07, subdivision 4; 296A.08, subdivision 3; 296A.15, subdivisions 1, 7; 296A.16, subdivision 2; 296A.21, subdivisions 1, 4; 296A.24, subdivisions 1, 2; 297A.01, subdivision 5; 297A.07, subdivision 3; 297A.25, subdivisions 3, 11, 28; 297A.61, subdivisions 2, 3, 4, 6, 7, 9, 10, 12, 14, 17, 19, 22, 23, by adding subdivisions; 297A.64, subdivisions 3, 4; 297A.66, subdivisions 1, 3; 297A.67, subdivisions 2, 8, 23, 24, 25, by adding subdivisions; 297A.68, subdivisions 2, 3, 5, 11, 13, 14, 18, 19, 25, by adding a subdivision; 297A.69, subdivision 2; 297A.70, subdivisions 1, 2, 3, 4, 7, 8, 10, 13, 14; 297A.71, subdivision 6, by adding subdivisions; 297A.72, subdivision 1; 297A.75; 297A.77, subdivision 1; 297A.80; 297A.82, subdivision 3, by adding a subdivision; 297A.86, subdivision 1; 297A.89, subdivision 1; 297A.90, subdivision 1; 297A.91; 297A.92, subdivision 2; 297A.94, as amended; 297A.99, subdivisions 7, 9, 11; 297B.03; 297B.09, subdivision 1; 297E.02, subdivision 4; 297E.16, subdivisions 1, 2; 297F.04, subdivision 1; 297F.09, subdivision 7; 297F.13, subdivision 4; 297F.16, subdivision 4; 297F.20, subdivision 3; 297F.21, subdivisions 1, 2, 3; 297G.09, subdivision 6; 297G.15, subdivision 4; 297G.16, subdivisions 5, 7; 297G.20, subdivisions 3, 4; 297H.04, by adding a subdivision; 297H.06, by adding a subdivision; 297I.05, subdivision 5; 297I.20; 297I.35, subdivision 2; 297I.40, subdivisions 1, 2, 7; 297I.85, subdivision 7; 298.01, subdivisions 3b, 4c; 298.018, subdivisions 1, 2; 298.17; 298.22, subdivision 2, by adding a subdivision; 298.2211, subdivision 2; 298.2213, subdivision 3; 298.2214, subdivision 1; 298.223, subdivision 1; 298.225, subdivision 1; 298.227; 298.24, subdivision 1; 298.28, subdivisions 3, 4, 6, 7, 9a, 10; 298.282, subdivision 1; 282.292, subdivision 2; 298.293; 298.296, subdivision 2; 298.2961; 298.298; 298.75, subdivisions 1, 2; 299D.03, subdivision 5; 325D.33, subdivision 8, by adding a subdivision; 325D.405; 325D.415; 345.41; 349.19, subdivision 2a; 357.021, subdivision 1a; 383A.80, subdivision 1; 383B.80, subdivision 1; 461.12, by adding a subdivision; 469.040, subdivision 5; 469.169, by adding a subdivision; 469.1732, subdivision 1; 469.174, subdivisions 3, 10, 10a, 12; 469.175, subdivisions 1, 6b, by adding a subdivision; 469.176, subdivisions 1b, 1e, 3, 4g, by adding subdivisions; 469.1763, subdivision 6; 469.177, subdivisions 1, 11, by adding a subdivision; 469.1771, subdivision 1; 469.178, by adding a subdivision; 469.1812, subdivision 2; 469.1813, subdivision 6; 469.1814, by adding a subdivision; 469.202, subdivision 2; 469.303; 471.58; 473.388, subdivisions 4, 7; 473.446, subdivision 1; 473.843, subdivision 3; 473F.08, subdivision 3; 475.53, subdivision 4; 475.58, subdivision 1, as amended; 477A.011, subdivisions 35, 36; 477A.013, subdivisions 1, 9; 477A.03, subdivision 2; 477A.12; 477A.14; 480.181, subdivision 1; 487.33, subdivision 5; 488A.03, by adding a subdivision; 488A.20, by adding a subdivision; 574.34, subdivision 1; 609.75, subdivision 1; Laws 1986, chapter 396, section 5; Laws 1992, chapter 499, article 7, section 31, as amended; Laws 1997, chapter 231, article 1, section 19, subdivision 3, as amended; Laws 1997, chapter 231, article 1, section 22; Laws 1998, chapter 389, article 16, section 35, subdivision 1; Laws 1999, chapter 243, article 4, section 19; Laws 2000, chapter 479, article 2, section 1; Laws 2000, chapter 490, article 8, section 17; Laws 2000, chapter 490, article 11, section 26; proposing coding for new law in Minnesota Statutes, chapters 12; 16A; 103B; 116J; 126C; 174; 216B; 270; 272; 273; 275; 290; 295; 296A; 297A; 297F; 297H; 383A; 469; 471; 477A; 480; 484; proposing coding for new law as Minnesota Statutes, chapters 144F; 290C; repealing Minnesota Statutes

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2000, sections 16A.1521; 16A.76; 126C.10, subdivisions 9, 10, 11, 12, 19, 20, 21, 22; 126C.11; 126C.13, subdivisions 1, 2, 3; 126C.30; 126C.31; 126C.32; 126C.33; 126C.34; 126C.35; 126C.36; 270.31; 270.32; 270.33; 270.34; 270.35; 270.36; 270.37; 270.38; 270.39; 273.126; 273.13, subdivision 24a; 273.1382; 273.1399; 275.078; 275.08, subdivision 1e; 289A.60, subdivisions 3, 15; 290.06, subdivisions 25, 26; 290.0673; 290.095, subdivisions 1a, 7; 290.21, subdivision 3; 290.23; 290.25; 290.31, subdivisions 2, 2a, 3, 4, 5, 19; 290.35; 290.9726, subdivision 7; 290A.04, subdivision 2j; 296A.16, subdivision 6; 296A.24, subdivision 3; 297A.61, subdivision 16; 297A.62, subdivision 2; 297A.64, subdivision 1; 297A.68, subdivision 21; 297A.71, subdivisions 2, 15, 16; 297B.032; 297E.16, subdivision 3; 297F.21, subdivision 4; 297G.20, subdivision 5; 297I.05, subdivision 8; 297I.30, subdivision 3; 325D.33, subdivision 5; 462A.071; 469.1732, subdivision 2; 469.1734, subdivision 4; 469.1782, subdivision 1; 473.3915; 473.446, subdivisions 1a, 1b; Laws 1988, chapter 426, section 1; Laws 1988, chapter 702, section 16; Laws 1992, chapter 511, article 2, section 52, as amended; Laws 1996, chapter 471, article 8, section 45; Laws 1999, chapter 243, article 6, sections 14, 15; Laws 2000, chapter 490, article 6, section 17; Minnesota Rules, parts 8120.0200; 8120.0500; 8120.0700; 8120.0900; 8120.1300; 8120.1600; 8120.2000; 8120.2100; 8120.2200; 8120.2300; 8120.2500; 8120.2700; 8120.2800; 8120.3000; 8120.3200; 8120.4300; 8120.4400; 8120.4500; 8120.4600; 8120.4900; 8120.5000; 8120.5100; 8120.5300.

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

ARTICLE 1

REBATE

Section 1. STATEMENT OF PURPOSE.

(a) The state of Minnesota derives revenues from a variety of taxes, fees, and other sources, including the state sales tax.

(b) It is fair and reasonable to refund the existing state budget surplus in the form of a rebate of nonbusiness consumer sales taxes paid by individuals in calendar year 1999.

(c) Information concerning the amount of sales tax paid at various income levels is contained in the Minnesota tax incidence report, which is written by the commissioner of revenue and presented to the legislature according to Minnesota Statutes, section 270.0682.

(d) It is fair and reasonable to use information contained in the Minnesota tax incidence report to determine the proportionate share of the sales tax rebate due each eligible taxpayer since no effective or practical mechanism exists for determining the amount of actual sales tax paid by each eligible individual.

Sec. 2. SALES TAX REBATE.

Subdivision 1. ELIGIBILITY; REBATE BASED ON INCOME. An individual who was a resident of Minnesota for any part of 1999, and filed a 1999 Minnesota

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income tax return on or before November 30, 2001, and had a tax liability before refundable credits on that return of at least \$1 and who was not allowed to be claimed as a dependent on a 1999 federal income tax return filed by another person is eligible for a sales tax rebate based on income under either subdivision 2 or 3.

Subd. 2. MARRIED JOINT AND HEAD OF HOUSEHOLD FILERS. The sales tax rebate for taxpayers who qualify under subdivision 1 and are married filing joint or head of household filers is computed according to the following schedule:

<u>Income</u>	<u>Sales Tax Rebate</u>
less than \$2,500	\$233
at least \$2,500 but less than \$5,000	\$289
at least \$5,000 but less than \$10,000	\$303
at least \$10,000 but less than \$15,000	\$334
at least \$15,000 but less than \$20,000	\$379
at least \$20,000 but less than \$25,000	\$409
at least \$25,000 but less than \$30,000	\$436
at least \$30,000 but less than \$35,000	\$474
at least \$35,000 but less than \$40,000	\$516
at least \$40,000 but less than \$45,000	\$560
at least \$45,000 but less than \$50,000	\$595
at least \$50,000 but less than \$60,000	\$609
at least \$60,000 but less than \$70,000	\$636
at least \$70,000 but less than \$80,000	\$692
at least \$80,000 but less than \$90,000	\$748
at least \$90,000 but less than \$100,000	\$809
at least \$100,000 but less than \$120,000	\$877
at least \$120,000 but less than \$140,000	\$960
at least \$140,000 but less than \$160,000	\$1,038
at least \$160,000 but less than \$180,000	\$1,111
at least \$180,000 but less than \$200,000	\$1,181
at least \$200,000 but less than \$400,000	\$1,510
at least \$400,000 but less than \$600,000	\$1,987
at least \$600,000 but less than \$800,000	\$2,384
at least \$800,000 but less than \$1,000,000	\$2,733
\$1,000,000 and over	\$3,250

Subd. 3. SINGLE AND MARRIED SEPARATE FILERS. The sales tax rebate for individuals who qualify under subdivision 1 as single or married filing separately must be computed according to the following schedule:

<u>Income</u>	<u>Sales Tax Rebate</u>
less than \$2,500	\$118
at least \$2,500 but less than \$5,000	\$124
at least \$5,000 but less than \$10,000	\$165

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at least \$10,000 but less than \$15,000	\$196
at least \$15,000 but less than \$20,000	\$227
at least \$20,000 but less than \$25,000	\$253
at least \$25,000 but less than \$30,000	\$305
at least \$30,000 but less than \$40,000	\$329
at least \$40,000 but less than \$50,000	\$363
at least \$50,000 but less than \$70,000	\$465
at least \$70,000 but less than \$100,000	\$644
at least \$100,000 but less than \$140,000	\$776
at least \$140,000 but less than \$200,000	\$937
at least \$200,000 but less than \$400,000	\$1,270
\$400,000 and over	\$1,625

Subd. 4. **NONRESIDENTS.** Individuals who were not residents of Minnesota for any part of 1999 and who paid more than \$10 in Minnesota sales tax under Minnesota Statutes, chapter 297A, on nonbusiness consumer purchases in that year qualify for a rebate under this subdivision only. Qualifying nonresidents must file a claim for rebate on a form prescribed by the commissioner by November 30, 2001. The claim must include receipts showing the Minnesota sales tax paid and the date of the sale. Taxes paid on purchases allowed in the computation of federal taxable income or reimbursed by an employer are not eligible for the rebate. The commissioner shall determine the qualifying taxes paid and rebate the lesser of:

(1) 40.45 percent of that amount; or

(2) the maximum amount for which the claimant would have been eligible as determined under subdivision 2 if the taxpayer filed the 1999 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under subdivision 3 for other taxpayers.

Subd. 5. **DEFINITION OF INCOME.** "Income," for purposes of this section other than subdivision 4, is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1998, plus the sum of any additions to federal taxable income for the taxpayer under Minnesota Statutes, section 290.01, subdivision 19a, and reported on the original 1999 income tax return, including subsequent adjustments to that return made within the time limits specified in subdivision 12. For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the sales tax rebate calculated under subdivision 2 or 3 multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1999 income tax return, including subsequent adjustments to that return made within the time limits specified in subdivision 12. For purposes of subdivision 4, "income" is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1998, and reported on the taxpayer's original federal tax return for the first taxable year beginning after December 31, 1998.

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Subd. 6. SOCIAL SECURITY AND PUBLIC PENSION RECIPIENTS. (a) An individual qualifies for a rebate of \$118 under this subdivision if the individual:

- (1) was a resident of Minnesota for all of calendar year 1999;
- (2) is not eligible for a rebate under subdivision 9;
- (3) attained the age of 18 on or before December 31, 1999; and

(4)(i) received social security benefits as defined in section 86(d)(1) of the Internal Revenue Code of 1986, as amended through December 31, 2000, in calendar year 1999; or

(ii) received federal, state or local public pension or disability benefits in calendar year 1999.

(b) An individual or married couple who qualifies for a rebate under both this subdivision and subdivision 1 is eligible for the rebate under whichever subdivision provides a larger amount.

(c) If the Social Security Administration, Railroad Retirement Board, or the administrator of a public pension is paying benefits to a recipient by electronic funds transfers in calendar year 2001, the commissioner may pay the rebate under this subdivision through electronic funds transfer to the same financial institution and into the same account into which those benefits are transferred in calendar year 2001.

(d) For purposes of this subdivision, "public pension plan administrator" means (1) a state and local public pension administrator, (2) the federal Civil Service Retirement System, (3) the United States Department of Defense for the military retirement and survivors benefit programs, and (4) the Federal Employees Retirement System.

(e) A state and local public pension administrator is an entity paying benefits under a pension plan enumerated in Minnesota Statutes, section 356.20, subdivision 2. Each state and local pension administrator shall provide to the commissioner of revenue, in a form the commissioner prescribes, a list of individuals to whom it pays benefits that meet the requirements of paragraph (a), clauses (1) and (3).

Subd. 7. DEPENDENTS. An individual who:

(1) was allowed to be claimed as a dependent on a 1999 federal income tax return filed by another person;

(2) would have otherwise been eligible for a rebate under subdivision 1; and

(3) reported earned income as defined in section 32(c)(2)(A)(i) of the Internal Revenue Code,

is eligible for a rebate under this subdivision only. The rebate under this subdivision equals 35 percent of the amount allowed under the schedule in subdivision 3 based on the individual's income. For an individual who was a resident of Minnesota for less

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than the entire year, the sales tax rebate equals the rebate calculated under this subdivision multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1999 income tax return.

Subd. 8. CREDIT RECIPIENTS. An individual who

(1) was a resident of Minnesota for any part of 1999;

(2) was not eligible for a rebate under subdivision 1, 6, or 9;

(3) was not allowed to be claimed as a dependent on a 1999 federal income tax return by another person; and

(4)(i) claimed and was eligible for a refund under Minnesota Statutes, chapter 290A, for property taxes paid in 2000 or rent constituting property taxes paid in 1999 on or before November 30, 2001; or

(ii) filed 1999 Minnesota and federal income tax returns before November 30, 2001, in order to

(A) claim a credit under Minnesota Statutes, section 290.067, 290.0671, or 290.0674;

(B) claim a refund of withheld taxes; or

(C) claim a refund of estimated taxes,

is eligible for a rebate under this subdivision only. For married couples filing joint returns and heads of households, the rebate equals the minimum amount in subdivision 2. For single filers and married individuals filing separate returns, the rebate equals the minimum amount in subdivision 3. For individuals who qualify for a rebate under clause (4)(i), the rebate equals the minimum amount in subdivision 3 unless the property tax refund return is a joint return and neither of the joint filers qualifies for a rebate under any of the other rebate criteria in which case the rebate equals the minimum amount in subdivision 2. For an individual who was a resident of Minnesota for less than the entire year, the sales tax rebate equals the rebate calculated under this subdivision multiplied by the percentage determined under Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1999 income tax return. Notwithstanding the provisions of Minnesota Statutes, section 289A.60, subdivision 12, an individual who files a property tax refund claim for property taxes paid in 2000 or rent constituting property taxes paid in 1999 after August 15, 2001, and before November 30, 2001, is eligible for a refund under Minnesota Statutes, chapter 290A, and a rebate under this subdivision.

Subd. 9. CLAIMS BASED ON FEDERAL LIABILITIES. An individual who:

(1) was a resident of Minnesota for any part of 1999;

(2) filed 1999 Minnesota and federal income tax returns on or before November 30, 2001;

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(3) had federal taxable income on the federal return of at least \$5; and

(4) does not qualify for a rebate under subdivision 1 or 7, is eligible for a rebate under this subdivision only.

An individual who was allowed to be claimed as a dependent on a 1999 federal income tax return filed by another person is eligible for a rebate under this subdivision only if the individual had in 1999 earned income as defined in section 32(c)(2)(A)(i) of the Internal Revenue Code; the rebate of a dependent eligible for a rebate under this subdivision equals 35 percent of the amount allowed under the schedule in subdivision 3 based on the individual's income. For all other individuals who qualify under this subdivision, the rebate equals the amount allowed based on the individual's income under the schedule in subdivision 2 for married couples filing joint returns and heads of household and the amount allowed based on the individual's income under the schedule in subdivision 3 for single filers and married individuals filing separately; provided, however, that any rebate payable under this subdivision to an individual who was a part-year resident of Minnesota in 1999 must be prorated according to the formula applicable to part-year residents in subdivision 5.

Subd. 10. FISCAL YEAR TAXPAYERS. For a fiscal year taxpayer, the dates in subdivisions 1 through 4 are extended one month for each month in calendar year 1999 that occurred prior to the start of the individual's 1999 fiscal tax year.

Subd. 11. PAYMENT DATES; INTEREST. The commissioner of revenue may begin paying sales tax rebates by July 1, 2001. Sales tax rebates not paid by January 1, 2002, bear interest at the rate specified in Minnesota Statutes, section 270.75.

Subd. 12. NO ADJUSTMENTS AFTER PROCESSING. A sales tax rebate may not be adjusted based on changes to a 1999 income tax return that are made by order of assessment after the date the rebate is processed, or made by the taxpayer that are filed with the commissioner of revenue after that date.

Subd. 13. JOINT REBATE RULES. Individuals who filed a joint income tax return for 1999 must receive a joint sales tax rebate. After the sales tax rebate has been issued, but before the check has been cashed, either joint claimant may request a separate check for one-half of the joint sales tax rebate. Notwithstanding anything in this section to the contrary, if prior to payment, the commissioner has been notified that persons who filed a joint 1999 income tax return are living at separate addresses, as indicated on their 2000 income tax return or otherwise, the commissioner may issue separate checks to each person. The amount payable to each person is one-half of the total joint rebate.

Subd. 14. DECEASED INDIVIDUALS. If a rebate is received by the estate of a deceased individual after the probate estate has been closed, and if the original rebate check is returned to the commissioner with a copy of the decree of descent or final account of the estate, social security numbers, and addresses of the beneficiaries, the commissioner may issue separate checks in proportion to their share in the residuary estate in the names of the residuary beneficiaries of the estate.

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Subd. 15. APPLICATION OF OTHER LAW. (a) The sales tax rebate is a "Minnesota tax law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

(b) The sales tax rebate is "an overpayment of any tax collected by the commissioner" for purposes of Minnesota Statutes, section 270.07, subdivision 5. For purposes of this subdivision, a joint sales tax rebate is payable to each spouse equally.

(c) The sales tax rebate is a refund subject to revenue recapture under Minnesota Statutes, chapter 270A. The commissioner of revenue shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, refund one-half of the joint sales tax rebate to the spouse who does not owe the debt.

Subd. 16. LAPSE OF ENTITLEMENT. If the commissioner of revenue cannot locate an individual entitled to a sales tax rebate by July 1, 2003, or if an individual to whom a sales tax rebate was issued has not cashed the check by July 1, 2003, the right to the sales tax rebate lapses and the check must be deposited in the general fund.

Subd. 17. CLAIMS FOR UNPAID REBATES. Individuals entitled to a sales tax rebate pursuant to subdivision 1, 6, 7, 8, or 9 but who did not receive one, and individuals who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2002, in a form prescribed by the commissioner. These claims must be treated as if they are a claim for refund under Minnesota Statutes, section 289A.50, subdivisions 4 and 7.

Subd. 18. APPROPRIATION. The rebate is a reduction of fiscal year 2001 sales tax revenues. The amount necessary to make the sales tax rebates and interest provided in this section is appropriated from the general fund to the commissioner of revenue in fiscal year 2001 and is available until June 30, 2003.

Subd. 19. ILLEGALLY CASHED CHECKS. If a sales tax rebate check is cashed by someone other than the payee or payees of the check, and the commissioner of revenue determines that the check has been forged or improperly endorsed or the commissioner determines that a rebate was overstated or erroneously issued, the commissioner may issue an order of assessment for the amount of the check or the amount the check is overstated against the person or persons cashing it. The assessment must be made within two years after the check is cashed, but if cashing the check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment can be made at any time. The assessment may be appealed administratively and judicially. The commissioner may take action to collect the assessment in the same manner as provided by Minnesota Statutes, chapter 289A, for any other order of the commissioner assessing tax.

Subd. 20. AUTHORITY TO CONTRACT WITH VENDOR. Notwithstanding Minnesota Statutes, sections 9.031, 16A.40, 16B.49, 16B.50, and any other law to the contrary, the commissioner of revenue may take whatever actions the commissioner deems necessary to pay the rebates required by this section, and may, in consultation

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with the commissioner of finance and the state treasurer, contract with a private vendor or vendors to process, print, and mail the rebate checks or warrants required under this section and receive and disburse state funds to pay those checks or warrants.

Subd. 21. **ELECTRONIC PAYMENT.** The commissioner may pay rebates required by this section by electronic funds transfer to individuals who requested that their 2000 individual income tax refund be paid through electronic funds transfer. The commissioner may make the electronic funds transfer payments to the same financial institution and into the same account as the 2000 individual income tax refund.

Subd. 22. **ADJUSTMENTS.** A sales tax rebate of \$852,080,000 is authorized for fiscal year 2001. Before payment, the commissioner of revenue shall adjust the rebate as follows:

(1) the rebates calculated in subdivisions 2, 3, 4, 6, 7, 8, and 9 must be proportionately reduced to account for 1999 income tax returns that are filed on or after January 1, 2001, but before June 1, 2001, so that the estimated amount of sales tax rebates payable under subdivisions 2, 3, 4, 6, 7, 8, and 9 on the date the rebate is processed does not exceed the total amount available for the rebate; and

(2) the commissioner of finance shall certify by July 15, 2001, the preliminary fiscal 2001 general fund net nondedicated revenues. If certified net nondedicated revenues are less than the amount forecast in February 2001, the commissioner of revenue shall proportionally decrease all rebates under this section to rebate the entire amount of the certified net nondedicated revenues. The adjustments under this subdivision are not a rule subject to Minnesota Statutes, chapter 14.

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

Sec. 3. APPROPRIATIONS.

(a) \$1,750,000 is appropriated in fiscal year 2001 from the general fund to the commissioner of revenue to administer the sales tax rebates in section 2. Any unencumbered balance remaining on June 30, 2001, does not cancel but is available for expenditure by the commissioner of revenue until June 30, 2002. Notwithstanding Minnesota Statutes, section 16A.285, the commissioner of revenue may not use this appropriation for any purpose other than administering the sales tax rebates. This is a one-time appropriation and may not be added to the agency's budget base.

(b) \$401,000 is appropriated in fiscal year 2001 from the general fund to the state treasurer to pay the cost of clearing sales tax rebate checks through commercial banks. Any unencumbered balance remaining on June 30, 2001, does not cancel but is available for expenditure by the state treasurer until June 30, 2002. Notwithstanding Minnesota Statutes, section 16A.285, the state treasurer may not use this appropriation for any purpose other than paying the cost of clearing rebate checks.

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

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ARTICLE 2

EDUCATION FINANCE

Section 1. Minnesota Statutes 2000, section 123B.42, subdivision 3, is amended to read:

Subd. 3. **COST; LIMITATION.** (a) The cost per pupil of the textbooks, individualized instructional or cooperative learning materials, and standardized tests provided for in this section for each school year must not exceed the statewide average expenditure per pupil, adjusted pursuant to clause (b), by the Minnesota public elementary and secondary schools for textbooks, individualized instructional materials and standardized tests as computed and established by the department by March February 1 of the preceding school year from the most recent public school year data then available.

(b) The cost computed in clause (a) shall be increased by an inflation adjustment equal to the percent of increase in the formula allowance, pursuant to section 126C.10, subdivision 2, from the second preceding school year to the current school year. Notwithstanding the amount of the formula allowance for fiscal years 2003 and 2004 in section 126C.10, subdivision 2, the commissioner shall use the amount of the formula allowance for the current year minus \$415 in determining the inflation adjustment for those fiscal years.

(c) The commissioner shall allot to the districts or intermediary service areas the total cost for each school year of providing or loaning the textbooks, individualized instructional or cooperative learning materials, and standardized tests for the pupils in each nonpublic school. The allotment shall not exceed the product of the statewide average expenditure per pupil, according to clause (a), adjusted pursuant to clause (b), multiplied by the number of nonpublic school pupils who make requests pursuant to this section and who are enrolled as of September 15 of the current school year.

EFFECTIVE DATE. This section is effective for fiscal year 2003 and thereafter.

Sec. 2. Minnesota Statutes 2000, section 123B.53, subdivision 2, is amended to read:

Subd. 2. **ELIGIBILITY.** (a) The following portions of a district's debt service levy qualify for debt service equalization:

(1) debt service for repayment of principal and interest on bonds issued before July 2, 1992;

(2) debt service for bonds refinanced after July 1, 1992, if the bond schedule has been approved by the commissioner and, if necessary, adjusted to reflect a 20-year maturity schedule; and

(3) debt service for bonds issued after July 1, 1992, for construction projects that have received a positive review and comment according to section 123B.71, if the commissioner has determined that the district has met the criteria under section

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126C.69, subdivision 3, ~~except section 126C.69, subdivision 3, paragraph (a), clause (2),~~ and if the bond schedule has been approved by the commissioner and, if necessary, adjusted to reflect a 20-year maturity schedule.

(b) The criterion described in section 126C.69, subdivision 3, paragraph (a), clause (9), does not apply to bonds authorized by elections held before July 1, 1992.

(c) For the purpose of this subdivision the department shall determine the eligibility for sparsity at the location of the new facility, or the site of the new facility closest to the nearest operating school if there is more than one new facility.

(d) Notwithstanding paragraphs (a) to (c), debt service for repayment of principal and interest on bonds issued after July 1, 1997, does not qualify for debt service equalization aid unless the primary purpose of the facility is to serve students in kindergarten through grade 12.

EFFECTIVE DATE. This section is effective for fiscal year 2003 and thereafter.

Sec. 3. Minnesota Statutes 2000, section 123B.53, subdivision 4, is amended to read:

Subd. 4. **DEBT SERVICE EQUALIZATION REVENUE.** (a) The debt service equalization revenue of a district equals the sum of the first tier debt service equalization revenue and the second tier debt service equalization revenue.

(b) The first tier debt service equalization revenue of a district equals the greater of zero or the eligible debt service revenue minus the amount raised by a levy of ~~12~~ 15 percent times the adjusted net tax capacity of the district minus the second tier debt service equalization revenue of the district.

(c) The second tier debt service equalization revenue of a district equals the greater of zero or the eligible debt service revenue minus the amount raised by a levy of 25 percent times the adjusted net tax capacity of the district.

EFFECTIVE DATE. This section is effective for fiscal year 2003 and thereafter.

Sec. 4. Minnesota Statutes 2000, section 123B.53, subdivision 5, is amended to read:

Subd. 5. **EQUALIZED DEBT SERVICE LEVY.** ~~To obtain debt service equalization revenue, a district must levy an amount not to exceed the district's debt service equalization revenue~~ (a) The equalized debt service levy of a district equals the sum of the first tier equalized debt service levy and the second tier equalized debt service levy.

(b) A district's first tier equalized debt service levy equals the district's first tier debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

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(2) ~~\$4,000~~ \$3,200.

(c) A district's second tier equalized debt service levy equals the district's second tier debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) \$8,000.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and revenue in fiscal year 2003, and thereafter.

Sec. 5. Minnesota Statutes 2000, section 123B.54, is amended to read:

123B.54 DEBT SERVICE APPROPRIATION.

(a) \$33,141,000 in fiscal year 2000, \$29,400,000 in fiscal year 2001, \$26,934,000 in fiscal year 2002, and \$24,540,000 in fiscal year 2003 and each year thereafter is \$31,787,000 in fiscal year 2004 and \$26,453,000 in fiscal years 2005 and later are appropriated from the general fund to the commissioner of children, families, and learning for payment of debt service equalization aid under section 123B.53.

(b) The appropriations in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

EFFECTIVE DATE. This section is effective for fiscal year 2003 and thereafter.

Sec. 6. Minnesota Statutes 2000, section 123B.75, subdivision 5, is amended to read:

Subd. 5. **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.

(b) In June of each year 2001, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or

(2) the sum of:

(i) 31 percent of the referendum levy certified in the prior calendar year according to section 126C.17, subdivision 9; plus

(ii) the entire amount of the levy certified in the prior calendar year according to sections 124D.86, subdivision 4, for school districts receiving revenue under 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3, paragraphs (4), (5), and (6); 126C.43, subdivision 2; and 126C.48, subdivision 6.

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(c) For fiscal year 2002 and later years, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or

(2) the sum of:

(i) 31 percent of the referendum levy certified according to section 126C.17, in calendar year 2000; plus

(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3, paragraphs (4), (5), and (6); 126C.43, subdivision 2; and 126C.48, subdivision 6.

EFFECTIVE DATE. This section is effective June 30, 2001.

Sec. 7. Minnesota Statutes 2000, section 123B.92, subdivision 9, is amended to read:

Subd. 9. NONPUBLIC PUPIL TRANSPORTATION AID. (a) A district's nonpublic pupil transportation aid for the 1996-1997 and later school years for transportation services for nonpublic school pupils according to sections 123B.88, 123B.84 to 123B.86, and this section, equals the sum of the amounts computed in paragraphs (b) and (c). This aid does not limit the obligation to transport pupils under sections 123B.84 to 123B.87.

(b) For regular and excess transportation according to subdivision 1, paragraph (b), clauses (1) and (2), an amount equal to the product of:

(1) the district's actual expenditure per pupil transported in the regular and excess transportation categories during the second preceding school year; times

(2) the number of nonpublic school pupils residing in the district who receive regular or excess transportation service or reimbursement for the current school year; times

(3) the ratio of the formula allowance pursuant to section 126C.10, subdivision 2, for the current school year to the formula allowance pursuant to section 126C.10, subdivision 2, for the second preceding school year.

(c) For nonpublic nonregular transportation according to subdivision 1, paragraph (b), clause (5), an amount equal to the product of:

(1) the district's actual expenditure for nonpublic nonregular transportation during the second preceding school year; times

(2) the ratio of the formula allowance pursuant to section 126C.10, subdivision 2, for the current school year to the formula allowance pursuant to section 126C.10, subdivision 2, for the second preceding school year.

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(d) Notwithstanding the amount of the formula allowance for fiscal years 2000, 2001, and 2002 in section 126C.10, subdivision 2, the commissioner shall use the amount of the formula allowance for the current year plus \$87 in determining the nonpublic pupil transportation revenue in paragraphs (b) and (c) for fiscal year 2000, and the amount of the formula allowance less \$110 in determining the nonpublic pupil transportation revenue in paragraphs (b) and (c) for fiscal years 2001 and 2002.

(e) Notwithstanding the amount of the formula allowance for fiscal years 2003 and 2004 in section 126C.10, subdivision 2, the commissioner shall use the amount of the formula allowance for the current year minus \$415 in determining the nonpublic pupil transportation revenue in paragraphs (b) and (c) for those fiscal years.

EFFECTIVE DATE. This section is effective for fiscal year 2003 and thereafter.

Sec. 8. Minnesota Statutes 2000, section 126C.01, subdivision 3, is amended to read:

Subd. 3. **REFERENDUM MARKET VALUE.** "Referendum market value" means the market value of all taxable property, except that excluding property classified as class 2, noncommercial 4c(1), or 4c(4) under section 273.13. The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. Any class of property, or any portion of a class of property, with that is included in the definition of referendum market value and that has a class rate of less than one percent under section 273.13 shall have a referendum market value equal to its net tax capacity multiplied by 100.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 9. Minnesota Statutes 2000, section 126C.10, subdivision 1, is amended to read:

Subdivision 1. **GENERAL EDUCATION REVENUE.** (a) For fiscal year 2000 and thereafter 2002, the general education revenue for each district equals the sum of the district's basic revenue, basic skills revenue, training and experience revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, equity revenue, ~~referendum offset adjustment,~~ transition revenue, and supplemental revenue.

(b) For fiscal year 2003 and later, the general education revenue for each district equals the sum of the district's basic revenue, basic skills revenue, training and experience revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, and equity revenue.

EFFECTIVE DATE. This section is effective for fiscal year 2002 and thereafter.

Sec. 10. Minnesota Statutes 2000, section 126C.10, subdivision 2, is amended to read:

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Subd. 2. **BASIC REVENUE.** The basic revenue for each district equals the formula allowance times the adjusted marginal cost pupil units for the school year. The formula allowance for fiscal year 1998 is \$3,581. The formula allowance for fiscal year 1999 is \$3,530. The formula allowance for fiscal year 2000 is \$3,740. The formula allowance for fiscal year years 2001 and subsequent fiscal years 2002 is \$3,964. The formula allowance for fiscal year 2003 and subsequent fiscal years is \$4,379.

EFFECTIVE DATE. This section is effective for fiscal year 2003 and thereafter.

Sec. 11. Minnesota Statutes 2000, section 126C.13, subdivision 4, is amended to read:

Subd. 4. **GENERAL EDUCATION AID.** A district's general education aid is the sum of the following amounts:

(1) the product of (i) the difference between the general education revenue, excluding transition revenue and supplemental revenue, and the general education levy, times (ii) the ratio of the actual amount levied to the permitted levy;

(2) transition aid according to section 126C.10, subdivision 22;

(3) supplemental aid according to section 127A.49;

(4) shared time aid according to section 126C.01, subdivision 7; and

(5) (3) referendum aid according to section 126C.17.

EFFECTIVE DATE. This section is effective for fiscal year 2003 and thereafter.

Sec. 12. Minnesota Statutes 2000, section 126C.17, subdivision 1, is amended to read:

Subdivision 1. **REFERENDUM ALLOWANCE.** (a) For fiscal year 2002, a district's referendum revenue allowance equals the referendum revenue authority for that year divided by its resident marginal cost pupil units for that school year. sum of the allowance under section 126C.16, subdivision 2, plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 for fiscal year 2002.

(b) For fiscal year 2003 and later, a district's initial referendum revenue allowance equals the sum of the allowance under section 126C.16, subdivision 2, plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 before May 1, 2001, for fiscal year 2002 and later, plus the referendum conversion allowance approved under subdivision 13, minus \$415. For districts with more than one referendum authority, the reduction must be computed separately for each authority. The reduction must be applied first to the referendum conversion allowance and next to the authority with the earliest expiration date. A district's initial referendum revenue allowance may not be less than zero.

(c) For fiscal year 2003 and later, a district's referendum revenue allowance equals the initial referendum allowance plus any additional allowance per resident marginal

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cost pupil unit authorized under subdivision 9 after April 30, 2001, for fiscal year 2003 and later.

EFFECTIVE DATE. This section is effective for fiscal year 2002 and thereafter.

Sec. 13. Minnesota Statutes 2000, section 126C.17, subdivision 2, is amended to read:

Subd. 2. **REFERENDUM ALLOWANCE LIMIT.** (a) Notwithstanding subdivision 1, for fiscal year 2002, a district's referendum allowance must not exceed the greater of:

(1) the district's referendum allowance for fiscal year 1994;

(2) 25 percent of the formula allowance; or

(3) for a newly reorganized district created after July 1, 1994, the sum of the referendum revenue authority for the reorganizing districts for the fiscal year preceding the reorganization, divided by the sum of the resident marginal cost pupil units of the reorganizing districts for the fiscal year preceding the reorganization.

(b) Notwithstanding subdivision 1, for fiscal year 2003 and later fiscal years, a district's referendum allowance must not exceed the greater of:

(1) the sum of a district's referendum allowance for fiscal year 1994 times 1.162 plus its referendum conversion allowance for fiscal year 2003, minus \$415;

(2) 18.2 percent of the formula allowance;

(3) for a newly reorganized district created on July 1, 2002, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its resident marginal cost pupil units for the year preceding reorganization, minus \$415; or

(4) for a newly reorganized district created after July 1, 2002, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its resident marginal cost pupil units for the year preceding reorganization.

EFFECTIVE DATE. This section is effective for fiscal year 2003 and thereafter.

Sec. 14. Minnesota Statutes 2000, section 126C.17, subdivision 5, is amended to read:

Subd. 5. **REFERENDUM EQUALIZATION REVENUE.** (a) For fiscal year 2003 and later, a district's referendum equalization revenue equals the sum of the first tier referendum equalization revenue and the second tier referendum equalization revenue.

(b) A district's first tier referendum equalization revenue equals the district's first tier referendum equalization allowance times the district's resident marginal cost pupil units for that year.

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(b) The (c) A district's first tier referendum equalization allowance equals \$350 for fiscal year 2000 and \$415 for fiscal year 2001 and later.

(e) Referendum equalization revenue must not exceed a district's total referendum revenue for that year the lesser of the district's referendum allowance under subdivision 1 or \$126.

(d) A district's second tier referendum equalization revenue equals the district's second tier referendum equalization allowance times the district's resident marginal cost pupil units for that year.

(e) A district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 18.2 percent of the formula allowance, minus the district's first tier referendum equalization allowance.

(f) Notwithstanding paragraph (e), the second tier referendum allowance for a district qualifying for secondary sparsity revenue under section 126C.10, subdivision 7, or elementary sparsity revenue under section 126C.10, subdivision 8, equals the district's referendum allowance under subdivision 1 minus the district's first tier referendum equalization allowance.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and revenue in fiscal year 2003, and thereafter.

Sec. 15. Minnesota Statutes 2000, section 126C.17, subdivision 6, is amended to read:

Subd. 6. **REFERENDUM EQUALIZATION LEVY.** (a) For fiscal year 2003 and later, a district's referendum equalization levy for a referendum levied against the referendum market value of all taxable property as defined in section 126C.01, subdivision 3, equals the sum of the first tier referendum equalization levy and the second tier referendum equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to \$476,000.

(b) A district's referendum equalization levy for a referendum levied against the net tax capacity of all taxable property equals the district's referendum equalization revenue times the lesser of one or the ratio of the district's adjusted net tax capacity per resident marginal cost pupil unit to \$8,404.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to \$270,000.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and revenue in fiscal year 2003, and thereafter.

Sec. 16. Minnesota Statutes 2000, section 126C.17, subdivision 7, is amended to read:

New language is indicated by underline, deletions by strikeout.

Subd. 7. **REFERENDUM EQUALIZATION AID.** (a) A district's referendum equalization aid equals the difference between its referendum equalization revenue and levy.

(b) If a district's actual levy for first or second tier referendum equalization revenue is less than its maximum levy limit for that tier, aid shall be proportionately reduced.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and revenue in fiscal year 2003, and thereafter.

Sec. 17. Minnesota Statutes 2000, section 126C.17, is amended by adding a subdivision to read:

Subd. 7a. **REFERENDUM TAX BASE REPLACEMENT AID.** For each school district that had a referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized referendum levy, the commissioner of revenue, in consultation with the commissioner of children, families, and learning, shall certify the amount of the referendum levy in taxes payable year 2001 attributable to the portion of the referendum allowance exceeding \$415 levied against property classified as class 2 4c(1), or 4c(4), under section 273.13, excluding the portion of the tax paid by the portion of class 2a property consisting of the house, garage, and surrounding one acre of land. The resulting amount must be used to reduce the district's referendum levy amount otherwise determined, and must be paid to the district each year that the referendum authority remains in effect. The aid payable under this subdivision must be subtracted from the district's referendum equalization aid under subdivision 7. The referendum equalization aid after the subtraction must not be less than zero.

For the purposes of this subdivision, the referendum levy with the latest year of expiration is assumed to be at the highest level of equalization, and the referendum levy with the earliest year of expiration is assumed to be at the lowest level of equalization.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 18. Minnesota Statutes 2000, section 126C.17, subdivision 8, is amended to read:

Subd. 8. **UNEQUALIZED REFERENDUM LEVY.** Each year, a district may levy an amount equal to the difference between its total referendum revenue according to subdivision 5 4 and its equalized referendum aid and levy according to subdivisions 6 and 7 referendum equalization revenue according to subdivision 5.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and revenue in fiscal year 2003, and thereafter.

Sec. 19. Minnesota Statutes 2000, section 126C.17, is amended by adding a subdivision to read:

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Subd. 13. REFERENDUM CONVERSION ALLOWANCE. A school district that received supplemental or transition revenue in fiscal year 2002 may convert its supplemental revenue conversion allowance and transition revenue conversion allowance to additional referendum allowance under subdivision 1 for fiscal year 2003 and thereafter. A majority of the school board must approve the conversion at a public meeting before November 1, 2001. For a district with other referendum authority, the referendum conversion allowance approved by the board continues until the portion of the district's other referendum authority with the earliest expiration date after June 30, 2006, expires. For a district with no other referendum authority, the referendum conversion allowance approved by the board continues until June 30, 2012.

Sec. 20. Minnesota Statutes 2000, section 126C.63, subdivision 8, is amended to read:

Subd. 8. MAXIMUM EFFORT DEBT SERVICE LEVY. "Maximum effort debt service levy" means the lesser of:

(1) a levy in whichever of the following amounts is applicable:

(a) in any district receiving a debt service loan for a debt service levy payable in 2002 and thereafter, or granted a capital loan after January 1, 2001, a levy in total dollar amount computed at a rate of 36 percent of adjusted net tax capacity for taxes payable in 2002 and thereafter;

(b) in any district receiving a debt service loan for a debt service levy payable in 1991 and thereafter, or granted a capital loan after January 1, 1990, a levy in a total dollar amount computed at a rate of 24 percent of adjusted net tax capacity for taxes payable in 1991 and thereafter;

(b) (c) in any district granted a debt service loan after July 31, 1981, or granted a capital loan which is approved after July 31, 1981, a levy in a total dollar amount computed as a tax rate of 21.92 percent on the adjusted net tax capacity for taxes payable in 1991 and thereafter; or

(2) a levy in any district for which a capital loan was approved prior to August 1, 1981, a levy in a total dollar amount equal to the sum of the amount of the required debt service levy and an amount which when levied annually will in the opinion of the commissioner be sufficient to retire the remaining interest and principal on any outstanding loans from the state within 30 years of the original date when the capital loan was granted.

The board in any district affected by the provisions of clause (2) may elect instead to determine the amount of its levy according to the provisions of clause (1). If a district's capital loan is not paid within 30 years because it elects to determine the amount of its levy according to the provisions of clause (2), the liability of the district for the amount of the difference between the amount it levied under clause (2) and the amount it would have levied under clause (1), and for interest on the amount of that difference, must not be satisfied and discharged pursuant to Minnesota Statutes 1988, or an earlier edition of Minnesota Statutes if applicable, section 124.43, subdivision 4.

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EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 21. Minnesota Statutes 2000, section 126C.69, subdivision 2, is amended to read:

Subd. 2. **CAPITAL LOANS ELIGIBILITY.** Beginning July 1, 1999, a district is not eligible for a capital loan unless the district's estimated net debt tax rate as computed by the commissioner after debt service equalization aid would be more than 24 36 percent of adjusted net tax capacity. The estimate must assume a 20-year maturity schedule for new debt.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 22. Minnesota Statutes 2000, section 126C.69, subdivision 3, is amended to read:

Subd. 3. **DISTRICT REQUEST FOR REVIEW AND COMMENT.** A district or a joint powers district that intends to apply for a capital loan must submit a proposal to the commissioner for review and comment according to section 123B.71 by July 1 of an odd-numbered year. The commissioner shall prepare a review and comment on the proposed facility, regardless of the amount of the capital expenditure required to construct the facility. In addition to the information provided under section 123B.71, subdivision 9, the commissioner shall require that predesign packages comparable to those required under section 16B.335 be prepared by the applicant school district. The predesign packages must be sufficient to define the scope, cost, and schedule of the project and must demonstrate that the project has been analyzed according to appropriate space needs standards and also consider the following criteria in determining whether to make a positive review and comment.

(a) To grant a positive review and comment the commissioner shall determine that all of the following conditions are met:

(1) the facilities are needed for pupils for whom no adequate facilities exist or will exist;

(2) ~~the district will serve, on average, at least 80 pupils per grade or is eligible for elementary or secondary sparsity revenue~~ there is evidence to indicate that the facilities will have a useful public purpose for at least the term of the bonds;

(3) no form of cooperation with another district would provide the necessary facilities;

(4) the facilities are comparable in size and quality to facilities recently constructed in other districts that have similar enrollments;

(5) the facilities are comparable in size and quality to facilities recently constructed in other districts that are financed without a capital loan;

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(6) ~~the district is projected to maintain or increase its average daily membership over the next five years or is eligible for elementary or secondary sparsity revenue~~ have adequate funds in its general operating budget to support a quality education for its students for at least the next five years;

(7) the current facility poses a threat to the life, health, and safety of pupils, and cannot reasonably be brought into compliance with fire, health, or life safety codes;

(8) the district has made a good faith effort, as evidenced by its maintenance expenditures, to adequately maintain the existing facility during the previous ten years and to comply with fire, health, and life safety codes and state and federal requirements for handicapped accessibility;

(9) the district has made a good faith effort to encourage integration of social service programs within the new facility; and

(10) evaluations by boards of adjacent districts have been received; and

(11) the proposal includes a comprehensive technology plan that assures information access for the students, parents, and community.

(b) The commissioner may grant a negative review and comment if:

(1) the state demographer has examined the population of the communities to be served by the facility and determined that the communities have not grown during the previous five years;

(2) the state demographer determines that the economic and population bases of the communities to be served by the facility are not likely to grow or to remain at a level sufficient, during the next ten years, to ensure use of the entire facility;

(3) the need for facilities could be met within the district or adjacent districts at a comparable cost by leasing, repairing, remodeling, or sharing existing facilities or by using temporary facilities;

(4) the district plans do not include cooperation and collaboration with health and human services agencies and other political subdivisions; or

(5) if the application is for new construction, an existing facility that would meet the district's needs could be purchased at a comparable cost from any other source within the area.

EFFECTIVE DATE. This section is effective July 1, 2001.

Sec. 23. Minnesota Statutes 2000, section 126C.69, subdivision 9, is amended to read:

Subd. 9. **LOAN AMOUNT LIMITS.** (a) A loan must not be recommended for approval for a district exceeding an amount computed as follows:

(1) the amount requested by the district under subdivision 6;

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(2) plus the aggregate principal amount of general obligation bonds of the district outstanding on June 30 of the year following the year the application was received, not exceeding the limitation on net debt of the district in section 475.53, subdivision 4, or ~~363~~ 540 percent of its adjusted net tax capacity as most recently determined, whichever is less;

(3) less the maximum net debt permissible for the district on December 1 of the year the application is received, under the limitation in section 475.53, subdivision 4, or ~~363~~ 540 percent of its adjusted net tax capacity as most recently determined, whichever is less;

(4) less any amount by which the amount voted exceeds the total cost of the facilities for which the loan is granted.

(b) The loan may be approved in an amount computed as provided in paragraph (a), clauses (1) to (3), subject to later reduction according to paragraph (a), clause (4).

EFFECTIVE DATE. This section is effective for loan applications submitted after July 1, 2001.

Sec. 24. Minnesota Statutes 2000, section 126C.69, subdivision 12, is amended to read:

Subd. 12. **CONTRACT.** (a) Each capital loan must be evidenced by a contract between the district and the state acting through the commissioner. The contract must obligate the state to reimburse the district, from the maximum effort school loan fund, for eligible capital expenses for construction of the facility for which the loan is granted, an amount computed as provided in subdivision 9. The commissioner must receive from the district a certified resolution of the board estimating the costs of construction and reciting that contracts for construction of the facilities for which the loan is granted have been awarded ~~and~~, that bonds of the district have been issued and sold in the amount necessary to pay all estimated costs of construction in excess of the amount of the loan, and that all work, when completed, meets or exceeds standards established in the state building code. The contract must obligate the district to repay the loan out of the excesses of its maximum effort debt service levy over its required debt service levy, including interest at a rate equal to the weighted average annual rate payable on Minnesota state school loan bonds issued or reissued for the project ~~and disbursed to the districts on a reimbursement basis, but in no event less than 3-1/2 percent per year on the principal amount from time to time unpaid.~~

(b) The district must each year, as long as it is indebted to the state, levy for debt service (i) the amount of its maximum effort debt service levy or (ii) the amount of its required debt service levy, whichever is greater, except as the required debt service levy may be reduced by a loan under section 126C.68. The district shall remit payments to the commissioner according to section 126C.71.

(c) The commissioner shall supervise the collection of outstanding accounts due the fund and may, by notice to the proper county auditor, require the maximum levy to be made as required in this subdivision. Interest on capital loans must be paid on

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December 15 of the year after the year the loan is granted and annually in later years. By September 30, the commissioner shall notify the county auditor of each county containing taxable property situated within the district of the amount of the maximum effort debt service levy of the district for that year. The 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.

EFFECTIVE DATE. This section is effective for loan applications submitted after July 1, 2001.

Sec. 25. Minnesota Statutes 2000, section 126C.69, subdivision 15, is amended to read:

Subd. 15. **BOND SALE LIMITATIONS.** (a) A district having an outstanding state loan must not issue and sell any bonds on the public market, except to refund state loans, unless it agrees to make the maximum effort debt service levy in each later year at the higher rate provided in section 126C.63, subdivision 8, and unless it schedules the maturities of the bonds according to section 475.54, subdivision 2. A district that refunds bonds at a lower interest rate may continue to make the maximum effort debt service levy in each later year at the current rate provided in section 126C.63, subdivision 8, if the district can demonstrate to the commissioner's satisfaction that the district's repayments of the state loan will not be reduced below the previous year's level. The district must report each sale to the commissioner.

(b) For a capital loan issued prior to July 1, 2001, after a the district's capital loan has been outstanding for 30 years, the district must not issue bonds on the public market except to refund the loan.

(c) For a capital loan issued on or after July 1, 2001, after the district's capital loan has been outstanding for 20 years, the district must not issue bonds on the public market except to refund the loan.

EFFECTIVE DATE. This section is effective July 1, 2001.

Sec. 26. Minnesota Statutes 2000, section 475.53, subdivision 4, is amended to read:

Subd. 4. **SCHOOL DISTRICTS.** Except as otherwise provided by law, no school district shall be subject to a net debt in excess of ~~ten~~ 15 percent of the actual market value of all taxable property situated within its corporate limits, as computed in accordance with this subdivision. The county auditor of each county containing taxable real or personal property situated within any school district shall certify to the district upon request the market value of all such property. Whenever the commissioner of revenue, in accordance with section 127A.48, subdivisions 1 to 6, has determined that the net tax capacity of any district furnished by county auditors is not based upon the market value of taxable property in the district, the commissioner of revenue shall certify to the district upon request the ratio most recently ascertained to exist between such value and the actual market value of property within the district. The actual market value of property within a district, on which its debt limit under this subdivision

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is based, is (a) the value certified by the county auditors, or (b) this value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value.

EFFECTIVE DATE. This section is effective July 1, 2001.

Sec. 27. SUPPLEMENTAL REVENUE CONVERSION ALLOWANCE.

A district's supplemental revenue conversion allowance is equal to the district's total fiscal year 2002 supplemental revenue divided by its fiscal year 2002 resident marginal cost pupil units.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2003.

Sec. 28. TRANSITION REVENUE CONVERSION ALLOWANCE.

A district's transition revenue conversion allowance is equal to the district's total fiscal year 2002 transition revenue divided by its fiscal year 2002 resident marginal cost pupil units.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2003.

Sec. 29. APPROPRIATIONS.

Subdivision 1. DEPARTMENT OF CHILDREN, FAMILIES, AND LEARNING. The sums indicated in this section are appropriated from the general fund to the department of children, families, and learning for the fiscal years designated.

Subd. 2. REFERENDUM TAX BASE REPLACEMENT AID. For referendum tax base replacement aid according to Minnesota Statutes, section 126C.17, subdivision 7a:

<u>\$7,851,000</u>	<u>.....</u>	<u>2003</u>
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The 2003 appropriation includes \$0 for 2002 and \$7,851,000 for 2003.

Subd. 3. DEBT SERVICE AID. For debt service aid according to Minnesota Statutes, section 123B.53, subdivision 6:

<u>\$25,989,000</u>	<u>.....</u>	<u>2002</u>
<u>\$35,163,000</u>	<u>.....</u>	<u>2003</u>

The 2002 appropriation includes \$2,890,000 for 2001 and \$23,099,000 for 2002.

The 2003 appropriation includes \$2,567,000 for 2002 and \$32,956,000 for 2003.

EFFECTIVE DATE. This section is effective July 1, 2001.

Sec. 30. REPEALER.

(a) Minnesota Statutes 2000, sections 126C.10, subdivisions 9, 10, 11, 12, 19, 20, 21, and 22; and 126C.11, are repealed effective for revenue for fiscal year 2003.

(b) Minnesota Statutes 2000, section 126C.13, subdivisions 1, 2, and 3, are repealed effective for taxes payable in 2002.

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ARTICLE 3

PROPERTY TAXES

Section 1. [16A.1523] LOCAL GOVERNMENT AID REFORM ACCOUNT.

Subdivision 1. ACCOUNT ESTABLISHED. A local government aid reform account is established in the general fund. Amounts in this account are available for and may only be spent in conjunction with reforming local government aids under chapter 477A. The reforms may include, but are not limited to:

- (1) changes to the local government aid distribution formula; and
- (2) supplemental aids to address local government aid disparity problems.

The balance in the account does not cancel and remains in the account until appropriated for local government aid reform.

Subd. 2. APPROPRIATION. Beginning in fiscal year 2003, and in each fiscal year thereafter, \$14,000,000 is appropriated from the general fund to the local government aid reform account established in subdivision 1. In fiscal year 2004, and each year thereafter, until the balance of the account is appropriated by the legislature to local government aid reform, an amount equal to the balance at the end of the fiscal year times 2.5 percent is also appropriated from the general fund to the account.

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

Sec. 2. [16A.88] TRANSIT FUNDS.

Subdivision 1. GREATER MINNESOTA TRANSIT FUND. The greater Minnesota transit fund is established within the state treasury. Money in the fund is annually appropriated to the commissioner of transportation for assistance to transit systems outside the metropolitan area under section 174.24.

Subd. 2. METROPOLITAN AREA TRANSIT FUND. The metropolitan area transit fund is established within the state treasury. All money in the fund is annually appropriated to the metropolitan council for the funding of transit systems within the metropolitan area under sections 473.384, 473.387, 473.388, and 473.405 to 473.449.

Subd. 3. METROPOLITAN AREA TRANSIT APPROPRIATION ACCOUNT. The metropolitan area transit appropriation account is established within the general fund. Money in the account is to be used for the funding of transit systems in the metropolitan area, subject to legislative appropriation.

EFFECTIVE DATE. This section is effective July 1, 2002.

Sec. 3. [103B.253] COUNTY LEVY AUTHORITY.

Notwithstanding any other law to the contrary, a county levying a tax under section 103B.241, 103B.245, or 103B.251 shall not include any taxes levied under those authorities in the levy certified under section 275.07, subdivision 1, paragraph (a). A county levying under section 103B.241, 103B.245, or 103B.251 shall separately

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certify that amount and the auditor shall extend that levy as a special taxing district levy under sections 275.066 and 275.07, subdivision 1, paragraph (b).

EFFECTIVE DATE. This section is effective for taxes levied in 2001, payable in 2002, and thereafter.

Sec. 4. Minnesota Statutes 2000, section 103D.905, subdivision 3, is amended to read:

Subd. 3. **ADMINISTRATIVE GENERAL FUND.** An administrative A general fund, consisting of an ad valorem tax levy, may not exceed 0.02418 0.048 percent of taxable market value, or \$125,000 \$250,000, whichever is less. The money in the fund shall be used for general administrative expenses and for the construction or implementation and maintenance of projects of common benefit to the watershed district. The managers may make an annual levy for the administrative general fund as provided in section 103D.911. In addition to the annual administrative general levy, the managers may annually levy a tax not to exceed 0.00798 percent of taxable market value for a period not to exceed 15 consecutive years to pay the cost attributable to the basic water management features of projects initiated by petition of a municipality of political subdivision within the watershed district or by petition of at least 50 resident owners whose property is within the watershed district.

EFFECTIVE DATE. This section is effective for taxes levied in 2001, payable in 2002, and thereafter.

Sec. 5. Minnesota Statutes 2000, section 123A.45, subdivision 2, is amended to read:

Subd. 2. **PETITION.** The petition must contain:

(a) A correct description of the area proposed for detachment and annexation, including supporting data regarding location and title to land to establish that the land is adjoining a district.

(b) The reasons for the proposed change with facts showing that the granting of the petition will not reduce the size of any district to less than four sections, unless the district is not operating a school within the district.

(c) Consent to the petition, if, at the time of the filing of the petition, any part of the area proposed for detachment is part of a district which maintains and operates a secondary school within the district. Before the hearing, the consent of the board of the district in which the area proposed for detachment lies must be endorsed on the petition.

(d) An identification of the district to which annexation is sought.

(e) Other information the petitioners may desire to affix.

(f) An acknowledgment by the petitioner.

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(g) A description of whether bonded indebtedness will be allocated according to subdivision 6, paragraph (b) or (c).

EFFECTIVE DATE. This section is effective the day following final enactment for detachment and annexation requests approved by a county board on or after that date.

Sec. 6. Minnesota Statutes 2000, section 123A.45, subdivision 6, is amended to read:

Subd. 6. **TAXABLE PROPERTY.** (a) Upon the effective date of the order, the detachment and annexation is effected. The bonded indebtedness must be assigned to the detached and annexed land under either paragraph (b) or (c).

(b) Unless specified separately under paragraph (c), all taxable property in the area so detached and annexed remains taxable for payment of any school purpose obligations already authorized by or outstanding on the effective date of the order against the district from which detached. The order does not relieve such property from the obligation of any bonded debt already incurred to which it was subject prior to the order. All taxable property in the area so detached and annexed is taxable for payment of any district obligations authorized on or subsequent to the effective date of the order by the district to which annexation is made.

(c) Alternatively, if the school board of the district in which the area is proposed for detachment and the school board of the district in which the area is proposed for annexation agree, all taxable property in the area detached and annexed shall be taxable by the school district to which the property is annexed. Detached and annexed property is relieved from the obligation of any bonded debt already incurred by the district in which the area is detached and is obligated for any bonded debt already incurred by the district to which the area is annexed.

EFFECTIVE DATE. This section is effective the day following final enactment for detachment and annexation requests approved by a county board on or after that date.

Sec. 7. [126C.455] SWIMMING POOL LEVY.

Each year, a school district with its home office located in a county that has (i) a population density of ten or fewer persons per square mile according to the 2000 census of population; (ii) an international border; and (iii) more than one school district within its boundaries, may levy for the net operational costs of a swimming pool. The levy may not exceed the net actual costs of operation of the swimming pool for the previous year. Net actual costs are defined as operating costs less any operating revenues and less any payments from other local governmental units.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and later.

Sec. 8. [144F.01] EMERGENCY MEDICAL SERVICES SPECIAL TAXING DISTRICTS.

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Subdivision 1. POLITICAL SUBDIVISION DEFINED. In this section, "political subdivision" means a county, a statutory or home rule charter city, or a township organized to provide town government.

Subd. 2. WHO MAY ESTABLISH. Two or more political subdivisions, or parts of them, may establish by resolution of their governing bodies a special taxing district for emergency medical services. The participating territory of a participating political subdivision need not abut any other participating territory to be in the special taxing district.

Subd. 3. BOARD. The special taxing district under this section is governed by a board made up initially of representatives of each participating political subdivision in the proportions set out in the establishing resolution, subject to change as provided in the district's charter, if any, or in the district's bylaws. Each participant's representative serves at the pleasure of that participant's governing body.

Subd. 4. PROPERTY TAX LEVY AUTHORITY. The district's board may levy a tax on the taxable real and personal property in the district. The ad valorem tax levy may not exceed 0.048 percent of the taxable market value of the district or \$250,000, whichever is less. The proceeds of the levy must be used as provided in subdivision 5. The board shall certify the levy at the times as provided under section 275.07. The board shall provide the county with whatever information is necessary to identify the property that is located within the district. If the boundaries include a part of a parcel, the entire parcel shall be included in the district. The county auditors must spread, collect, and distribute the proceeds of the tax at the same time and in the same manner as provided by law for all other property taxes.

Subd. 5. USE OF LEVY PROCEEDS. The proceeds of property taxes levied under this section must be used to support the providing of out-of-hospital emergency medical services including, but not limited to, first responder or rescue squads recognized by the district, ambulance services licensed under chapter 144E and recognized by the district, medical control functions set out in chapter 144E, communications equipment and systems, and programs of regional emergency medical services authorized by regional boards described in section 144E.52.

Subd. 6. ADVISORY COMMITTEE. A special taxing district board under this section must have an advisory committee to advise the board on issues involving emergency medical services and EMS communications. The committee's membership must be comprised of representatives of first responders, ambulance services, ambulance medical directors, and EMS communication experts. The advisory committee members serve at the pleasure of the appointing board.

Subd. 7. POWERS. (a) In addition to authority expressly granted in this section, a special taxing district under this section may exercise any power that may be exercised by any of its participating political subdivisions, except that the board may not incur debt. The special taxing district may only use the power to do what is necessary or reasonable to support the services set out in subdivision 5.

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(b) Notwithstanding paragraph (a), the district may only levy the taxes authorized in this section.

Subd. 8. ADDITIONS AND WITHDRAWALS. (a) Additional eligible political subdivisions may be added to a special taxing district under this section as provided by the board of the district and agreed to in a resolution of the governing body of the political subdivision proposed to be added.

(b) A political subdivision may withdraw from a special taxing district under this section by resolution of its governing body. The political subdivision must notify the board of the special taxing district of the withdrawal by providing a copy of the resolution at least one year in advance of the proposed withdrawal. The taxable property of the withdrawing member is subject to the property tax levy under subdivision 4 for the taxes payable year following the notice of the withdrawal, unless the board and the withdrawing member agree otherwise by action of their governing bodies.

(c) Notwithstanding subdivision 2, if the district is comprised of only two political subdivisions and one of the political subdivisions withdraws, the district can continue to exist.

Subd. 9. DISSOLUTION. If the special taxing district is dissolved, the assets and liabilities may be assigned to a successor entity, if any, or otherwise disposed of for public purposes as provided by law.

Subd. 10. REPORTS. On or before March 15, 2005, and March 15, 2007, the special taxing district shall submit a levy and expenditure report to the commissioner of revenue and to the chairs of the house and senate committees with jurisdiction over taxes. Each report must include the amount of the district's levies for taxes payable for each of the two previous years and its actual expenditures of those revenues. Expenditures must be reported by general service category, as listed in subdivision 5, and include a separate category for administrative expenses.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, through taxes levied in 2007, payable in 2008.

Sec. 9. Minnesota Statutes 2000, section 174.24, subdivision 3b, is amended to read:

Subd. 3b. OPERATING ASSISTANCE. (a) The commissioner shall determine the total operating cost of any public transit system receiving or applying for assistance in accordance with generally accepted accounting principles. To be eligible for financial assistance, an applicant or recipient shall provide to the commissioner all financial records and other information and shall permit any inspection reasonably necessary to determine total operating cost and correspondingly the amount of assistance which may be paid to the applicant or recipient. Where more than one county or municipality contributes assistance to the operation of a public transit system, the commissioner shall identify one as lead agency for the purpose of receiving moneys money under this section.

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(b) Prior to distributing operating assistance to eligible recipients for any contract period, the commissioner shall place all recipients into one of the following classifications: ~~large urbanized area service~~, urbanized area service, small urban area service, rural area service, and elderly and handicapped service. The commissioner shall distribute funds under this section so that the percentage of total operating cost paid by any recipient from local sources will not exceed the percentage for that recipient's classification, except as provided in an undue hardship case. The percentages ~~shall must~~ be: ~~for large urbanized area service, 50 percent;~~ for urbanized area service and small urban area service, 40 percent; for rural area service, 35 percent; and for elderly and handicapped service, 35 percent. The remainder of the total operating cost will be paid from state funds less any assistance received by the recipient from any federal source. For purposes of this subdivision "local sources" means payments under section 174.242 plus all local sources of funds and includes all operating revenue, tax levies, and contributions from public funds, except that the commissioner may exclude from the total assistance contract revenues derived from operations the cost of which is excluded from the computation of total operating cost. Total operating costs for the Duluth transit authority or a successor agency shall not include costs related to the Superior, Wisconsin service contract and the independent school district No. 709 service contract.

(c) If a recipient informs the commissioner in writing after the establishment of these percentages but prior to the distribution of financial assistance for any year that paying its designated percentage of total operating cost from local sources will cause undue hardship, the commissioner may reduce the percentage to be paid from local sources by the recipient and increase the percentage to be paid from local sources by one or more other recipients inside or outside the classification, provided that no recipient shall have its percentage thus reduced or increased for more than two years successively. If for any year the funds appropriated to the commissioner to carry out the purposes of this section are insufficient to allow the commissioner to pay the state share of total operating cost as provided in this paragraph, the commissioner shall reduce the state share in each classification to the extent necessary.

EFFECTIVE DATE. This section is effective for contracts for service for calendar year 2002 and subsequent years.

Sec. 10. [174.242] PROPERTY TAX REPLACEMENT AID.

Subdivision 1. **REPORT OF PROPERTY TAX REVENUES.** By July 31, 2001, each system receiving assistance under section 174.24 must report the amount of its local share operating revenues for 2001 that are derived from property taxes to the commissioner of transportation. The reported amounts must include property tax revenues used to fund transit services in excess of the services provided under contract with the department of transportation. The reports shall separately identify the property tax revenues by the taxing jurisdiction from which the revenues were received. All general fund revenues provided by a local government unit in Minnesota shall be considered property tax revenues, except for revenues received from school districts. The portion of the St. Cloud metropolitan area transit commission's homestead and

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agricultural credit aid attributable to transit operating expenses shall be considered property tax revenues.

Subd. 2. VERIFICATION BY COMMISSIONER. The commissioner shall examine the reports submitted under subdivision 1, and adjust the revenue amounts reported if they are determined to be in error. The commissioner may require a system to provide whatever information is necessary to assist in determining the accuracy of the reported amounts.

Subd. 3. REPLACEMENT AID PAYMENTS. Each system shall receive property tax replacement aid payments in calendar years 2002-2003 equal to (i) the proportion that the system's property tax amount determined under subdivision 2 is of the total amount determined under subdivision 2 for all systems, times (ii) the projected total revenues for the greater Minnesota transit fund for the full fiscal year that begins in the calendar year in which the aid is payable. A system's property tax replacement aid for 2002 under this section may not exceed 106 percent of its 2001 property tax amount determined under subdivision 2. A system's property tax replacement aid for 2003 under this section may not exceed 106 percent of its 2002 property tax replacement aid under this section. The commissioner must certify the replacement aid amounts for calendar years 2002-2003 to the commissioner of revenue by system and by taxing jurisdiction by August 15 of the preceding year. The commissioner of revenue shall deduct the certified amounts from each jurisdiction's levy limit. Replacement aid amounts for the St. Cloud metropolitan area transit commission and the Duluth transit authority shall be deducted from the levy limit for each of these jurisdictions as specified in chapter 458A. The annual payments to each system shall be made in two equal installments on July 20 and November 20.

Subd. 4. REPORT TO THE LEGISLATURE. By January 1, 2003, the commissioner of transportation, in consultation with the commissioner of revenue, shall make a report to the legislature containing recommendations for integrating the grant program under section 174.24 with the property tax replacement aid program under this section. The recommendations shall attempt to restructure the method of financing transit operations in greater Minnesota in such a way as to minimize reliance on property taxes, while allowing the necessary flexibility to accommodate growth in service demands.

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

Sec. 11. [216B.1646] RATE REDUCTION; PROPERTY TAX REDUCTION.

(a) The commission shall, by any method the commission finds appropriate, reduce the amounts each electric utility subject to rate regulation by the commission charges its customers to reflect the amount by which each utility's property tax on the personal property of its electric generation, transmission, or distribution system from taxes payable in 2001 to taxes payable in 2002 is reduced. The commission must ensure that, to the extent feasible, each dollar of property tax reduction allocated to Minnesota consumers retroactive to January 1, 2002, results in a dollar of savings to the utility's customers.

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(b) By April 10, 2002, each utility shall submit a filing to the commission containing:

(1) certified information regarding the utility's property tax savings allocated to Minnesota retail customers; and

(2) a proposed method of passing these savings on to Minnesota retail customers.

The utility shall provide the information in clause (1) to the commissioner of revenue at the same time. The commissioner shall notify the commission within 30 days as to the accuracy of the property tax data submitted by the utility.

(c) For purposes of this section, "personal property" means tools, implements, and machinery of the generating plant. It does not apply to transformers, transmission lines, distribution lines, or any other tools, implements, and machinery that are part of an electric substation, wherever located.

Sec. 12. [216B.1692] EMISSIONS REDUCTION RIDER.

Subdivision 1. QUALIFYING PROJECTS. Projects that may be approved for the emissions reduction rate rider allowed in this section must:

(1) be installed on existing large electric generating power plants, as defined in section 216B.2421, subdivision 2, clause (1), that are located in the state and that are currently not subject to emission limitations for new power plants under the federal Clean Air Act;

(2) not increase the capacity of the existing electric generating power plant more than ten percent or more than 100 megawatts, whichever is greater; and

(3) result in the existing plant either:

(i) complying with applicable new source review standards under the federal Clean Air Act; or

(ii) emitting air contaminants at levels substantially lower than allowed for new facilities by the applicable new source performance standards under the federal Clean Air Act; or

(iii) reducing emissions from current levels at a unit to the lowest cost effective level when, due to the age or condition of the generating unit, the public utility demonstrates that it would not be cost effective to reduce emissions to the levels in (i) or (ii).

Subd. 2. SUBMISSION. A public utility that intends to submit a proposal for an emissions reduction rider under this section must submit to the commission, the department, the pollution control agency, and interested parties its plans for emissions reduction projects at its generating facilities. This submission must be made at least 60 days in advance of a petition for a rider and shall include:

(1) the priority order of emission reduction projects the utility plans to pursue at its generating facilities;

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- (2) the planned schedule for implementation;
- (3) the analysis and considerations relied on by the public utility to develop that priority ranking;
- (4) the alternative emission reduction projects considered, including but not limited to applications of the best available control technology and repowering with natural gas, and reasons for not pursuing them;
- (5) the emission reductions expected to be achieved by the projects and their relation to applicable standards for new facilities under the federal Clean Air Act; and
- (6) the general rationale and conclusions of the public utility in determining the priority ranking.

Subd. 3. FILING. A public utility may petition the commission for approval of an emissions reduction rider to recover the costs of a qualifying emission reduction project outside of a general rate case proceeding under section 216B.16. In its filing, the public utility shall provide:

- (1) a description of the planned emissions reduction project;
- (2) the activities involved in the project;
- (3) a schedule for implementation;
- (4) any analysis provided to the pollution control agency regarding the project;
- (5) an assessment of alternatives to the project, including costs, environmental impact, and operational issues;
- (6) the proposed method of cost recovery;
- (7) any proposed recovery above cost; and
- (8) the projected emissions reductions from the project.

Nothing in this section precludes a public utility or interested party from seeking commission guidelines for emissions reduction rider filings; however, commission guidelines are not required as a prerequisite to a public utility-initiated filing.

Subd. 4. ENVIRONMENTAL ASSESSMENT. The pollution control agency shall evaluate the public utility's emission reduction project filing and provide the commission with:

- (1) verification that the emission reduction project qualifies under subdivision 1;
- (2) a description of the projected environmental benefits of the proposed project;
and
- (3) its assessment of the appropriateness of the proposed project.

Subd. 5. APPROVAL. After receiving the pollution control agency's environmental assessment, the commission shall allow opportunity for written and oral comment on the proposed emissions reduction rate rider proposal. The commission

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must assess the costs of an emission reduction project on a stand alone basis and may approve, modify, or reject the proposed emissions reduction rider. In making its determination, the commission shall consider whether the project, proposed cost recovery, and any proposed recovery above cost appropriately achieves environmental benefits without unreasonable consumer costs. The commission may approve a rider that:

(1) allows the utility to recover costs of qualifying emission reduction projects net of revenues attributable to the project;

(2) allows an appropriate return on investment associated with qualifying emission reduction projects at the level established in the public utility's last general rate case;

(3) allocates project costs appropriately between wholesale and retail customers;

(4) provides a mechanism for recovery above cost, if necessary to improve the overall economics of the qualifying projects to ensure implementation;

(5) recovers costs from retail customer classes in proportion to class energy consumption; and

(6) terminates recovery once the costs of qualifying projects have been fully recovered.

The commission must not approve an emission reduction project and its associated rate rider if:

(1) the emissions reduction project is needed to comply with new state or federal air quality standards; or

(2) the emissions reduction project is required as a corrective action as part of any state or federal enforcement action.

The commission may not include any costs of a proposed project in the emission reduction rider that are not directly allocable to reduction of emissions.

Subd. 6. IMPLEMENTATION. Within 60 days of a final commission order, the public utility shall notify the commission and the pollution control agency whether it will proceed with the project. Nothing in this section commits a public utility to implementing a proposed emission reduction project if the proposed project or terms of the emissions reduction rider have been either modified or rejected by the commission. A public utility implementing a project under this section will not be required for a period of eight years after installation to undertake additional investments to comply with a new state requirement regarding pollutants addressed by the project at the project generating facility. This section does not affect requirements of federal law. The term of the rider shall extend for the period approved by the commission regardless of any subsequent state or federal requirement affecting any pollutant addressed by the approved emission reduction project and regardless of the sunset date in subdivision 8.

New language is indicated by underline, deletions by strikeout.

Subd. 7. EVALUATION. By January 15, 2005, the commission, in consultation with the commissioner of commerce and commissioner of the pollution control agency, shall report to the legislature:

(1) the number of participating public utilities and qualifying projects proposed and approved under this section;

(2) the total cost of each project and any associated incentives;

(3) the reduction in air emissions achieved;

(4) rate impacts of the cost recovery mechanisms; and

(5) an assessment of the effectiveness of the cost recovery mechanism in accomplishing power plant emissions reductions in excess of those required by law.

Subd. 8. SUNSET. This section is effective until June 30, 2006.

Sec. 13. Minnesota Statutes 2000, section 216B.2424, subdivision 5, is amended to read:

Subd. 5. **MANDATE.** (a) A public utility, as defined in section 216B.02, subdivision 4, that operates a nuclear-powered electric generating plant within this state must construct and operate, purchase, or contract to construct and operate (1) by December 31, 1998, 50 megawatts of electric energy installed capacity generated by farm-grown closed-loop biomass scheduled to be operational by December 31, 2001; and (2) by December 31, 1998, an additional 75 megawatts of installed capacity so generated scheduled to be operational by December 31, 2002.

(b) Of the 125 megawatts of biomass electricity installed capacity required under this subdivision, no more than 50 megawatts of this capacity may be provided by a facility that uses poultry litter as its primary fuel source and any such facility:

(1) need not use biomass that complies with the definition in subdivision 1;

(2) must enter into a contract with the public utility for such capacity, that has an average purchase price per megawatt hour over the life of the contract that is equal to or less than the average purchase price per megawatt hour over the life of the contract in contracts approved by the public utilities commission before April 1, 2000, to satisfy the mandate of this section, and file that contract with the public utilities commission prior to September 1, 2000; and

(3) such capacity must be scheduled to be operational by December 31, 2002.

(c) Of the total 125 megawatts of biomass electric energy installed capacity required under this section, no more than 75 megawatts may be provided by a single project.

(d) Of the 75 megawatts of biomass electric energy installed capacity required under paragraph (a), clause (2), no more than 25 megawatts of this capacity may be provided by a St. Paul district heating and cooling system cogeneration facility utilizing waste wood as a primary fuel source. The St. Paul district heating and cooling

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system cogeneration facility need not use biomass that complies with the definition in subdivision 1.

(e) The public utility must accept and consider on an equal basis with other biomass proposals;

(1) a proposal to satisfy the requirements of this section that includes a project that exceeds the megawatt capacity requirements of either paragraph (a), clause (1) or (2), and that proposes to sell the excess capacity to the public utility or to other purchasers; and

(2) a proposal for a new facility to satisfy more than ten but not more than 20 megawatts of the electrical generation requirements by a small business-sponsored independent power producer facility to be located within the northern quarter of the state, which means the area located north of Constitutional Route No. 8 as described in section 161.114, subdivision 2, and that utilizes biomass residue wood, sawdust, bark, chipped wood, or brush to generate electricity. A facility described in this clause is not required to utilize biomass complying with the definition in subdivision 1, but must have the capacity required by this clause operational by December 31, 2002.

(e) (f) If a public utility files a contract with the commission for electric energy installed capacity that uses poultry litter as its primary fuel source, the commission must do a preliminary review of the contract to determine if it meets the purchase price criteria provided in paragraph (b), clause (2), of this subdivision. The commission shall perform its review and advise the parties of its determination within 30 days of filing of such a contract by a public utility. A public utility may submit by September 1, 2000, a revised contract to address the commission's preliminary determination.

(f) (g) The commission shall finally approve, modify, or disapprove no later than July 1, 2001, all contracts submitted by a public utility as of September 1, 2000, to meet the mandate set forth in this subdivision.

(g) (h) If a public utility subject to this section exercises an option to increase the generating capacity of a project in a contract approved by the commission prior to April 25, 2000, to satisfy the mandate in this subdivision, the public utility must notify the commission by September 1, 2000, that it has exercised the option and include in the notice the amount of additional megawatts to be generated under the option exercised. Any review by the commission of the project after exercise of such an option shall be based on the same criteria used to review the existing contract.

(i) A facility specified in this subdivision qualifies for exemption from property taxation under section 272.02, subdivision 43.

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

Sec. 14. Minnesota Statutes 2000, section 271.01, subdivision 5, is amended to read:

Subd. 5. **JURISDICTION.** The tax court shall have statewide jurisdiction. Except for an appeal to the supreme court or any other appeal allowed under this

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subdivision, the tax court shall be the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state, as defined in this subdivision, in those cases that have been appealed to the tax court and in any case that has been transferred by the district court to the tax court. The tax court shall have no jurisdiction in any case that does not arise under the tax laws of the state or in any criminal case or in any case determining or granting title to real property or in any case that is under the probate jurisdiction of the district court. The small claims division of the tax court shall have no jurisdiction in any case dealing with property valuation or assessment for property tax purposes until the taxpayer has appealed the valuation or assessment to the county board of equalization, and in those towns and cities which have not transferred their duties to the county, the town or city board of equalization, except for: (i) those taxpayers whose original assessments are determined by the commissioner of revenue; and (ii) those taxpayers appealing a denial of a current year application for the homestead classification for their property and the denial was not reflected on a valuation notice issued in the year; and (iii) any case dealing with property valuation, assessment, or taxation for property tax purposes and meeting the jurisdictional requirements of section 271.21, subdivision 2, paragraph (c). The tax court shall have no jurisdiction in any case involving an order of the state board of equalization unless a taxpayer contests the valuation of property. Laws governing taxes, aids, and related matters administered by the commissioner of revenue, laws dealing with property valuation, assessment or taxation of property for property tax purposes, and any other laws that contain provisions authorizing review of taxes, aids, and related matters by the tax court shall be considered tax laws of this state subject to the jurisdiction of the tax court. This subdivision shall not be construed to prevent an appeal, as provided by law, to an administrative agency, board of equalization, review under section 274.13, subdivision 1c, or to the commissioner of revenue. Wherever used in this chapter, the term commissioner shall mean the commissioner of revenue, unless otherwise specified.

EFFECTIVE DATE. This section is effective for the 2002 assessment, and thereafter.

Sec. 15. Minnesota Statutes 2000, section 271.21, subdivision 2, is amended to read:

Subd. 2. **JURISDICTION.** At the election of the taxpayer, the small claims division shall have jurisdiction only in the following matters:

(a) cases involving valuation, assessment, or taxation of real or personal property, if the taxpayer has satisfied the requirements of section 271.01, subdivision 5, and: (i) the issue is a denial of a current year application for the homestead classification for the taxpayer's property and the denial was not reflected on a valuation notice issued in the year; or (ii) in the case of nonhomestead property, the assessor's estimated market value is less than \$100,000; ~~or~~

(b) any other case concerning the tax laws as defined in section 271.01, subdivision 5, in which the amount in controversy does not exceed \$5,000, including penalty and interest; or

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(c) cases involving valuation, assessment, or taxation of real or personal property
if:

(i) the issue is a denial of a current year application for the homestead classification for the taxpayer's property;

(ii) only one parcel is included in the petition, the entire parcel is classified as homestead 1a or 1b pursuant to section 273.13, and the parcel contains no more than one dwelling unit; or

(iii) the assessor's estimated market value of the property included in the petition is less than \$300,000.

EFFECTIVE DATE. This section is effective for the 2002 assessment, and thereafter.

Sec. 16. Minnesota Statutes 2000, section 272.02, subdivision 22, is amended to read:

Subd. 22. **WIND ENERGY CONVERSION SYSTEMS.** (a) Small scale wind energy conversion systems installed after January 1, 1991, and used as an electric power source are exempt.

"Small scale wind energy conversion systems" are wind energy conversion systems, as defined in section 216C.06, subdivision 12, including the foundation or support pad, which (i) are used as an electric power source; (ii) are located within one county and owned by the same owner; and (iii) produce two megawatts or less of electricity as measured by nameplate ratings.

(b) Medium scale wind energy conversion systems installed after January 1, 1991, are treated as follows: (i) the foundation and support pad are taxable; (ii) the associated supporting and protective structures are exempt for the first five assessment years after they have been constructed, and thereafter, 30 percent of the market value of the associated supporting and protective structures are taxable; and (iii) the turbines, blades, transformers, and its related equipment, are exempt. "Medium scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which: (i) are used as an electric power source; (ii) are located within one county and owned by the same owner; and (iii) produce more than two but equal to or less than 12 megawatts of energy as measured by nameplate ratings.

(c) Large scale wind energy conversion systems installed after January 1, 1991, are treated as follows: 25 percent of the market value of all property is taxable, including (i) the foundation and support pad; (ii) the associated supporting and protective structures; and (iii) the turbines, blades, transformers, and its related equipment. "Large scale wind energy conversion systems" are wind energy conversion systems as defined in section 216C.06, subdivision 12, including the foundation or support pad, which (i) are used as an electric power source; and (ii) produce more than 12 megawatts of energy as measured by nameplate ratings.

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(d) The total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:

- (1) located within five miles of the wind energy conversion system;
- (2) constructed within the same calendar year as the wind energy conversion system; and
- (3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.

(e) In making a determination under paragraph (d), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

EFFECTIVE DATE. This section is effective for wind energy conversion systems installed after January 1, 2001.

Sec. 17. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 46. RESIDENTIAL BUILDINGS ON TEMPORARY SITES. A newly constructed building that is situated on real property is exempt if it is:

- (1) intended for future residential occupancy;
- (2) on a temporary foundation and intended to be moved;
- (3) not used as a model or for any other business purposes;
- (4) not connected to any utilities; and
- (5) located on land that will not be sold with the building.

The exemption under this subdivision is allowable for only one assessment year after the date of the initial construction of the building.

EFFECTIVE DATE. This section is effective for assessment year 2001 and thereafter.

Sec. 18. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

New language is indicated by underline, deletions by strikeout.

Subd. 47. POULTRY LITTER BIOMASS GENERATION FACILITY; PERSONAL PROPERTY. Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize poultry litter as a primary fuel source; and
- (2) be constructed for the purpose of generating power at the facility that will be sold pursuant to a contract approved by the public utilities commission in accordance with the biomass mandate imposed under section 216B.2424.

Construction of the facility must be commenced after January 1, 2000, and before December 31, 2002. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

EFFECTIVE DATE. This section is effective for assessment year 2001 and thereafter.

Sec. 19. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 48. WASTE TIRE COGENERATION FACILITY; PERSONAL PROPERTY. Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electric generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize waste tires as a primary fuel source; and
- (2) be a cogeneration electric generating facility of 15 to 25 megawatts of installed capacity.

Construction of the facility must be commenced after January 1, 2000, and before January 1, 2004. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

EFFECTIVE DATE. This section is effective for assessment year 2001 and thereafter.

Sec. 20. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 49. AGRICULTURAL HISTORICAL SOCIETY PROPERTY. Property is exempt from taxation if it is owned by a nonprofit charitable or educational organization that qualifies for exemption under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 2000, and meets the following criteria:

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(1) the property is primarily used for storing and exhibiting tools, equipment, and artifacts useful in providing an understanding of local or regional agricultural history. Primary use is determined each year based on the number of days the property is used solely for storage and exhibition purposes;

(2) the property is limited to a maximum of 20 acres per owner per county, but includes the land and any taxable structures, fixtures, and equipment on the land;

(3) the property is not used for a revenue-producing activity for more than ten days in each calendar year; and

(4) the property is not used for residential purposes on either a temporary or permanent basis.

EFFECTIVE DATE. This section is effective for assessment year 2001 and thereafter.

Sec. 21. Minnesota Statutes 2000, section 272.02, is amended by adding a subdivision to read:

Subd. 50. BIOMASS ELECTRICAL GENERATION FACILITY; PERSONAL PROPERTY. Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) be designed to utilize biomass as established in section 216B.2424 as a primary fuel source; and

(2) be constructed for the purpose of generating power at the facility that will be sold pursuant to a contract approved by the public utilities commission in accordance with the biomass mandate imposed under section 216B.2424.

Construction of the facility must be commenced after January 1, 2000, and before December 31, 2002. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

EFFECTIVE DATE. This section is effective for assessment year 2001 and thereafter.

Sec. 22. **[272.028] PAYMENT IN LIEU OF PERSONAL PROPERTY TAX; WIND GENERATION FACILITIES.**

A developer of a new or existing medium or large scale wind energy conversion system, as defined under section 272.02, subdivision 22, paragraphs (b) and (c), may negotiate with the city or town and the county where the wind energy conversion system is located to establish a payment in lieu of tax on personal property used to generate electric power. The in lieu payment is to provide fees or compensation to the host jurisdictions to maintain public infrastructure and services. The payment in lieu of personal property tax may be based on production capacity, historical production, or

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other factors agreed upon by the parties. The payment in lieu of tax agreement must be signed by the parties and filed with the commissioner of revenue and the county recorder. Upon execution and filing of the agreement, the personal property to which the in lieu payment applies shall be deemed exempt from tax under section 272.02, subdivision 22, paragraphs (b) and (c). This exemption shall be effective for the assessment year in which the in lieu payment is agreed upon and shall remain exempt for the same duration as the in lieu payments are in effect.

Sec. 23. Minnesota Statutes 2000, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. **LIMITED MARKET VALUE.** In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber, or noncommercial seasonal recreational residential, the assessor shall compare the value with that the taxable portion of the value determined in the preceding assessment. ~~The amount of the increase entered in the current assessment shall not exceed the greater of (1) 8.5 percent of the value in the preceding assessment, or (2) 15 percent of the difference between the current assessment and the preceding assessment.~~

For assessment year 2002, the amount of the increase shall not exceed the greater of (1) 10 percent of the value in the preceding assessment, or (2) 15 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2003, the amount of the increase shall not exceed the greater of (1) 12 percent of the value in the preceding assessment, or (2) 20 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2004, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 25 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2005, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 33 percent of the difference between the current assessment and the preceding assessment.

For assessment year 2006, the amount of the increase shall not exceed the greater of (1) 15 percent of the value in the preceding assessment, or (2) 50 percent of the difference between the current assessment and the preceding assessment.

This limitation shall not apply to increases in value due to improvements. For purposes of this subdivision, the term "assessment" means the value prior to any exclusion under subdivision 16.

The provisions of this subdivision shall be in effect ~~only~~ through assessment year ~~2001~~ 2006 as provided in this subdivision.

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined

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under this subdivision and subdivision 16, shall be used.

EFFECTIVE DATE. This section is effective the day following final enactment. The change to this section which adds timber property is initially effective for the 2001 assessment.

Sec. 24. Minnesota Statutes 2000, section 273.11, subdivision 14, is amended to read:

Subd. 14. **VACANT LAND PLATTED ON OR AFTER BEFORE AUGUST 1, 1991 2001.** (a) All land platted ~~on or after~~ before August 1, ~~1991~~ 2001, and not improved with a permanent structure, shall be assessed as provided in this subdivision. The assessor shall determine the market value of each individual lot based upon the highest and best use of the property as unplatted land. In establishing the market value of the property, the assessor shall consider the sale price of the unplatted land or comparable sales of unplatted land of similar use and similar availability of public utilities.

(b) The market value determined in paragraph (a) shall be increased as follows for each of the three assessment years immediately following the final approval of the plat: one-third of the difference between the property's unplatted market value as determined under paragraph (a) and the market value based upon the highest and best use of the land as platted property shall be added in each of the three subsequent assessment years.

(c) Any increase in market value after the first assessment year following the plat's final approval shall be added to the property's market value in the next assessment year. Notwithstanding paragraph (b), if construction begins before the expiration of the three years in paragraph (b), that lot shall be eligible for revaluation in the next assessment year. The market value of a platted lot determined under this subdivision shall not exceed the value of that lot based upon the highest and best use of the property as platted land.

EFFECTIVE DATE. This section is effective for land platted before August 1, 2001.

Sec. 25. Minnesota Statutes 2000, section 273.11, is amended by adding a subdivision to read:

Subd. 14a. **VACANT LAND PLATTED ON OR AFTER AUGUST 1, 2001; LOCATED IN METROPOLITAN COUNTIES.** (a) All land platted on or after August 1, 2001, located in a metropolitan county, and not improved with a permanent structure, shall be assessed as provided in this subdivision. The assessor shall determine the market value of each individual lot based upon the highest and best use of the property as unplatted land. In establishing the market value of the property, the assessor shall consider the sale price of the unplatted land or comparable sales of unplatted land of similar use and similar availability of public utilities.

(b) The market value determined in paragraph (a) shall be increased as follows for each of the three assessment years immediately following the final approval of the plat:

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one-third of the difference between the property's unplatted market value as determined under paragraph (a) and the market value based upon the highest and best use of the land as platted property shall be added in each of the three subsequent assessment years.

(c) Any increase in market value after the first assessment year following the plat's final approval shall be added to the property's market value in the next assessment year. Notwithstanding paragraph (b), if construction begins before the expiration of the three years in paragraph (b), that lot shall be eligible for revaluation in the next assessment year. The market value of a platted lot determined under this subdivision shall not exceed the value of that lot based upon the highest and best use of the property as platted land.

(d) For purposes of this section, "metropolitan county" means the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

EFFECTIVE DATE. This section is effective for land platted after July 31, 2001.

Sec. 26. Minnesota Statutes 2000, section 273.11, is amended by adding a subdivision to read:

Subd. 14b. VACANT LAND PLATTED ON OR AFTER AUGUST 1, 2001; LOCATED IN NONMETROPOLITAN COUNTIES. (a) All land platted on or after August 1, 2001, located in a nonmetropolitan county, and not improved with a permanent structure, shall be assessed as provided in this subdivision. The assessor shall determine the market value of each individual lot based upon the highest and best use of the property as unplatted land. In establishing the market value of the property, the assessor shall consider the sale price of the unplatted land or comparable sales of unplatted land of similar use and similar availability of public utilities.

(b) The market value determined in paragraph (a) shall be increased as follows for each of the seven assessment years immediately following the final approval of the plat: one-seventh of the difference between the property's unplatted market value as determined under paragraph (a) and the market value based upon the highest and best use of the land as platted property shall be added in each of the seven subsequent assessment years.

(c) Any increase in market value after the first assessment year following the plat's final approval shall be added to the property's market value in the next assessment year. Notwithstanding paragraph (b), if construction begins before the expiration of the seven years in paragraph (b), that lot shall be eligible for revaluation in the next assessment year. The market value of a platted lot determined under this subdivision shall not exceed the value of that lot based upon the highest and best use of the property as platted land.

EFFECTIVE DATE. This section is effective for land platted after July 31, 2001.

Sec. 27. Minnesota Statutes 2000, section 273.124, subdivision 1, is amended to read:

New language is indicated by underline, deletions by strikeout.

Subdivision 1. **GENERAL RULE.** (a) Residential real estate that is occupied and used for the purposes of a homestead by its owner, who must be a Minnesota resident, is a residential homestead.

Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and used as a homestead by its owner, who must be a Minnesota resident, is an agricultural homestead.

Dates for establishment of a homestead and homestead treatment provided to particular types of property are as provided in this section.

Property held by a trustee under a trust is eligible for homestead classification if the requirements under this chapter are satisfied.

The assessor shall require proof, as provided in subdivision 13, of the facts upon which classification as a homestead may be determined. Notwithstanding any other law, the assessor may at any time require a homestead application to be filed in order to verify that any property classified as a homestead continues to be eligible for homestead status. Notwithstanding any other law to the contrary, the department of revenue may, upon request from an assessor, verify whether an individual who is requesting or receiving homestead classification has filed a Minnesota income tax return as a resident for the most recent taxable year for which the information is available.

When there is a name change or a transfer of homestead property, the assessor may reclassify the property in the next assessment unless a homestead application is filed to verify that the property continues to qualify for homestead classification.

(b) For purposes of this section, homestead property shall include property which is used for purposes of the homestead but is separated from the homestead by a road, street, lot, waterway, or other similar intervening property. The term "used for purposes of the homestead" shall include but not be limited to uses for gardens, garages, or other outbuildings commonly associated with a homestead, but shall not include vacant land held primarily for future development. In order to receive homestead treatment for the noncontiguous property, the owner must use the property for the purposes of the homestead, and must apply to the assessor, both by the deadlines given in subdivision 9. After initial qualification for the homestead treatment, additional applications for subsequent years are not required.

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship may be by blood or marriage. Property that has been classified as seasonal recreational residential property at any time during which it has been owned by the current owner or spouse of the current owner will not be reclassified as a homestead unless it is occupied as a homestead by the owner; this prohibition also

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applies to property that, in the absence of this paragraph, would have been classified as seasonal recreational residential property at the time when the residence was constructed. Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

(d) Agricultural property that is occupied and used for purposes of a homestead by a relative of the owner, is a homestead, only to the extent of the homestead treatment that would be provided if the related owner occupied the property, and only if all of the following criteria are met:

(1) the relative who is occupying the agricultural property is a son, daughter, grandson, granddaughter, father, or mother of the owner of the agricultural property or a son, daughter, grandson, or granddaughter of the spouse of the owner of the agricultural property;

(2) the owner of the agricultural property must be a Minnesota resident;

(3) the owner of the agricultural property must not receive homestead treatment on any other agricultural property in Minnesota; and

(4) the owner of the agricultural property is limited to only one agricultural homestead per family under this paragraph.

Neither the related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative qualifying under this paragraph. For purposes of this paragraph, "agricultural property" means the house, garage, other farm buildings and structures, and agricultural land.

Application must be made to the assessor by the owner of the agricultural property to receive homestead benefits under this paragraph. The assessor may require the necessary proof that the requirements under this paragraph have been met.

(e) In the case of property owned by a property owner who is married, the assessor must not deny homestead treatment in whole or in part if only one of the spouses occupies the property and the other spouse is absent due to: (1) marriage dissolution proceedings, (2) legal separation, (3) employment or self-employment in another location, or (4) other personal circumstances causing the spouses to live separately, not including an intent to obtain two homestead classifications for property tax purposes. To qualify under clause (3), the spouse's place of employment or self-employment must be at least 50 miles distant from the other spouse's place of employment, and the homesteads must be at least 50 miles distant from each other. Homestead treatment, in whole or in part, shall not be denied to the owner's spouse who previously occupied the residence with the owner if the absence of the owner is due to one of the exceptions provided in this paragraph.

(f) The assessor must not deny homestead treatment in whole or in part if:

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(1) in the case of a property owner who is not married, the owner is absent due to residence in a nursing home ~~or~~, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, and the property is not otherwise occupied; or

(2) in the case of a property owner who is married, the owner or the owner's spouse or both are absent due to residence in a nursing home ~~or~~, boarding care facility, or an elderly assisted living facility property as defined in section 273.13, subdivision 25a, and the property is not occupied or is occupied only by the owner's spouse.

(g) If an individual is purchasing property with the intent of claiming it as a homestead and is required by the terms of the financing agreement to have a relative shown on the deed as a coowner, the assessor shall allow a full homestead classification. This provision only applies to first-time purchasers, whether married or single, or to a person who had previously been married and is purchasing as a single individual for the first time. The application for homestead benefits must be on a form prescribed by the commissioner and must contain the data necessary for the assessor to determine if full homestead benefits are warranted.

(h) If residential or agricultural real estate is occupied and used for purposes of a homestead by a child of a deceased owner and the property is subject to jurisdiction of probate court, the child shall receive relative homestead classification under paragraph (c) or (d) to the same extent they would be entitled to it if the owner was still living, until the probate is completed. For purposes of this paragraph, "child" includes a relationship by blood or by marriage.

EFFECTIVE DATE. This section is effective for taxes levied in 2001, payable in 2002, and thereafter.

Sec. 28. Minnesota Statutes 2000, section 273.124, subdivision 8, is amended to read:

Subd. 8. HOMESTEAD OWNED BY OR LEASED TO FAMILY FARM CORPORATION, JOINT FARM VENTURE, LIMITED LIABILITY COMPANY, OR PARTNERSHIP. (a) Each family farm corporation, each joint family farm venture, each limited liability company, and each partnership operating a family farm is entitled to class 1b under section 273.13, subdivision 22, paragraph (b), or class 2a assessment for one homestead occupied by a shareholder, member, or partner thereof who is residing on the land ~~except as provided in subdivision 14, paragraph (g)~~, and actively engaged in farming of the land owned by the family farm corporation, joint family farm venture, limited liability company, or partnership operating a family farm. Homestead treatment applies even if legal title to the property is in the name of the family farm corporation, joint family farm venture, limited liability company, or partnership operating the family farm, and not in the name of the person residing on it.

"Family farm corporation," "family farm," and "~~farm~~ partnership operating a family farm" have the meanings given in section 500.24, except that the number of

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allowable shareholders, members, or partners under this subdivision shall not exceed 12. "Limited liability company" has the meaning contained in section 322B.03, subdivision 28, and 500.24, subdivision 2, paragraphs (l) and (m). "Joint family farm venture" means a cooperative agreement among two or more farm enterprises authorized to operate a family farm land under section 500.24.

(b) In addition to property specified in paragraph (a), any other residences owned by family farm corporations, joint family farm ventures, limited liability companies, or partnerships operating a family farm described in paragraph (a) which are located on agricultural land and occupied as homesteads by its shareholders, members, or partners who are actively engaged in farming on behalf of the that corporation, joint farm venture, limited liability company, or partnership must also be assessed as class 2a property or as class 1b property under section 273.13, subdivision 22, paragraph (b).

(c) Agricultural property that is owned by a member, partner, or shareholder of a family farm corporation or joint family farm venture, as defined in paragraph (a), or by a member of a limited liability company, or by a partner in a partnership operating a family farm and leased to the family farm corporation by the shareholder, or to a member of a limited liability company, or to the partnership by the partner operating a family farm, or joint farm venture, as defined in paragraph (a), is eligible for classification as class 1b or class 2a under section 273.13, subdivision 22, paragraph (b), or class 2a under section 273.13, subdivision 23, paragraph (a), if the owner is actually residing on the property except as provided in subdivision 14, paragraph (g), and is actually engaged in farming the land on behalf of the that corporation, joint farm venture, limited liability company, or partnership. This paragraph applies without regard to any legal possession rights of the family farm corporation, joint family farm venture, limited liability company, or partnership operating a family farm under the lease.

EFFECTIVE DATE. This section is effective for the 2001 assessment, taxes payable in 2002, and thereafter.

Sec. 29. Minnesota Statutes 2000, section 273.124, subdivision 11, is amended to read:

Subd. 11. **LIMITATION ON HOMESTEAD CLASSIFICATION REDUCTIONS.** If the assessor has classified a property as both homestead and nonhomestead, the greater of the value attributable to the portion of the property classified as class 1 or class 2a or the value of the first tier of net class rates provided under section 273.13, subdivision 22, or 23, paragraph (a), is entitled to assessment as a homestead under section 273.13, subdivision 22 or 23. The limitation in this subdivision does not apply to buildings containing fewer than four residential units or to a single rented or leased dwelling unit located within or attached to a private garage or similar structure owned by the owner of a homestead and located on the premises of that homestead.

If the assessor has classified a property as both homestead and nonhomestead, the reductions in tax provided under sections 273.135 and 273.1391 apply to the value of

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both the homestead and the nonhomestead portions of the property.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 30. Minnesota Statutes 2000, section 273.124, subdivision 13, is amended to read:

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

(b) On or before January 2, 1993, each county assessor shall mail a homestead application to the owner of each parcel of property within the county which was classified as homestead for the 1992 assessment year. The format and contents of a uniform homestead application shall be prescribed by the commissioner of revenue. The commissioner shall consult with the chairs of the house and senate tax committees on the contents of the homestead application form. The application must clearly inform the taxpayer that this application must be signed by all owners who occupy the property or by the qualifying relative and returned to the county assessor in order for the property to continue receiving homestead treatment. The envelope containing the homestead application shall clearly identify its contents and alert the taxpayer of its necessary immediate response.

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

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

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

The social security numbers or affidavits or other proofs of the property owners and spouses are private data on individuals as defined by section 13.02, subdivision 12,

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but, notwithstanding that section, the private data may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

(d) If residential real estate is occupied and used for purposes of a homestead by a relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in order for the property to receive homestead status, a homestead application must be filed with the assessor. The social security number of each relative occupying the property and the social security number of each owner who is related to an occupant of the property shall be required on the homestead application filed under this subdivision. If a different relative of the owner subsequently occupies the property, the owner of the property must notify the assessor within 30 days of the change in occupancy. The social security number of a relative occupying the property is private data on individuals as defined by section 13.02, subdivision 12, but may be disclosed to the commissioner of revenue.

(e) The homestead application shall also notify the property owners that the application filed under this section will not be mailed annually and that if the property is granted homestead status for the 1993 assessment, or any assessment year thereafter, that same property shall remain classified as homestead until the property is sold or transferred to another person, or the owners, the spouse of the owner, or the relatives no longer use the property as their homestead. Upon the sale or transfer of the homestead property, a certificate of value must be timely filed with the county auditor as provided under section 272.115. Failure to notify the assessor within 30 days that the property has been sold, transferred, or that the owner, the spouse of the owner, or the relative is no longer occupying the property as a homestead, shall result in the penalty provided under this subdivision and the property will lose its current homestead status.

(f) If the homestead application is not returned within 30 days, the county will send a second application to the present owners of record. The notice of proposed property taxes prepared under section 275.065, subdivision 3, shall reflect the property's classification. Beginning with assessment year 1993 for all properties, if a homestead application has not been filed with the county by December 15, the assessor shall classify the property as nonhomestead for the current assessment year for taxes payable in the following year, provided that the owner may be entitled to receive the homestead classification by proper application under section 375.192.

(g) At the request of the commissioner, each county must give the commissioner a list that includes the name and social security number of each property owner and the property owner's spouse occupying the property, or relative of a property owner, applying for homestead classification under this subdivision. The commissioner shall use the information provided on the lists as appropriate under the law, including for the detection of improper claims by owners, or relatives of owners, under chapter 290A.

(h) If the commissioner finds that a property owner may be claiming a fraudulent homestead, the commissioner shall notify the appropriate counties. Within 90 days of the notification, the county assessor shall investigate to determine if the homestead

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classification was properly claimed. If the property owner does not qualify, the county assessor shall notify the county auditor who will determine the amount of homestead benefits that had been improperly allowed. For the purpose of this section, "homestead benefits" means the tax reduction resulting from the classification as a homestead under section 273.13, the taconite homestead credit under section 273.135, the residential homestead and agricultural homestead credits under section 273.1384, and the supplemental homestead credit under section 273.1391.

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

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

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

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must list and state separately the amounts of homestead benefits, penalty, interest and costs being demanded, billed or assessed.

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

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

(k) In addition to lists of homestead properties, the commissioner may ask the counties to furnish lists of all properties and the record owners. The social security numbers and federal identification numbers that are maintained by a county or city assessor for property tax administration purposes, and that may appear on the lists retain their classification as private or nonpublic data; but may be viewed, accessed, and used by the county auditor or treasurer of the same county for the limited purpose of assisting the commissioner in the preparation of microdata samples under section 270.0681.

EFFECTIVE DATE. This section is effective for homestead applications submitted on or after the day following final enactment.

Sec. 31. Minnesota Statutes 2000, section 273.124, subdivision 14, is amended to read:

Subd. 14. **AGRICULTURAL HOMESTEADS; SPECIAL PROVISIONS.** (a) Real estate of less than ten acres that is the homestead of its owner must be classified as class 2a under section 273.13, subdivision 23, paragraph (a), if:

(1) the parcel on which the house is located is contiguous on at least two sides to (i) agricultural land, (ii) land owned or administered by the United States Fish and Wildlife Service, or (iii) land administered by the department of natural resources on which in lieu taxes are paid under sections 477A.11 to 477A.14;

(2) its owner also owns a noncontiguous parcel of agricultural land that is at least 20 acres;

(3) the noncontiguous land is located not farther than four townships or cities, or a combination of townships or cities from the homestead; and

(4) the agricultural use value of the noncontiguous land and farm buildings is equal to at least 50 percent of the market value of the house, garage, and one acre of land.

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Homesteads initially classified as class 2a under the provisions of this paragraph shall remain classified as class 2a, irrespective of subsequent changes in the use of adjoining properties, as long as the homestead remains under the same ownership, the owner owns a noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use value qualifies under clause (4). Homestead classification under this paragraph is limited to property that qualified under this paragraph for the 1998 assessment.

(b)(i) Agricultural property consisting of at least 40 acres shall be classified as the owner's homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) the owner, the owner's spouse, or the owner's son or daughter of the owner or owner's spouse, is actively farming the agricultural property, either on the person's own behalf as an individual or on behalf of a partnership operating a family farm, family farm corporation, joint family farm venture, or limited liability company of which the person is a partner, shareholder, or member;

(2) both the owner of the agricultural property is a Minnesota resident, and if the owner's son or daughter person who is actively farming the agricultural property under clause (1), that person must also be a Minnesota resident residents;

(3) neither the owner nor the spouse of the owner claims another agricultural homestead in Minnesota; and

(4) neither the owner does not live nor the person actively farming the property lives farther than four townships or cities, or a combination of four townships or cities, from the agricultural property, and except that if the owner's son or daughter is actively farming the agricultural property under clause (1), that person must also live within the owner or the owner's spouse is required to live in employer-provided housing, the owner or owner's spouse, whichever is actively farming the agricultural property, may live more than four townships or cities, or combination of four townships or cities from the agricultural property.

The relationship under this paragraph may be either by blood or marriage.

(ii) Real property held by a trustee under a trust is eligible for agricultural homestead classification under this paragraph if the qualifications in clause (i) are met, except that "owner" means the grantor of the trust.

(iii) (iii) Property containing the residence of an owner who owns qualified property under clause (i) shall be classified as part of the owner's agricultural homestead, if that property is also used for noncommercial storage or drying of agricultural crops.

(c) Except as provided in paragraph (e), Noncontiguous land shall be included as part of a homestead under section 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a and the detached land is located in the same township or city, or not farther than four townships or cities or combination thereof

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from the homestead. Any taxpayer of these noncontiguous lands must notify the county assessor that the noncontiguous land is part of the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer must also notify the assessor of the other county.

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

(e) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain classified as agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of the April 1997 floods;

(2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman, or Wilkin;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1997 assessment year and continue to be used for agricultural purposes;

(4) the dwelling occupied by the owner is located in Minnesota and is within 30 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

(5) the owner notifies the county assessor that the relocation was due to the 1997 floods, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in dwelling. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(f) Agricultural land and buildings that were class 2a homestead property under section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain classified agricultural homesteads for subsequent assessments if:

(1) the property owner abandoned the homestead dwelling located on the agricultural homestead as a result of damage caused by a March 29, 1998, tornado;

(2) the property is located in the county of Blue Earth, Brown, Cottonwood, LeSueur, Nicollet, Nobles, or Rice;

(3) the agricultural land and buildings remain under the same ownership for the current assessment year as existed for the 1998 assessment year;

(4) the dwelling occupied by the owner is located in this state and is within 50 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

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(5) the owner notifies the county assessor that the relocation was due to a March 29, 1998, tornado, and the owner furnishes the assessor any information deemed necessary by the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the owner must notify the assessor by December 1, 1998. Further notifications to the assessor are not required if the property continues to meet all the requirements in this paragraph and any dwellings on the agricultural land remain uninhabited.

(g) Agricultural property consisting of at least 40 acres of a family farm corporation, joint family farm venture, family farm limited liability company, or partnership operating a family farm as described under subdivision 8 shall be classified homestead, to the same extent as other agricultural homestead property, if all of the following criteria are met:

(1) ~~the a~~ shareholder, member, or partner of that entity is actively farming the agricultural property;

(2) ~~the that~~ shareholder, member, or partner of who is actively farming the agricultural property is a Minnesota resident;

(3) ~~neither the that~~ shareholder, member, or partner, nor the spouse of the that shareholder, member, or partner claims another agricultural homestead in Minnesota; and

(4) ~~the that~~ shareholder, member, or partner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

Homestead treatment applies under this paragraph for property leased to a family farm corporation, joint farm venture, limited liability company, or partnership operating a family farm if legal title to the property is in the name of an individual who is a member, shareholder, or partner in the entity.

EFFECTIVE DATE. This section is effective for the 2001 assessment, taxes payable in 2002, and thereafter.

Sec. 32. Minnesota Statutes 2000, section 273.13, subdivision 22, is amended to read:

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

The first ~~\$76,000~~ \$500,000 of market value of class 1a property has a net class rate of one percent of its market value; and the market value of class 1a property that exceeds ~~\$76,000~~ \$500,000 has a class rate of ~~1.65~~ 1.25 percent of its market value.

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

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- (1) any blind person, or the blind person and the blind person's spouse; 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 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) 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 household income, as defined in section 290A.03, subdivision 5, 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
 - (G) pension, annuity, or other income paid as a result of that disability from a private pension or disability plan, including employer, employee, union, and insurance plans and
- (iii) has household income as defined in section 290A.03, subdivision 5, of \$50,000 or less; or
- (4) any person who is permanently and totally disabled and whose household income as defined in section 290A.03, subdivision 5, is 275 percent or less of the federal poverty level.

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Property is classified and assessed under clause (4) only if the government agency or income-providing source certifies, upon the request of the homestead occupant, that the homestead occupant satisfies the disability requirements of this paragraph.

Property is classified and assessed pursuant to clause (1) only if the commissioner of economic security certifies to the assessor that the homestead occupant satisfies the requirements of this paragraph.

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 class rate of .45 percent of its market value. The remaining market value of class 1b property has a net class rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

(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 250 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. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. The first \$500,000 of market value of class 1c property has a class rate of one percent of total, and the remaining market value of class 1c property has a class rate of one percent, 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. If any portion of the class 1c resort property is classified as class 4c under subdivision 25, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

(d) Class 1d property includes structures that meet all of the following criteria:

(1) the structure is located on property that is classified as agricultural property under section 273.13, subdivision 23;

(2) the structure is occupied exclusively by seasonal farm workers during the time when they work on that farm, and the occupants are not charged rent for the privilege of occupying the property, provided that use of the structure for storage of farm equipment and produce does not disqualify the property from classification under this paragraph;

(3) the structure meets all applicable health and safety requirements for the appropriate season; and

(4) the structure is not salable as residential property because it does not comply with local ordinances relating to location in relation to streets or roads.

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The market value of class 1d property has the same class rates as class 1a property under paragraph (a).

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 33. Minnesota Statutes 2000, 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 has the same class rates as class 1a property under subdivision 22. The value of the remaining land including improvements up to \$115,000 has a net class rate of ~~0.35~~ 0.55 percent of market value. The value of class 2a property over \$115,000 of market value up to and including \$600,000 market value has a net class rate of ~~1.20~~ one 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; (2) real estate that is not improved with a structure and is used exclusively for growing trees for timber, lumber, and wood and wood products, if the owner has participated or is participating in a cost-sharing program for afforestation, reforestation, or timber stand improvement on that particular property, administered or coordinated by the commissioner of natural resources; (3) real estate that is nonhomestead agricultural land; or (4) a landing area or public access area of a privately owned public use airport. Class 2b property has a net class rate of ~~1.20~~ one percent of market value.

(c) Agricultural land as used in this section means contiguous acreage of ten acres or more, used during the preceding year for agricultural purposes. "Agricultural purposes" as used in this section means the raising or cultivation of agricultural products or enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or the federal Conservation Reserve Program as contained in Public Law Number 99-198. Contiguous acreage on the same parcel, or contiguous acreage on an immediately adjacent parcel under the same ownership, may also qualify as agricultural land, but only if it is pasture, timber, waste, unusable wild land, or land included in state or federal farm programs. Agricultural classification for property shall be determined excluding the house, garage, and immediately surrounding one acre of land, and shall not be based upon the market value of any residential structures on the parcel or contiguous parcels under the same ownership.

(d) Real estate, excluding the house, garage, and immediately surrounding one acre of land, of less than ten acres which is exclusively and intensively used for raising or cultivating agricultural products, shall be considered as agricultural land.

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

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

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

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

(1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing animals, horticultural and nursery stock described in sections 18.44 to 18.61, fruit of all kinds, vegetables, forage, grains, bees, and apiary products by the owner;

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

(3) the commercial boarding of horses if the boarding is done in conjunction with raising or cultivating agricultural products as defined in clause (1);

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

(5) game birds and waterfowl bred and raised for use on a shooting preserve licensed under section 97A.115;

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

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

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

(f) 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

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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 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.

(g) To qualify for classification under paragraph (b), clause (4), a privately owned public use airport must be licensed as a public airport under section 360.018. For purposes of paragraph (b), clause (4), "landing area" means that part of a privately owned public use airport properly cleared, regularly maintained, and made available to the public for use by aircraft and includes runways, taxiways, aprons, and sites upon which are situated landing or navigational aids. A landing area also includes land underlying both the primary surface and the approach surfaces that comply with all of the following:

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

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

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

The land contained in a landing area under paragraph (b), clause (4), must be described and certified by the commissioner of transportation. The certification is effective until it is modified, or until the airport or landing area no longer meets the requirements of paragraph (b), clause (4). For purposes of paragraph (b), clause (4), "public access area" means property used as an aircraft parking ramp, apron, or storage hangar, or an arrival and departure building in connection with the airport.

EFFECTIVE DATE. This section is effective for taxes levied in 2001, payable in 2002, and thereafter.

Sec. 34. Minnesota Statutes 2000, section 273.13, subdivision 24, is amended to read:

Subd. 24. **CLASS 3.** (a) Commercial and industrial property and utility real and personal property is class 3a.

(1) Except as otherwise provided, each parcel of commercial, industrial, or utility real property has a class rate of ~~2.4~~ 1.5 percent of the first tier of market value, and ~~3.4~~ 2.0 percent of the remaining market value. In the case of contiguous parcels of property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate, except that contiguous parcels owned by the same person or entity shall be eligible for the first-tier value class rate on each separate business operated by the owner of the property, provided the business is housed in a separate structure. For the purposes of this subdivision, the first tier

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means the first \$150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier.

For purposes of this subdivision, parcels are considered to be contiguous even if they are separated from each other by a road, street, waterway, or other similar intervening type of property. Connections between parcels that consist of power lines or pipelines do not cause the parcels to be contiguous. Property owners who have contiguous parcels of property that constitute separate businesses that may qualify for the first-tier class rate shall notify the assessor by July 1, for treatment beginning in the following taxes payable year.

(2) Personal All railroad operating property and all property that is: (i) part of an electric generation, transmission, or distribution system; or (ii) part of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; and (iii) not described in clause (3), has a class rate as provided under clause (1) for the first tier of market value and the remaining market value. In the case of multiple parcels in one county that are owned by one person or entity, only one first tier amount is eligible for the reduced rate.

(3) The entire market value of personal property that is: (i) tools, implements, and machinery of an electric generation, transmission, or distribution system; (ii) tools, implements, and machinery of a pipeline system transporting or distributing water, gas, crude oil, or petroleum products; or (iii) the mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, has a class rate as provided under clause (1) for the remaining market value in excess of the first tier.

(b) Employment property defined in section 469.166, during the period provided in section 469.170, shall constitute class 3b. The class rates for class 3b property are determined under paragraph (a).

(c)(1) Subject to the limitations of clause (2), structures which are (i) located on property classified as class 3a, (ii) constructed under an initial building permit issued after January 2, 1996, (iii) located in a transit zone as defined under section 473.3915, subdivision 3, (iv) located within the boundaries of a school district, and (v) not primarily used for retail or transient lodging purposes, shall have a class rate equal to the lesser of 2.975 percent or the class rate of the second tier of the commercial property rate under paragraph (a) on any portion of the market value that does not qualify for the first tier class rate under paragraph (a). As used in item (v), a structure is primarily used for retail or transient lodging purposes if over 50 percent of its square footage is used for those purposes. A class rate equal to the lesser of 2.975 percent or the class rate of the second tier of the commercial property class rate under paragraph (a) shall also apply to improvements to existing structures that meet the requirements of items (i) to (v) if the improvements are constructed under an initial building permit issued after January 2, 1996, even if the remainder of the structure was constructed prior to January 2, 1996. For the purposes of this paragraph, a structure shall be considered to be located in a transit zone if any portion of the structure lies within the zone. If any property once eligible for treatment under this paragraph ceases to remain

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eligible due to revisions in transit zone boundaries, the property shall continue to receive treatment under this paragraph for a period of three years.

(2) This clause applies to any structure qualifying for the transit zone reduced class rate under clause (1) on January 2, 1999, or any structure meeting any of the qualification criteria in item (i) and otherwise qualifying for the transit zone reduced class rate under clause (1). Such a structure continues to receive the transit zone reduced class rate until the occurrence of one of the events in item (ii). Property qualifying under item (i)(D), that is located outside of a city of the first class, qualifies for the transit zone reduced class rate as provided in that item. Property qualifying under item (i)(E) qualifies for the transit zone reduced class rate as provided in that item.

(i) A structure qualifies for the rate in this clause if it is:

(A) property for which a building permit was issued before December 31, 1998;

or

(B) property for which a building permit was issued before June 30, 2001, if:

(I) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements or signed options as of March 15, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(II) signed agreements have been entered into with one entity or with affiliated entities to lease for the account of the entity or affiliated entities at least 50 percent of the square footage of the structure or the owner of the structure will occupy at least 50 percent of the square footage of the structure; and

(III) one of the following requirements is met:

the project proposer has submitted the completed data portions of an environmental assessment worksheet by December 31, 1998; or

a notice of determination of adequacy of an environmental impact statement has been published by April 1, 1999; or

an alternative urban areawide review has been completed by April 1, 1999; or

(C) property for which a building permit is issued before July 30, 1999, if:

(I) at least 50 percent of the land on which the structure is to be built has been acquired or is the subject of signed purchase agreements as of March 31, 1998, by the entity that proposes construction of the project or an affiliate of the entity;

(II) a signed agreement has been entered into between the building developer and a tenant to lease for its own account at least 200,000 square feet of space in the building;

(III) a signed letter of intent is entered into by July 1, 1998, between the building developer and the tenant to lease the space for its own account; and

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(IV) the environmental review process required by state law was commenced by December 31, 1998;

(D) property for which an irrevocable letter of credit with a housing and redevelopment authority was signed before December 31, 1998. The structure shall receive the transit zone reduced class rate during construction and for the duration of time that the original tenants remain in the building. Any unoccupied net leasable square footage that is not leased within 36 months after the certificate of occupancy has been issued for the building shall not be eligible to receive the reduced class rate. This reduced class rate applies only if a qualifying entity continues to own the property;

(E) property, located in a city of the first class, and for which the building permits for the excavation, the parking ramp, and the office tower were issued prior to April 1, 1999, shall receive the reduced class rate during construction and for the first five assessment years immediately following its initial occupancy provided that, when completed, at least 25 percent of the net leasable square footage must be occupied by a qualifying entity each year during this time period. In order to receive the reduced class rate on the structure in any subsequent assessment years, at least 50 percent of the rentable square footage must be occupied by a qualifying entity. This reduced class rate applies only if a qualifying entity continues to own the property.

(ii) A structure specified by this clause, other than a structure qualifying under clause (i)(D) or (E), shall continue to receive the transit zone reduced class rate until the occurrence of one of the following events:

(A) if the structure upon initial occupancy will be owner occupied by the entity initially constructing the structure or an affiliated entity, the structure receives the reduced class rate until the structure ceases to be at least 50 percent occupied by the entity or an affiliated entity, provided, if the portion of the structure occupied by that entity or an affiliate of the entity is less than 85 percent, the transit zone class rate reduction for the portion of structure not so occupied terminates upon the leasing of such space to any nonaffiliated entity; or

(B) if the structure is leased by a single entity or affiliated entity at the time of initial occupancy, the structure shall receive the reduced class rate until the structure ceases to be at least 50 percent occupied by the entity or an affiliated entity, provided, if the portion of the structure occupied by that entity or an affiliate of the entity is less than 85 percent, the transit zone class rate reduction for the portion of structure not so occupied shall terminate upon the leasing of such space to any nonaffiliated entity; or

(C) if the structure meets the criteria in item (i)(C), the structure shall receive the reduced class rate until the expiration of the initial lease term of the applicable tenants.

Percentages occupied or leased shall be determined based upon net leasable square footage in the structure. The assessor shall allocate the value of the structure in the same fashion as provided in the general law for portions of any structure receiving and not receiving the transit tax class reduction as a result of this clause.

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(3) For purposes of paragraph (c), "qualifying entity" means the entity owning the property on September 1, 2000, or an affiliate of an entity that owned the property on September 1, 2000.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 35. Minnesota Statutes 2000, 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. The market value of class 4a property in a city with a population of 5,000 or less, that is (1) located outside of the metropolitan area, as defined in section 473.121, subdivision 2, or outside any county contiguous to the metropolitan area, and (2) whose city boundary is at least 15 miles from the boundary of any city with a population greater than 5,000 has a class rate of 2.15 percent of market value. All other class 4a property has a class rate of 2.4 percent of market value. For purposes of this paragraph, population has the same meaning given in section 477A.011, subdivision 3 1.8 percent for taxes payable in 2002, 1.5 percent for taxes payable in 2003, and 1.25 percent for taxes payable in 2004 and thereafter, except that class 4a property consisting of a structure for which construction commenced after June 30, 2001, has a class rate of 1.25 percent of market value for taxes payable in 2003 and subsequent years.

(b) Class 4b includes:

(1) residential real estate containing less than four units that does not qualify as class 4bb, other than seasonal residential, and recreational;

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

(3) a dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b) containing two or three units;

(4) unimproved property that is classified residential as determined under subdivision 33.

The market value of class 4b property has a class rate of ~~1.65 percent of market value~~ 1.5 percent for taxes payable in 2002, and 1.25 percent for taxes payable in 2003 and thereafter.

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential, and recreational; and

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(2) a single family dwelling, garage, and surrounding one acre of property on a nonhomestead farm classified under subdivision 23, paragraph (b).

Class 4bb property has a class rate of 1.2 percent on the first \$76,000 of market value and a class rate of 1.65 percent of its market value that exceeds \$76,000 the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal recreational residential property at any time during which it has been owned by the current owner or spouse of the current owner does not qualify for class 4bb.

(d) Class 4c property includes:

(1) 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 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. In order for a property to be classified as class 4c, seasonal recreational residential for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. 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 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts provided that the entire property including that portion of the property classified as class 1c also meets the requirements for class 4c under this clause; otherwise the entire property is classified as class 3. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 1c

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or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

(2) qualified property used as a golf course if:

(i) it is open to the public on a daily fee basis. It may charge membership fees or dues, but a membership fee may not be required in order to use the property for golfing, and its green fees for golfing must be comparable to green fees typically charged by municipal courses; and

(ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).

A structure used as a clubhouse, restaurant, or place of refreshment in conjunction with the golf course is classified as class 3a property;

(3) 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, 1990. 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 3.2 percent 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;

(4) post-secondary student housing of not more than one acre of land that is owned by a nonprofit corporation organized under chapter 317A and is used exclusively by a student cooperative, sorority, or fraternity for on-campus housing or housing located within two miles of the border of a college campus;

(5) manufactured home parks as defined in section 327.14, subdivision 3;

(6) real property that is actively and exclusively devoted to indoor fitness, health, social, recreational, and related uses, is owned and operated by a not-for-profit

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corporation, and is located within the metropolitan area as defined in section 473.121, subdivision 2; and

(7) a leased or privately owned noncommercial aircraft storage hangar not exempt under section 272.01, subdivision 2, and the land on which it is located, provided that:

(i) the land is on an airport owned or operated by a city, town, county, metropolitan airports commission, or group thereof; and

(ii) the land lease, or any ordinance or signed agreement restricting the use of the leased premise, prohibits commercial activity performed at the hangar.

If a hangar classified under this clause is sold after June 30, 2000, a bill of sale must be filed by the new owner with the assessor of the county where the property is located within 60 days of the sale.

Class 4c property has a class rate of ~~1.65~~ 1.5 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, and (iii) property described in paragraph (d), clause (4), has the same class rate as the rate applicable to the first tier of class 4bb nonhomestead residential real estate under paragraph (e) commercial-use seasonal residential recreational property has a class rate of one percent for the first \$500,000 of market value, which includes any market value receiving the one percent rate under subdivision 22, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, and (v) the market value of property described in clauses (2) and (6) has a class rate of 1.25 percent.

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the housing finance agency under sections 273.126 and 462A.071. Class 4d includes land in proportion to the total market value of the building that is qualifying low-income rental housing. For all properties qualifying as class 4d, the market value determined by the assessor must be based on the normal approach to value using normal unrestricted rents.

Class 4d property has a class rate of one percent of market value 0.9 percent for taxes payable in 2002, and one percent for taxes payable in 2003 and 1.25 percent for taxes payable in 2004 and thereafter.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 36. Minnesota Statutes 2000, section 273.13, subdivision 31, is amended to read:

Subd. 31. **CLASS 5.** Class 5 property includes:

(1) unmined iron ore and low-grade iron-bearing formations as defined in section 273.14; and

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(2) all other property not otherwise classified.

Class 5 property has a class rate of ~~3-4~~ 2.0 percent of market value.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 37. [273.1384] MARKET VALUE HOMESTEAD CREDITS.

Subdivision 1. RESIDENTIAL HOMESTEAD MARKET VALUE CREDIT. Each county auditor shall determine a homestead credit for each class 1a, 1b, 1c, and 2a homestead property within the county equal to .4 percent of the market value of the property. The amount of homestead credit for a homestead may not exceed \$304 and is reduced by .09 percent of the market value in excess of \$76,000. In the case of an agricultural or resort homestead, only the market value of the house, garage, and immediately surrounding one acre of land is eligible in determining the property's homestead credit.

Subd. 2. AGRICULTURAL HOMESTEAD MARKET VALUE CREDIT. Property classified as class 2a agricultural homestead is eligible for an agricultural credit. The credit is equal to 0.2 percent of the first \$115,000 of the property's market value. The credit under this subdivision is limited to \$230 for each homestead.

Subd. 3. CREDIT REIMBURSEMENTS. The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted by the county auditors under section 275.29. Any prior year adjustments shall also be certified on the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credits under this section must be used to proportionately reduce the net tax capacity-based property tax payable to each local taxing jurisdiction as provided in section 273.1393.

Subd. 4. PAYMENT. (a) The commissioner of revenue shall reimburse each local taxing jurisdiction, other than school districts, for the tax reductions granted under this section in two equal installments on October 31 and December 26 of the taxes payable year for which the reductions are granted, including in each payment the prior year adjustments certified on the abstracts for that taxes payable year. The reimbursements related to tax increments shall be issued in one installment each year on December 26.

(b) The commissioner of revenue shall certify the total of the tax reductions granted under this section for each taxes payable year within each school district to the commissioner of the department of children, families, and learning and the commissioner of children, families, and learning shall pay the reimbursement amounts to each school district as provided in section 273.1392.

Subd. 5. APPROPRIATION. An amount sufficient to make the payments required by this section to taxing jurisdictions other than school districts is annually appropriated from the general fund to the commissioner of revenue. An amount

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sufficient to make the payments required by this section for school districts is annually appropriated from the general fund to the commissioner of children, families, and learning.

EFFECTIVE DATE. This section is effective for taxes, credits, and reimbursements payable in 2002 and thereafter.

Sec. 38. Minnesota Statutes 2000, section 273.1392, is amended to read:

273.1392 PAYMENT; 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 ~~homestead and agricultural credits under section 273.1384;~~ aids and credits under section 273.1398; ~~wetlands reimbursement under section 275.295;~~ enterprise zone property credit payments under section 469.171; and metropolitan agricultural preserve reduction under section 473H.10 for school districts, shall be certified to the department of children, families, and learning by the department of revenue. The amounts so certified shall be paid according to section 127A.45, subdivisions 9 and 13.

EFFECTIVE DATE. This section is effective for aids and credits payable in 2002 and thereafter.

Sec. 39. Minnesota Statutes 2000, section 273.1393, is amended to read:

273.1393 COMPUTATION OF NET PROPERTY TAXES.

Notwithstanding any other provisions to the contrary, "net" property taxes are determined by subtracting the credits in the order listed from the gross tax:

- (1) disaster credit as provided in section 273.123;
- (2) powerline credit as provided in section 273.42;
- (3) agricultural preserves credit as provided in section 473H.10;
- (4) enterprise zone credit as provided in section 469.171;
- (5) disparity reduction credit;
- (6) conservation tax credit as provided in section 273.119;
- (7) ~~education homestead credit and agricultural credits as provided in section 273.1382~~ 273.1384;
- (8) taconite homestead credit as provided in section 273.135; and
- (9) supplemental homestead credit as provided in section 273.1391.

The combination of all property tax credits must not exceed the gross tax amount.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

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

Sec. 40. Minnesota Statutes 2000, section 273.1398, is amended by adding a subdivision to read:

Subd. 2e. HOMESTEAD AND AGRICULTURAL AID FOR CITIES, TOWNS, AND SPECIAL TAXING DISTRICTS. Notwithstanding the provisions of subdivision 2, the amount of homestead and agricultural credit aid for a statutory or home rule charter city, town, school district, or special taxing district for aid payable in calendar year 2002 and thereafter is zero.

EFFECTIVE DATE. This section is effective for aids payable in 2002 and future years.

Sec. 41. Minnesota Statutes 2000, section 273.166, subdivision 2, is amended to read:

Subd. 2. MANUFACTURED HOME HOMESTEAD AND AGRICULTURAL CREDIT AID. ~~For~~ In calendar year 2002, and each calendar year thereafter, the manufactured home homestead and agricultural credit aid for each taxing jurisdiction equals the taxing jurisdiction's shall be paid to each county under this section in an amount equal to the county's manufactured home homestead and agricultural credit aid determined under this subdivision for the preceding aid payable year times the growth adjustment factor for the jurisdiction plus the net tax capacity adjustment for the jurisdiction county. Payment will not be made to any taxing jurisdiction county that has ceased to levy a property tax.

EFFECTIVE DATE. This section is effective for aid paid in 2002 and thereafter.

Sec. 42. Minnesota Statutes 2000, section 273.166, subdivision 3, is amended to read:

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~~ counties at the times provided in section 473H.10 for local governments other than school districts. ~~Aid payments to the school districts must be certified to the commissioner of children, families, and learning and paid under section 273.1392.~~

EFFECTIVE DATE. This section is effective for aid paid in 2002 and thereafter.

Sec. 43. Minnesota Statutes 2000, section 273.166, subdivision 5, is amended to read:

Subd. 5. APPROPRIATION. There is annually appropriated from the general fund to the commissioner of children, families, and learning a sum sufficient to pay the aids provided under this section for school districts, intermediate school districts, or any group of school districts levying as a single taxing entity. There is annually appropriated from the general fund to the commissioner of revenue a sum sufficient to pay the aids provided under this section to counties, cities, towns, and special taxing districts.

EFFECTIVE DATE. This section is effective for fiscal year 2003 and thereafter.

New language is indicated by underline, deletions by strikeout.

Sec. 44. Minnesota Statutes 2000, section 273.42, is amended by adding a subdivision to read:

Subd. 3. STATE TAX ON TRANSMISSION AND DISTRIBUTION LINES. Notwithstanding section 273.425, the entire tax capacity of property taxed at the average local tax rate under subdivision 1 is subject to the state tax rate provided in section 275.025. Notwithstanding subdivisions 1 and 2, the entire proceeds of the state tax levy for each such property must be distributed to the state under the procedures provided in chapter 276. No portion of the proceeds from the state levy on such property is distributed within the county under subdivision 1 or 2.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 45. Minnesota Statutes 2000, section 275.02, is amended to read:

275.02 STATE LEVY, EXCEPTIONS FOR BONDED DEBT; CERTIFICATION OF TAX RATE.

The A state tax for bonded debt pursuant to the Minnesota Constitution, article XI, shall be levied on the tax capacity of all taxable property in the state. The rate of the tax shall be certified by the state auditor to each county auditor on or before November 15 1 annually. The tax under this section is not treated as a local tax rate under 469.177.

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

Sec. 46. **[275.025] STATE GENERAL TAX.**

Subdivision 1. LEVY AMOUNT. The state general levy is levied against commercial-industrial property and seasonal recreational property, as defined in this section. The state general levy is \$592,000,000 for taxes payable in 2002. For taxes payable in subsequent years, the levy is increased each year by multiplying the amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F. Beginning in fiscal year 2004, and in each year thereafter, the commissioner of finance shall deposit in an education reserve account, which account is hereby established, the increased amount of the state general levy received for deposit in the general fund for that year over the amount of the state general levy received for deposit in the general fund in fiscal year 2003. The amounts in the education reserve account do not lapse or cancel each year, but remain until appropriated by law for education aid or higher education funding.

Subd. 2. COMMERCIAL-INDUSTRIAL TAX CAPACITY. For the purposes of this section, "commercial-industrial tax capacity" means the tax capacity of all

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taxable property classified as class 3 or class 5(1) under section 273.13, except for electric generation attached machinery under class 3 and property described in section 473.625. County commercial-industrial tax capacity amounts are not adjusted for the captured net tax capacity of a tax increment financing district under section 469.177, subdivision 2, the net tax capacity of transmission lines deducted from a local government's total net tax capacity under section 273.425, or fiscal disparities contribution and distribution net tax capacities under chapter 276A or 473F.

Subd. 3. SEASONAL RECREATIONAL TAX CAPACITY. For the purposes of this section, "seasonal recreational tax capacity" means the tax capacity of all class 4c(1) property under section 273.13, subdivision 25, except that the first \$76,000 of market value of each noncommercial class 4c(1) property has a tax capacity for this purpose equal to 40 percent of its tax capacity under section 273.13.

Subd. 4. APPORTIONMENT AND LEVY OF STATE GENERAL TAX. The state general tax must be distributed among the counties by applying a uniform rate to each county's commercial-industrial tax capacity and its seasonal recreational tax capacity. Within each county, the tax must be levied by applying a uniform rate against commercial-industrial tax capacity and seasonal recreational tax capacity. By November 1 each year, the commissioner of revenue shall certify the state general levy rate to each county auditor.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and subsequent years.

Sec. 47. Minnesota Statutes 2000, section 275.065, subdivision 3, is amended to read:

Subd. 3. NOTICE OF PROPOSED PROPERTY TAXES. (a) The county auditor shall prepare and the county treasurer shall deliver after November 10 and on or before November 24 each year, by first class mail to each taxpayer at the address listed on the county's current year's assessment roll, a notice of proposed property taxes.

(b) The commissioner of revenue shall prescribe the form of the notice.

(c) 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. In the case of a town, or in the case of the state determined portion of the school district levy, the final tax amount will be its proposed tax. In the case of taxing authorities required to hold a public meeting under subdivision 6, the notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting, a telephone number for the taxing authority that taxpayers may call if they have

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questions related to the notice, and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on November 1 of the current year; and, in the case of residential property, whether the property is classified as homestead or nonhomestead. The notice must clearly inform taxpayers of the years to which the market values apply and that the values are final values;

(2) the items listed below, shown separately by county, city or town, state determined school tax net of the education homestead credit under section 273.1382, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year;

(ii) the tax change due to spending factors, defined as the proposed tax minus the constant spending tax amount;

(iii) the tax change due to other factors, defined as the constant spending tax amount minus the actual current year tax; and

(iv) the proposed tax amount.

In the case of a town or the state determined school tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis library board and the levy for Minneapolis park and recreation shall be listed separately from the remaining amount of the city's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

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(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;

(4) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

(5) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, subdivisions 5a and 6, "metropolitan special taxing districts" means the following taxing districts in the seven-county metropolitan area that levy a property tax for any of the specified purposes listed below:

(1) metropolitan council under section 473.132, 473.167, 473.249, 473.325, 473.446, 473.521, 473.547, or 473.834;

(2) metropolitan airports commission under section 473.667, 473.671, or 473.672; and

(3) metropolitan mosquito control commission under section 473.711.

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For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing.

(j) If a statutory or home rule charter city or a town has exercised the local levy option provided by section 473.388, subdivision 7, it may include in the notice of its proposed taxes the amount of its proposed taxes attributable to its exercise of the option. In the first year of the city or town's exercise of this option, the statement shall include an estimate of the reduction of the metropolitan council's tax on the parcel due to exercise of that option. The metropolitan council's levy shall be adjusted accordingly.

EFFECTIVE DATE. This section is effective for notices of proposed property taxes required in 2001 for taxes payable in 2002, and thereafter.

Sec. 48. Minnesota Statutes 2000, section 275.065, subdivision 5a, is amended to read:

Subd. 5a. **PUBLIC ADVERTISEMENT.** (a) A city that has a population of more than 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph (i), a regional library district established under section 134.201, or school district shall advertise in a newspaper a notice of its intent to adopt a budget and property tax levy or, in the case of a school district, to review its current budget and proposed property taxes payable in the following year, at a public hearing, if a public hearing is required under subdivision 6. The notice must be published not less than two business days nor more than six business days before the hearing.

The advertisement must be at least one-eighth page in size of a standard-size or a tabloid-size newspaper. The advertisement must not be placed in the part of the newspaper where legal notices and classified advertisements appear. The advertisement must be published in an official newspaper of general circulation in the taxing authority. The newspaper selected must be one of general interest and readership in the community, and not one of limited subject matter. The advertisement must appear in a newspaper that is published at least once per week.

For purposes of this section, the metropolitan special taxing district's advertisement must only be published in the Minneapolis Star and Tribune and the Saint Paul Pioneer Press.

In addition to other requirements, a county and a city having a population of more than 2,500 must show in the public advertisement required under this subdivision the current local tax rate, the proposed local tax rate if no property tax levy increase is adopted, and the proposed rate if the proposed levy is adopted. For purposes of this subdivision, "local tax rate" means the city's or county's net tax capacity levy divided by the city's or county's taxable net tax capacity.

(b) The advertisement for school districts, metropolitan special taxing districts, and regional library districts must be in the following form, except that the notice for

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a school district may include references to the current budget in regard to proposed property taxes.

“NOTICE OF
PROPOSED PROPERTY TAXES

(School District/Metropolitan
Special Taxing District/Regional
Library District) of

The governing body of will soon hold budget hearings and vote on the property taxes for (metropolitan special taxing district/regional library district services that will be provided in (year)/school district services that will be provided in (year) and (year)).

NOTICE OF PUBLIC HEARING:

All concerned citizens are invited to attend a public hearing and express their opinions on the proposed (school district/metropolitan special taxing district/regional library district) budget and property taxes, or in the case of a school district, its current budget and proposed property taxes, payable in the following year. The hearing will be held on (Month/Day/Year) at (Time) at (Location, Address).”

(c) The advertisement for cities and counties must be in the following form.

“NOTICE OF PROPOSED
TOTAL BUDGET AND PROPERTY TAXES

The (city/county) governing body or board of commissioners will hold a public hearing to discuss the budget and to vote on the amount of property taxes to collect for services the (city/county) will provide in (year).

SPENDING: The total budget amounts below compare (city’s/county’s) (year) total actual budget with the amount the (city/county) proposes to spend in (year).

(Year) Total Actual Budget	Proposed (Year) Budget	Change from (Year)-(Year)
\$.....	\$.....	...%

TAXES: The property tax amounts below compare that portion of the current budget levied in property taxes in (city/county) for (year) with the property taxes the (city/county) proposes to collect in (year).

(Year) Property Taxes	Proposed (Year) Property Taxes	Change from (Year)-(Year)
\$.....	\$.....	...%

LOCAL TAX RATE COMPARISON: The current local tax rate, the local tax rate if no tax levy increase is adopted, and the proposed local tax rate if the proposed levy is adopted.

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<u>(Year)</u>	<u>(Year)</u>	<u>(Year)</u>
<u>Tax Rate</u>	<u>Tax Rate if NO Levy Increase</u>	<u>Proposed Tax Rate</u>
.....

ATTEND THE PUBLIC HEARING

All (city/county) residents are invited to attend the public hearing of the (city/county) to express your opinions on the budget and the proposed amount of (year) property taxes. The hearing will be held on:

(Month/Day/Year/Time)
(Location/Address)

If the discussion of the budget cannot be completed, a time and place for continuing the discussion will be announced at the hearing. You are also invited to send your written comments to:

(City/County)
(Location/Address)"

(d) For purposes of this subdivision, the budget amounts listed on the advertisement mean:

(1) for cities, the total government fund expenditures, as defined by the state auditor under section 471.6965, less any expenditures for improvements or services that are specially assessed or charged under chapter 429, 430, 435, or the provisions of any other law or charter; and

(2) for counties, the total government fund expenditures, as defined by the state auditor under section 375.169, less any expenditures for direct payments to recipients or providers for the human service aids listed below:

- (i) Minnesota family investment program under chapters 256J and 256K;
- (ii) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;
- (iii) general assistance medical care under section 256D.03, subdivision 6;
- (iv) general assistance under section 256D.03, subdivision 2;
- (v) emergency assistance under section 256J.48;
- (vi) Minnesota supplemental aid under section 256D.36, subdivision 1;
- (vii) preadmission screening under section 256B.0911, and alternative care grants under section 256B.0913;
- (viii) general assistance medical care claims processing, medical transportation and related costs under section 256D.03, subdivision 4;
- (ix) medical transportation and related costs under section 256B.0625, subdivisions 17 to 18a;

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(x) group residential housing under section 256L.05, subdivision 8, transferred from programs in clauses (iv) and (vi); or

(xi) any successor programs to those listed in clauses (i) to (x).

(e) A city with a population of over 500 but not more than 2,500 that is required to hold a public hearing under subdivision 6 must advertise by posted notice as defined in section 645.12, subdivision 1. The advertisement must be posted at the time provided in paragraph (a). It must be in the form required in paragraph (b).

(f) For purposes of this subdivision, the population of a city is the most recent population as determined by the state demographer under section 4A.02.

(g) The commissioner of revenue, subject to the approval of the chairs of the house and senate tax committees, shall prescribe the form and format of the advertisement advertisements required under this subdivision.

EFFECTIVE DATE. This section is effective for public advertisements required in 2001 for taxes payable in 2002, and thereafter.

Sec. 49. Minnesota Statutes 2000, section 275.065, subdivision 6, is amended to read:

Subd. 6. **PUBLIC HEARING; ADOPTION OF BUDGET AND LEVY.** (a) For purposes of this section, the following terms shall have the meanings given:

(1) "Initial hearing" means the first and primary hearing held to discuss the taxing authority's proposed budget and proposed property tax levy for taxes payable in the following year, or, for school districts, the current budget and the proposed property tax levy for taxes payable in the following year.

(2) "Continuation hearing" means a hearing held to complete the initial hearing, if the initial hearing is not completed on its scheduled date.

(3) "Subsequent hearing" means the hearing held to adopt the taxing authority's final property tax levy, and, in the case of taxing authorities other than school districts, the final budget, for taxes payable in the following year.

(b) Between November 29 and December 20, the governing bodies of a city that has a population over 500, county, metropolitan special taxing districts as defined in subdivision 3, paragraph (i), and regional library districts shall each hold an initial public hearing to discuss and seek public comment on its final budget and property tax levy for taxes payable in the following year, and the governing body of the school district shall hold an initial public hearing to review its current budget and proposed property tax levy for taxes payable in the following year. The metropolitan special taxing districts shall be required to hold only a single joint initial public hearing, the location of which will be determined by the affected metropolitan agencies. A city, county, metropolitan special taxing district as defined in subdivision 3, paragraph (i), regional library district established under section 134.201, or school district is not required to hold a public hearing under this subdivision unless its proposed property

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tax levy for taxes payable in the following year, as certified under subdivision 1, has increased over its final property tax levy for taxes payable in the current year by a percentage that is greater than the percentage increase in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the current year.

(c) The initial hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No initial hearing may be held on a Sunday.

(d) At the initial hearing under this subdivision, 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. At the public hearing, the school district must also provide and discuss information on the distribution of its revenues by revenue source, and the distribution of its spending by program area.

(e) If the initial hearing is not completed on its scheduled date, the taxing authority must announce, prior to adjournment of the hearing, the date, time, and place for the continuation of the hearing. The continuation hearing must be held at least five business days but no more than 14 business days after the initial hearing. A continuation hearing may not be held later than December 20 except as provided in paragraphs (f) and (g). A continuation hearing must be held after 5:00 p.m. if scheduled on a day other than Saturday. No continuation hearing may be held on a Sunday.

(f) The governing body of a county shall hold its initial hearing on the first Thursday in December each year, and may hold additional initial hearings on other dates before December 20 if necessary for the convenience of county residents. If the county needs a continuation of its hearing, the continuation hearing shall be held on the third Tuesday in December. If the third Tuesday in December falls on December 21, the county's continuation hearing shall be held on Monday, December 20.

(g) The metropolitan special taxing districts shall hold a joint initial public hearing on the first Wednesday of December. A continuation hearing, if necessary, shall be held on the second Wednesday of December even if that second Wednesday is after December 10.

(h) The county auditor shall provide for the coordination of initial and continuation hearing dates for all school districts and cities within the county to prevent conflicts under clauses (i) and (j).

(i) By August 10, each school board and the board of the regional library district shall certify to the county auditors of the counties in which the school district or regional library district is located the dates on which it elects to hold its initial hearing and any continuation hearing. If a school board or regional library district does not

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certify these dates by August 10, the auditor will assign the initial and continuation hearing dates. The dates elected or assigned must not conflict with the initial and continuation hearing dates of the county or the metropolitan special taxing districts.

(j) By August 20, the county auditor shall notify the clerks of the cities within the county of the dates on which school districts and regional library districts have elected to hold their initial and continuation hearings. At the time a city certifies its proposed levy under subdivision 1 it shall certify the dates on which it elects to hold its initial hearing and any continuation hearing. Until September 15, the first and second Mondays of December are reserved for the use of the cities. If a city does not certify its hearing dates by September 15, the auditor shall assign the initial and continuation hearing dates. The dates elected or assigned for the initial hearing must not conflict with the initial hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. To the extent possible, the dates of the city's continuation hearing should not conflict with the continuation hearing dates of the county, metropolitan special taxing districts, regional library districts, or school districts within which the city is located. This paragraph does not apply to cities of 500 population or less.

(k) The county initial hearing date and the city, metropolitan special taxing district, regional library district, and school district initial hearing dates must be designated on the notices required under subdivision 3. The continuation hearing dates need not be stated on the notices.

(l) At a subsequent hearing, each county, school district, city over 500 population, and metropolitan special taxing district may amend its proposed property tax levy and must adopt a final property tax levy. Each county, city over 500 population, and metropolitan special taxing district may also amend its proposed budget and must adopt a final budget at the subsequent hearing. The final property tax levy must be adopted prior to adopting the final budget. A school district is not required to adopt its final budget at the subsequent hearing. The subsequent hearing of a taxing authority must be held on a date subsequent to the date of the taxing authority's initial public hearing. If a continuation hearing is held, the subsequent hearing must be held either immediately following the continuation hearing or on a date subsequent to the continuation hearing. The subsequent hearing may be held at a regularly scheduled board or council meeting or at a special meeting scheduled for the purposes of the subsequent hearing. The subsequent hearing of a taxing authority does not have to be coordinated by the county auditor to prevent a conflict with an initial hearing, a continuation hearing, or a subsequent hearing of any other taxing authority. All subsequent hearings must be held prior to five working days after December 20 of the levy year. The date, time, and place of the subsequent hearing must be announced at the initial public hearing or at the continuation hearing.

(m) The property tax levy certified under section 275.07 by a city of any population, county, metropolitan special taxing district, regional library district, or school district must not exceed the proposed levy determined under subdivision 1, except by an amount up to the sum of the following amounts:

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(1) the amount of a school district levy whose voters approved a referendum to increase taxes under section 123B.63, subdivision 3, or 126C.17, subdivision 9, after the proposed levy was certified;

(2) the amount of a city or county levy approved by the voters after the proposed levy was certified;

(3) the amount of a levy to pay principal and interest on bonds 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;

(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;

(6) the amount of an increase in levy limits certified to the taxing authority by the commissioner of children, families, and learning or the commissioner of revenue after the proposed levy was certified; and

(7) the amount required under section 126C.55.

(n) This subdivision does not apply to towns and special taxing districts other than regional library districts and metropolitan special taxing districts.

(o) Notwithstanding the requirements of this section, the employer is required to meet and negotiate over employee compensation as provided for in chapter 179A.

EFFECTIVE DATE. This section is effective for hearings required in 2001 for taxes payable in 2002 and thereafter.

Sec. 50. Minnesota Statutes 2000, section 275.066, is amended to read:

275.066 SPECIAL TAXING DISTRICTS; DEFINITION.

For the purposes of property taxation and property tax state aids, the term "special taxing districts" includes the following entities:

- (1) watershed districts under chapter 103D;
- (2) sanitary districts under sections 115.18 to 115.37;
- (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- (4) regional public library districts under section 134.201;
- (5) park districts under chapter 398;
- (6) regional railroad authorities under chapter 398A;
- (7) hospital districts under sections 447.31 to 447.38;

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(8) St. Cloud metropolitan transit commission under sections 458A.01 to 458A.15;

(9) Duluth transit authority under sections 458A.21 to 458A.37;

(10) regional development commissions under sections 462.381 to 462.398;

(11) housing and redevelopment authorities under sections 469.001 to 469.047;

(12) port authorities under sections 469.048 to 469.068;

(13) economic development authorities under sections 469.090 to 469.1081;

(14) metropolitan council under sections 473.123 to 473.549;

(15) metropolitan airports commission under sections 473.601 to 473.680;

(16) metropolitan mosquito control commission under sections 473.701 to 473.716;

(17) Morrison county rural development financing authority under Laws 1982, chapter 437, section 1;

(18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;

(19) East Lake county medical clinic district under Laws 1989, chapter 211, sections 1 to 6;

(20) Floodwood area ambulance district under Laws 1993, chapter 375, article 5, section 39;

(21) Middle Mississippi river watershed management organization under sections 103B.211 and 103B.241; and

(22) emergency medical services special taxing districts under section 144F.01;

(23) a county levying under the authority of section 103B.241, 103B.245, or 103B.251; and

(24) any other political subdivision of the state of Minnesota, excluding counties, school districts, cities, and towns, that has the power to adopt and certify a property tax levy to the county auditor, as determined by the commissioner of revenue.

EFFECTIVE DATE. Clause (22) of this section is effective for taxes levied in 2002, payable in 2003, through taxes levied in 2007, payable in 2008. Clause (23) of this section is effective for taxes levied in 2001, payable in 2002, and thereafter.

Sec. 51. Minnesota Statutes 2000, section 275.07, subdivision 1, is amended to read:

Subdivision 1. **CERTIFICATION OF LEVY.** (a) Except as provided under paragraph (b), the taxes voted by cities, counties, school districts, and special districts shall be certified by the proper authorities to the county auditor on or before five working days after December 20 in each year. A town must certify the levy adopted by

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the town board to the county auditor by September 15 each year. If the town board modifies the levy at a special town meeting after September 15, the town board must recertify its levy to the county auditor on or before five working days after December 20. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivision 2, but shall be reduced by the county auditor by the aid received under section 273.1398, subdivision 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.

(b)(i) The taxes voted by counties under sections 103B.241, 103B.245, and 103B.251 shall be separately certified by the county to the county auditor on or before five working days after December 20 in each year. The taxes certified shall not be reduced by the county auditor by the aid received under section 273.1398, subdivisions 2 and 3. If a county fails to certify its levy by that date, its levy shall be the amount levied by it for the preceding year.

(ii) For purposes of the proposed property tax notice under section 275.065 and the property tax statement under section 276.04, for the first year in which the county implements the provisions of this paragraph, the county auditor shall reduce the county's levy for the preceding year to reflect any amount levied for water management purposes under clause (i) included in the county's levy.

EFFECTIVE DATE. This section is effective for taxes levied in 2001, payable in 2002, and thereafter.

Sec. 52. Minnesota Statutes 2000, 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 local tax rate of .01 percent or a net local tax 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. The auditor shall enter both the state tax determined under sections 275.02 and 275.025, and the local taxes determined under sections 275.08 and 275.083, on the tax lists. The total ad valorem property tax for each description of property before credits is the sum of the amounts of the various local taxes that apply to the parcel plus the amount of any applicable state tax. 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

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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 January 1 annually.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 53. Minnesota Statutes 2000, section 275.61, is amended to read:

275.61 VOTER APPROVED LEVY; MARKET VALUE.

Subdivision 1. MARKET VALUE. For local governmental subdivisions other than school districts, any levy, including the issuance of debt obligations payable in whole or in part from property taxes, required to be approved and approved by the voters at a general or special election for taxes payable in 1993 and thereafter, shall be levied against the referendum market value of all taxable property within the governmental subdivision, as defined in section 126C.01, subdivision 3. Any levy amount subject to the requirements of this section shall be certified separately to the county auditor under section 275.07.

The ballot shall state the maximum amount of the increased levy as a percentage of market value and the amount that will be raised by the new referendum tax rate in the first year it is to be levied.

Subd. 2. CONVERSION TO NET TAX CAPACITY. Any referendum levy approved under subdivision 1 prior to January 1, 2001, may be converted from a referendum market value basis to a net tax capacity basis, provided that the proportion of the jurisdiction's referendum market value exempted under article 2, section 8, is at least ten percent for property taxes payable in 2001. A jurisdiction choosing to exercise the option to convert the referendum tax to a net tax capacity basis must notify the county auditor of its intent prior to October 1, 2001. A decision to convert a referendum levy under this subdivision shall be a permanent change affecting all future years. The option to convert a levy under this subdivision shall cease after October 1, 2001.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 54. Minnesota Statutes 2000, section 275.62, subdivision 1, is amended to read:

Subdivision 1. REPORT ON TAXES LEVIED. The commissioner of revenue shall establish procedures for the annual reporting of local government levies. Each local governmental unit shall submit a report to the commissioner by December 30 of the year in which the tax is levied. The report shall include, but is not limited to, information on the amount of the tax levied by the governmental unit for the following purposes:

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(1) ~~debt, which includes taxes levied for the purposes defined in Minnesota Statutes 1991 Supplement, section 275.50, subdivision 5, clauses (b), (c), (d), and (e);~~

(2) ~~social services and related programs, which include taxes levied for the purposes defined in Minnesota Statutes 1991 Supplement, section 275.50, subdivision 5, clauses (a), (j), and (v);~~

(3) ~~libraries, which include taxes levied for the purposes defined in Minnesota Statutes 1991 Supplement, section 275.50, subdivision 5, clause (n);~~

(4) ~~for counties only, the amount of levy needed to fund increased county costs associated with the welfare reform under Laws 1997, chapter 85, including increased administration and program costs of the income maintenance programs and also related support services as they relate directly to the welfare reform (2) the amounts levied for each of the purposes listed in section 275.70, subdivision 5; and~~

(5) (3) ~~other levies, which include the taxes levied for all purposes not included in clause (1), (2), or (3), or (4).~~

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

Sec. 55. Minnesota Statutes 2000, section 276.04, subdivision 2, is amended to read:

Subd. 2. **CONTENTS OF TAX STATEMENTS.** (a) The treasurer shall provide for the printing of the tax statements. 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 and the amount of the state determined school tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state determined school tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. 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 amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement. ~~The statement shall include the following sentences, printed in upper case letters in boldface print: "EVEN THOUGH THE STATE OF MINNESOTA DOES NOT RECEIVE ANY PROPERTY TAX REVENUES, IT SETS THE AMOUNT OF THE STATE-DETERMINED SCHOOL TAX LEVY. THE STATE OF MINNESOTA REDUCES YOUR PROPERTY TAX BY PAYING CREDITS AND REIMBURSEMENTS TO LOCAL UNITS OF GOVERNMENT."~~

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(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) 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 under section 273.11, subdivision 1;

(2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;

(3) the property's gross tax, calculated by adding the property's total property tax to the sum of the aids enumerated in clause (4);

(4) a total of the following aids:

(i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A;

(ii) local government aids for cities, towns, and counties under chapter 477A;

(iii) disparity reduction aid under section 273.1398; and

(iv) homestead and agricultural credit aid under section 273.1398;

(5) for homestead residential and agricultural properties, the education ~~homestead~~ credit credits under section ~~273.1382~~ 273.1384;

(6) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and

(7) the net tax payable in the manner required in paragraph (a).

(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clause (4) that local governments will receive in the following year. The commissioner must certify this amount by January 1 of each year.

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

EFFECTIVE DATE. This section is effective July 1, 2001 and thereafter, for statements required in 2002 and thereafter.

Sec. 56. Minnesota Statutes 2000, section 276.11, subdivision 1, is amended to read:

Subdivision 1. **GENERALLY.** As soon as practical after the settlement day determined in section 276.09, 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 settlement date determined in section 276.09. Within seven business days after the due date, or 28 calendar days after the postmark date on the envelopes containing real or personal property tax statements, whichever is latest, 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, unless the school district elects to receive 50 percent of the estimated collections arising from taxes levied by and belonging to the school district after making a proportionate reduction to reflect any loss in collections as the result of any delay in mailing tax statements. In that case, 50 percent of those adjusted, estimated collections shall be paid by the county treasurer to the treasurer of the school district within seven business days of the due date. The remaining 50 percent of the estimated collections must be paid to the treasurer of the school district within the next seven business days of the later of the dates in the preceding sentence, unless the school district elects to receive the remainder of its estimated collections after a proportionate reduction has been made to reflect any loss in collections as the result of any delay in mailing tax statements. In that case, the remaining 50 percent of those adjusted, estimated collections shall be paid by the county treasurer to the treasurer of the school district within 14 days of the due date. The treasurer shall pay the balance of the amounts collected to the state before June 30, or to a municipal corporation or other body within 60 days after the settlement date determined in section 276.09. 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.

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EFFECTIVE DATE. This section is effective for taxes payable in 2002 and subsequent years.

Sec. 57. Minnesota Statutes 2000, section 276A.06, subdivision 3, is amended to read:

Subd. 3. **APPORTIONMENT OF LEVY.** The county auditor shall apportion the levy of each governmental unit in the county in the manner prescribed by this subdivision. The auditor shall:

(a) by August 20 of 1997 and each subsequent year, determine the areawide portion of the levy for each governmental unit by multiplying the local tax rate of the governmental unit for the preceding levy year times the distribution value set forth in subdivision 2, clause (b); and

(b) by September 5 of 1997 and each subsequent year, 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; and

(c) for determinations made under paragraph (a) in the case of school districts, for taxes payable in 2002, exclude the general education tax rate and the portion of the referendum tax rate attributable to the first \$415 per pupil unit from the local tax rate for the preceding levy year.

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

Sec. 58. Minnesota Statutes 2000, section 281.17, is amended to read:

281.17 PERIOD FOR REDEMPTION.

Except for properties for which the period of redemption has been limited under sections 281.173 and 281.174, the following periods for redemption apply.

The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is within an incorporated area unless it is: (a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22; (b) homesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (a); or (c) seasonal recreational land as defined in section 273.13, subdivision 22, paragraph (c), or 25, paragraph (e) ~~(d)~~, clause ~~(5)~~ (1), for which the period of redemption is five years from the date of sale to the state of Minnesota.

The period of redemption for homesteaded lands as defined in section 273.13, subdivision 22, located in a targeted neighborhood as defined in Laws 1987, chapter 386, article 6, section 4, and sold to the state at a tax judgment sale is three years from the date of sale. The period of redemption for all lands located in a targeted neighborhood as defined in Laws 1987, chapter 386, article 6, section 4, except (1) homesteaded lands as defined in section 273.13, subdivision 22, and (2) for periods of redemption beginning after June 30, 1991, but before July 1, 1996, lands located in the Loring Park targeted neighborhood on which a notice of lis pendens has been served,

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and sold to the state at a tax judgment sale is one year from the date of sale.

The period of redemption for all real property constituting a mixed municipal solid waste disposal facility that is a qualified facility under section 115B.39, subdivision 1, is one year from the date of the sale to the state of Minnesota.

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale, except that the period of redemption for nonhomesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (b), shall be two years from the date of sale if at that time that property is owned by a person who owns one or more parcels of property on which taxes are delinquent, and the delinquent taxes are more than 25 percent of the prior year's school district levy.

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

Sec. 59. Minnesota Statutes 2000, section 282.01, subdivision 1, is amended to read:

Subdivision 1. **CLASSIFICATION AS CONSERVATION OR NONCONSERVATION.** It is the general policy of this state to encourage the best use of tax-forfeited lands, recognizing that some lands in public ownership should be retained and managed for public benefits while other lands should be returned to private ownership. Parcels of land becoming the property of the state in trust under law declaring the forfeiture of lands to the state for taxes must be classified by the county board of the county in which the parcels lie as conservation or nonconservation. In making the classification the board shall consider the present use of adjacent lands, the productivity of the soil, the character of forest or other growth, accessibility of lands to established roads, schools, and other public services, their peculiar suitability or desirability for particular uses and the suitability of the forest resources on the land for multiple use, sustained yield management. The classification, furthermore, must encourage and foster a mode of land utilization that will facilitate the economical and adequate provision of transportation, roads, water supply, drainage, sanitation, education, and recreation; facilitate reduction of governmental expenditures; conserve and develop the natural resources; and foster and develop agriculture and other industries in the districts and places best suited to them.

In making the classification the county board may use information made available by any office or department of the federal, state, or local governments, or by any other person or agency possessing pertinent information at the time the classification is made. The lands may be reclassified from time to time as the county board considers necessary or desirable, except for conservation lands held by the state free from any trust in favor of any taxing district.

If the lands are located within the boundaries of an organized town, with taxable valuation in excess of \$20,000, or incorporated municipality, the classification or reclassification and sale must first be approved by the town board of the town or the governing body of the municipality in which the lands are located. The town board of

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the town or the governing body of the municipality is considered to have approved the classification or reclassification and sale if the county board is not notified of the disapproval of the classification or reclassification and sale within 60 days of the date the request for approval was transmitted to the town board of the town or governing body of the municipality. If the town board or governing body desires to acquire any parcel lying in the town or municipality by procedures authorized in this section, it must file a written application with the county board to withhold the parcel from public sale. The application must be filed within 60 days of the request for classification or reclassification and sale. The county board shall then withhold the parcel from public sale for six months. A municipality or governmental subdivision shall pay maintenance costs incurred by the county during the six-month period while the property is withheld from public sale, provided the property is not offered for public sale after the six-month period. A clerical error made by county officials does not serve to eliminate the request of the town board or governing body if the board or governing body has forwarded the application to the county auditor. If the town board or governing body of the municipality fails to submit an application and a resolution of the board or governing body to acquire the property within the withholding period, the county may offer the property for sale upon the expiration of the withholding period.

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

Sec. 60. Minnesota Statutes 2000, section 282.01, subdivision 1b, is amended to read:

Subd. 1b. **CONVEYANCE; TARGETED NEIGHBORHOOD LANDS.** (a) Notwithstanding subdivision 1a, in the case of tax-forfeited lands located in a targeted neighborhood, as defined in section 469.201, subdivision 10, outside the metropolitan area, as defined in and section 473.121, subdivision 2, the commissioner of revenue ~~may~~ shall convey by deed in the name of the state any tract of tax-forfeited land held in trust in favor of the taxing districts, to a political subdivision that submits an application to the commissioner of revenue and the recommendation of the county board.

~~(b) Notwithstanding subdivision 1a, in the case of tax-forfeited lands located in a targeted neighborhood, as defined in section 469.201, subdivision 10, in a county in the metropolitan area, as defined in section 473.121, subdivision 2, the commissioner of revenue shall convey by deed in the name of the state any tract of tax-forfeited land held in trust in favor of the taxing districts, to a political subdivision that submits an application to the commissioner of revenue and the county board.~~

(e) The application under paragraph (a) ~~or (b)~~ must include a statement of facts as to the use to be made of the tract, the need therefor, and a resolution, adopted by the governing body of the political subdivision, finding that the conveyance of a tract of tax-forfeited land to the political subdivision is necessary to provide for the redevelopment of land as productive taxable property. Deeds of conveyance issued under paragraph (a) are not conditioned on continued use of the property for the use stated in the application.

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EFFECTIVE DATE. This section is effective for deeds issued on or after August 1, 2001.

Sec. 61. Minnesota Statutes 2000, section 282.01, subdivision 1c, is amended to read:

Subd. 1c. **DEED OF CONVEYANCE; FORM; APPROVALS.** The deed of conveyance for property conveyed for a public use must be on a form approved by the attorney general and must be conditioned on continued use for the purpose stated in the application. ~~If, however, the governing body of the governmental subdivision by resolution determines that some other public use should be made of the lands, and the change of use is approved by the county board and an application for change of use is made to, and approved by, the commissioner, the changed use may be made without conveying the lands back to the state and securing a new conveyance for the new public use.~~

EFFECTIVE DATE. This section is effective for deeds issued on or after August 1, 2001.

Sec. 62. Minnesota Statutes 2000, section 282.01, subdivision 1d, is amended to read:

Subd. 1d. **REVERTER FOR FAILURE TO USE; CONVEYANCE TO STATE.** ~~When~~ If after three years from the date of the conveyance a governmental subdivision to which tax-forfeited land has been conveyed for a specified public use as provided in this section fails to put the land to that use, or to some other authorized public use as provided in this section, or abandons that use, the governing body of the subdivision shall may, with the approval of the county board, purchase the property for an authorized public purpose at the present appraised value as determined by the county board. In that case, the commissioner of revenue shall, upon proper written application approved by the county board, issue an appropriate deed to the subdivisions free of a use restriction and revert to the state. The governing body may also authorize the proper officers to convey the land, or the part of the land not required for an authorized public use, to the state of Minnesota. The officers shall execute a deed of conveyance immediately. The conveyance is subject to the approval of the commissioner and its form must be approved by the attorney general. A sale, lease, transfer, or other conveyance of tax-forfeited lands by a housing and redevelopment authority, a port authority, an economic development authority, or a city as authorized by chapter 469 is not an abandonment of use and the lands shall not be reconveyed to the state nor shall they revert to the state. A certificate made by a housing and redevelopment authority, a port authority, an economic development authority, or a city referring to a conveyance by it and stating that the conveyance has been made as authorized by chapter 469 may be filed with the county recorder or registrar of titles, and the rights of reverter in favor of the state provided by subdivision 1e will then terminate. No vote of the people is required for the conveyance.

EFFECTIVE DATE. This section is effective August 1, 2001. For deeds existing on the effective date, the three-year limitation begins on August 1, 2001, except no deed issued prior to August 1, 2001, shall have a limitation of less than five years.

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Sec. 63. Minnesota Statutes 2000, section 282.01, subdivision 1e, is amended to read:

Subd. 1e. **NOTICE AND DECLARATION OF REVERSION.** If the tax-forfeited land is not either purchased or conveyed to the state in accordance with subdivision 1d, the commissioner of revenue shall by written instrument, in form approved by the attorney general, declare the land to have reverted to the state, and shall serve a notice of reversion, with a copy of the declaration, by certified mail upon the clerk or recorder of the governmental subdivision concerned. No declaration of reversion under this subdivision shall be made earlier than five years from the date of conveyance for failure to put land to the use specified or from the date of abandonment of that use if the lands have been put to that use 60 days after the expiration of the three-year period described in subdivision 1d. The commissioner shall file the original declaration in the commissioner's office, with verified proof of service. The governmental subdivision may appeal to the district court of the county in which the land lies by filing with the court administrator a notice of appeal, specifying the grounds of appeal and the description of the land involved, mailing a copy of the notice of appeal by certified mail to the commissioner of revenue, and filing a copy for record with the county recorder or registrar of titles, all within 30 days after the mailing of the notice of reversion. The appeal shall be tried by the court in like manner as a civil action. If no appeal is taken as provided in this subdivision, the declaration of reversion is final. The commissioner of revenue shall file for record with the county recorder or registrar of titles, of the county within which the land lies, a certified copy of the declaration of reversion and proof of service.

EFFECTIVE DATE. This section is effective for deeds issued on or after August 1, 2001.

Sec. 64. Minnesota Statutes 2000, section 282.241, is amended to read:

282.241 REPURCHASE AFTER FORFEITURE.

Subdivision 1. REPURCHASE REQUIREMENTS. The owner at the time of forfeiture, or the owner's heirs, devisees, or representatives, or any person to whom the right to pay taxes was given by statute, mortgage, or other agreement, may repurchase any parcel of land claimed by the state to be forfeited to the state for taxes unless before the time repurchase is made the parcel is sold under installment payments, or otherwise, by the state as provided by law, or is under mineral prospecting permit or lease, or proceedings have been commenced by the state or any of its political subdivisions or by the United States to condemn the parcel of land. The parcel of land may be repurchased for the sum of all delinquent taxes and assessments computed under section 282.251, together with penalties, interest, and costs, that accrued or would have accrued if the parcel of land had not forfeited to the state. Except for property which was homesteaded on the date of forfeiture, repurchase is permitted during one year only from the date of forfeiture, and in any case only after the adoption

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of a resolution by the board of county commissioners determining that by repurchase under hardship or injustice resulting from the forfeiture will be corrected, or that permitting the repurchase will promote the use of the lands that will best serve the public interest. If the county board has good cause to believe that a repurchase installment payment plan for a particular parcel is unnecessary and not in the public interest, the county board may require as a condition of repurchase that the entire repurchase price be paid at the time of repurchase. A repurchase is subject to any easement, lease, or other encumbrance granted by the state before the repurchase, and if the land is located within a restricted area established by any county under Laws 1939, chapter 340, the repurchase must not be permitted unless the resolution approving the repurchase is adopted by the unanimous vote of the board of county commissioners.

The person seeking to repurchase under this section shall pay all maintenance costs incurred by the county auditor during the time the property was tax-forfeited.

Subd. 2. ALTERNATIVE COMPUTATION OF REPURCHASE AMOUNT.

A county board may by resolution establish an alternative method of computing the repurchase amount under this subdivision for property homesteaded at the time of forfeiture that has been in forfeited status for more than ten years. Equivalent taxes, penalties, interest, and costs for each year the property was in forfeiture status must be computed using the simple average of the assessor's estimated market value at forfeiture and the assessor's current estimated market value multiplied by the class rates under current law and applying the current tax, penalty, and interest rates. Those amounts, plus any unpaid special assessments reinstated and included in the purchase price under section 282.251, including the penalties and interest that accrued or would have accrued on the special assessments, computed under current rates, are the repurchase price. The county assessor shall determine the current market value and classification of the property.

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

Sec. 65. Minnesota Statutes 2000, section 297B.09, subdivision 1, is amended to read:

Subdivision 1. **GENERAL FUND SHARE.** Money collected and received under this chapter must be deposited as provided in this subdivision.

Thirty-two percent of the money collected and received must be deposited in the highway user tax distribution fund, and 20.5 percent must be deposited in the metropolitan area transit fund under section 16A.88, and 1.25 percent must be deposited in the greater Minnesota transit fund under section 16A.88. In fiscal year 2004 and thereafter, two percent of the money collected and received must be deposited in the metropolitan area transit appropriation account under section 16A.88. The remaining 68 percent of the money must be deposited in the general fund.

EFFECTIVE DATE. This section is effective July 1, 2002.

Sec. 66. [383A.76] TAX-FORFEITED LANDS.

Subdivision 1. SALE; VALUATION. The Ramsey county board may sell tax-forfeited lands in the county to an organized or incorporated governmental subdivision of the state for any public purpose for which the subdivision is authorized to acquire property. In the case of tax-forfeited land in the county which a governmental subdivision has requested for housing purposes, the county board may sell that property to the requesting subdivision for the specified housing use at a value, which may be less than its appraised value, as determined by the county board. Factors that may be considered by the county board in determining value for lands to be held for a permitted public purpose or redeveloped under chapter 469 include the projected gap financing and public subsidy needed for a redevelopment project, expected increases in property taxes, before and after redevelopment appraised values, the potential use of the property for affordable housing, environmental contamination and pollution, site preparation and infrastructure costs, and any other relevant factors. The commissioner of revenue shall convey by deed in the name of the state a tract of tax-forfeited land held in trust in favor of the taxing districts to a governmental subdivision for an authorized public use, if an application is submitted to the commissioner. The application must include a statement of facts as to the use to be made of the tract, the need for it, and the recommendation of the county board. Property conveyed under this section for a value that is less than its appraised value cannot be included in a tax increment financing district. To the extent the provisions of chapter 282 are not inconsistent with this section, the provisions of chapter 282 apply to the sale of tax forfeited land in Ramsey county.

Subd. 2. USE OF LAND. For lands located within Ramsey county, the deed of conveyance of tax-forfeited land to an organized or incorporated governmental subdivision of the state for an authorized use must be on a form approved by the attorney general and must be conditioned on continued use for the purpose stated in the application. If the governing body of the governmental subdivision determines by resolution after public hearing that some other public use should be made of the lands, the changed use may be made upon filing with the county recorder or registrar of titles a certified copy of the resolution and without conveying the lands back to the state and securing a new conveyance for the new public use. Permitted public uses under this section include street, storm water ponding, drainage, parks, watershed, wetlands, library, fire and police stations, utility easements, and public facilities.

Subd. 3. REVERTER OF LAND. When a subdivision to which tax-forfeited land has been conveyed for a housing purpose at a value of less than the appraised value, fails to pass a resolution designating a developer or approving a redevelopment contract within three years of the date of conveyance, the Ramsey county board may by resolution declare the land to have reverted to the state, and shall serve a notice of reversion, with a copy of the declaration, by certified mail to the subdivision and shall reimburse the subdivision for the consideration for the lands from the tax-forfeited sale fund. The Ramsey county board shall file for record with the Ramsey county recorder or registrar of titles a certified copy of the declaration of reversion and proof of service. A certificate made by a subdivision referring to a conveyance made to it and stating that it has passed a resolution designating a developer or approving a redevelopment

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contract for a housing redevelopment project may be filed with the Ramsey county recorder or registrar of titles, and the right of reverter in favor of the state under this section will then terminate.

Subd. 4. REPORT BY SUBDIVISION. Each subdivision to which tax-forfeited lands have been conveyed under this section for a value of less than its appraised value must file a report with the commissioner of revenue by September 1, 2004, and by September 1 of each third year thereafter. The report shall contain a description of the lands conveyed to it, a status of the development efforts for the lands, the intended or actual uses being made of the lands, and the amount of property taxes being paid on the lands. The commissioner shall retain each report for a minimum of ten years. Failure of a subdivision to file a report shall be cause for the commissioner to declare a reversion of the parcel under section 282.01, subdivision 1e.

EFFECTIVE DATE. This section is effective only after its approval by a majority of the governing body of Ramsey county and upon compliance with the provisions of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 67. Minnesota Statutes 2000, section 469.040, subdivision 5, is amended to read:

Subd. 5. DESIGNATED HOUSING CORPORATION. (a) To the extent not exempt from taxation under section 272.01, subdivision 1, property located within the exterior boundaries of the White Earth an Indian reservation in the state that is owned by the tribe's designated housing entity as defined in United States Code, title 25, section 4103(21), and that is a housing project or a housing development project, as defined in section 469.002, subdivisions 13 and 15, is exempt from all real and personal property taxes of the city, the county, the state, or any political subdivision thereof, but the property.

(b) Property exempt from taxation under paragraph (a) is subject to subdivision 3. A copy of those portions of the annual reports submitted on behalf of the housing entity to the Secretary of the United States Department of Housing and Urban Development for the project that contain information sufficient to determine the amount due under subdivision 3 satisfies the reporting requirements of subdivision 3 for the project.

EFFECTIVE DATE. This section is effective for taxes levied in 2001, payable in 2002, and thereafter.

Sec. 68. Minnesota Statutes 2000, section 469.202, subdivision 2, is amended to read:

Subd. 2. ELIGIBILITY REQUIREMENTS FOR TARGETED NEIGHBORHOODS. An area within a city is eligible for designation as a targeted neighborhood if the area meets two of the following three criteria:

(a) The area had an unemployment rate that was twice the unemployment rate for the Minneapolis and Saint Paul standard metropolitan statistical area as determined by the 1980 most recent federal decennial census.

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(b) The median household income in the area was no more than half the median household income for the Minneapolis and Saint Paul standard metropolitan statistical area as determined by the 1980 most recent federal decennial census.

(c) The area is characterized by residential dwelling units in need of substantial rehabilitation. An area qualifies under this paragraph if 25 percent or more of the residential dwelling units are in substandard condition as determined by the city, or if 70 percent or more of the residential dwelling units in the area were built before 1940 as determined by the 1980 most recent federal decennial census.

EFFECTIVE DATE. This section is effective upon the availability of the federal 2000 census data required to determine eligibility requirements under this section.

Sec. 69. Minnesota Statutes 2000, section 469.303, is amended to read:

469.303 ELIGIBILITY REQUIREMENTS.

An area within the city is eligible for designation as an enterprise zone if the area (1) includes census tracts eligible for a federal empowerment zone or enterprise community as defined by the United States Department of Housing and Urban Development under Public Law Number 103-66, notwithstanding the maximum zone population standard under the federal empowerment zone program for cities with a population under 500,000, (2) is an area within a city of the second class that is designated as an economically depressed area by the United States Department of Commerce, or (3) includes property located in St. Paul in a transit zone as defined in Minnesota Statutes 2000, section 473.3915, subdivision 3.

Sec. 70. Minnesota Statutes 2000, section 473.388, subdivision 4, is amended to read:

Subd. 4. **FINANCIAL ASSISTANCE.** The council ~~may~~ **must** grant the requested financial assistance if it determines that the proposed service is intended to replace the service to the applying city or town or combination thereof by the council and that the proposed service will meet the needs of the applicant at least as efficiently and effectively as the existing service.

The amount of assistance which the council ~~may~~ **must** provide to a system under this section may not exceed the ~~sum of~~ be less than the sum of the amounts determined for each municipality comprising the system as follows:

(a) the portion of the available local transit funds which the applicant proposes to use to subsidize the proposed service; and transit operating assistance grants received under this subdivision by the municipality in calendar year 2001 or the tax revenues for transit services levied by the municipality for taxes payable in 2001, including that portion of the levy derived from the areawide pool under section 473F.08, subdivision 3, clause (a), plus the portion of the municipality's aid under section 273.1398, subdivision 2, attributable to the transit levy; times

(b) an amount of financial assistance bearing an identical proportional relationship to the amount under clause (a) as the total amount of funds used by the council to fund

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its transit operations bears to the total amount of taxes collected by the council under section 473.446, the ratio of (i) the appropriation from the transit fund to the council for nondebt transit operations for the current fiscal year to (ii) the total levy certified by the council under section 473.446 and the opt-out municipalities under this section for taxes payable in 2001, including the portion of homestead and agricultural credit aid under section 273.1398, subdivision 2, attributable to nondebt transit levies, times

(c) the ratio of (i) the municipality's total taxable market value for taxes payable in the most recent year for which data is available divided by the municipality's total taxable market value for taxes payable in 2001, to (ii) the total taxable market value of all property in the metropolitan area for taxes payable in the most recent year for which data is available divided by the total taxable market value of all property in the metropolitan area for taxes payable in 2001.

The council shall pay the amount to be provided to the recipient from the funds the council would otherwise use to fund its transit operations.

For purposes of this section, "available local transit funds" means 90 percent of the tax revenues which would accrue to the council from the tax it levies under section 473.446 in the applicant city or town or combination thereof.

For purposes of this section, "tax revenues" in the city or town means the sum of the following:

(1) the nondebt spread levy, which is the total of the taxes extended by application of the local tax rate for nondebt purposes on the taxable net tax capacity;

(2) the portion of the fiscal disparity distribution levy under section 473F.08, subdivision 3, attributable to nondebt purposes; and

(3) the portion of the homestead credit and agricultural credit aid and disparity reduction aid amounts under section 273.1398, subdivisions 2 and 3, attributable to nondebt purposes.

Tax revenues do not include the state feathering reimbursement under section 473.446.

EFFECTIVE DATE. This section is effective for calendar year 2002 and subsequent years.

Sec. 71. Minnesota Statutes 2000, section 473.388, subdivision 7, is amended to read:

Subd. 7. **LOCAL LEVY OPTION.** (a) A statutory or home rule charter city or town that is eligible for assistance under this section, in lieu of receiving the assistance, may levy a tax for payment of the operating and capital expenditures for transit and other related activities and to provide for payment of obligations issued by the municipality for such purposes, provided that the tax must be sufficient to maintain the level of transit service provided in the municipality in the previous year capital expenditures for transit and other related activities, provided that property taxes were

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pledged to satisfy the obligations, and provided that legislative appropriations are insufficient to satisfy the obligations.

(b) The transit tax revenues derived by the municipality may not exceed:

(1) for the first transit levy year and any subsequent transit levy year immediately following a year in which the municipality declines to make the levy, the maximum available local transit funds for the municipality for taxes payable in the current year under section 473.446, calculated as if the percentage of transit tax revenues for the municipality were 88 percent instead of 90 percent, and multiplied by the municipality's market value adjustment ratio; and

(2) for taxes levied in any year that immediately follows a year in which the municipality elects to levy under this subdivision, the maximum transit tax that the municipality may have levied in the previous year under this subdivision, multiplied by the municipality's market value adjustment ratio.

The commissioner of revenue shall certify the municipality's levy limitation under this subdivision to the municipality by June 1 of the levy year. The tax must be accumulated and kept in a separate fund to be known as the "replacement transit fund."

(e) To enable the municipality to receive revenues described in clauses (2) and (3) of the definition of "tax revenues" in subdivision 4, that would otherwise be lost if the municipality's transit tax levy was not treated as a successor levy to that made by the council under section 473.446:

(1) in the first transit levy year and any subsequent transit levy year immediately following a year in which the municipality declined to make the levy, 88 percent of the council's nondebt spread levy for the current taxes payable year shall be treated as levied by the municipality, and not the council, for purposes of section 473F.08, subdivision 3, for the purpose of determining its local tax rate for the preceding year; and

(2) 88 percent of the revenues described in clause (3) of the definition of "tax revenues" in subdivision 4, payable in the first transit levy year, or payable in any subsequent transit levy year following a year in which a municipality declined to make the levy, shall be permanently transferred from the council to the municipality. If a municipality levies a tax under this subdivision in one year, but declines to levy in a subsequent year, the aid transferred under this clause shall be transferred back to the council.

(d) Any transit taxes levied under this subdivision are not subject to, or counted towards, any limit hereafter imposed by law on the levy of taxes upon taxable property within any municipality unless the law specifically includes the transit tax.

(e) This subdivision is consistent with the transit redesign plan. Eligible municipalities opting to levy the transit tax operate under this subdivision shall continue to meet the regional performance standards established by the council.

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(f) (c) Within the designated Americans with Disabilities Act area, metro mobility remains the obligation of the state.

(g) For purposes of this subdivision, "transit levy year" is any year in which the municipality elects to levy under this subdivision.

(h) A municipality may not levy taxes under this subdivision in any year unless it notifies the council and the commissioner of revenue of its intent to levy before July 1 of the levy year. The notification must include the amount of the municipality's proposed transit tax for the current levy year. After June 30 in the levy year, a municipality's decision to levy or not levy taxes under this subdivision is irrevocable for that levy year.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and subsequent years.

Sec. 72. Minnesota Statutes 2000, section 473.446, subdivision 1, is amended to read:

Subdivision 1. ~~WITHIN TRANSIT TAXING DISTRICT METROPOLITAN AREA TRANSIT TAX.~~ For the purposes of sections 473.405 to 473.449 and the metropolitan transit system, except as otherwise provided in this subdivision and subdivision 1b, the council shall levy each year upon all taxable property within the metropolitan transit taxing district area, defined in section 473.121, subdivision 2, a transit tax consisting of:

(a) an amount which shall be used for payment of the expenses of operating transit and paratransit service and to provide for payment of obligations issued by the council under section 473.436, subdivision 6;

(b) an additional amount, if any, the council determines to be necessary to provide for the full and timely payment of its certificates of indebtedness and other obligations outstanding on July 1, 1985, to which property taxes under this section have been pledged; and

(c) an additional amount necessary to provide full and timely payment of certificates of indebtedness, bonds, including refunding bonds or other obligations issued or to be issued under section 473.39 by the council for purposes of acquisition and betterment of property and other improvements of a capital nature and to which the council has specifically pledged tax levies under this clause; and

The property tax levied by the council for general purposes under paragraph (a) must not exceed the following amount for the years specified:

(1) for taxes payable in 1995, the council's property tax levy limitation for general transit purposes is equal to the former regional transit board's property tax levy limitation for general transit purposes under this subdivision, for taxes payable in 1994, multiplied by an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan transit taxing district for the current taxes payable year divided by the total market valuation of all taxable property

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located within the metropolitan transit taxing district for the previous taxes payable years; and

(2) for taxes payable in 1996 and subsequent years, the product of (i) the council's property tax levy limitation for general transit purposes for the previous year determined under this subdivision before reduction by the amount levied by any municipality in the previous year under section 473.388, subdivision 7, multiplied by (ii) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan transit taxing district for the current taxes payable year divided by the total market valuation of all taxable property located within the metropolitan transit taxing district for the previous year; minus the amount levied by any municipality in the current levy year under section 473.388, subdivision 7.

The portion of the property tax levy for transit district operating purposes attributable to a municipality that has exercised a local levy option under section 473.388, subdivision 7, is the amount as determined under subdivision 1b. The portion of the property tax levy for transit district operating purposes attributable to the remaining municipalities within the transit district is found by subtracting the portions attributable to the municipalities that have exercised a local levy option under section 473.388, subdivision 7.

For the taxes payable year 1995, the index for market valuation changes shall be multiplied by an amount equal to the sum of the regional transit board's property tax levy limitation for the taxes payable year 1994 and \$160,665. The \$160,665 increase shall be a permanent adjustment to the levy limit base used in determining the regional transit board's property tax levy limitation for general purposes for subsequent taxes payable years.

For the purpose of determining the council's property tax levy limitation for general transit purposes under this subdivision, "total market valuation" means the total market valuation of all taxable property within the metropolitan transit taxing district without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

The county auditor shall reduce the tax levied pursuant to this section and section 473.388 on all property within statutory and home rule charter cities and towns that receive full-peak service and limited off-peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.510 percent of net tax capacity on the property. The county auditor shall reduce the tax levied pursuant to this section and section 473.388 on all property within statutory and home rule charter cities and towns that receive limited peak service by an amount equal to the tax levy that would be produced by applying a rate of 0.765 percent of net tax capacity on the property. The amounts so computed by the county auditor shall be submitted to the commissioner of revenue as part of the abstracts of tax lists required to be filed with the commissioner under section 275.29. Any prior year adjustments shall also be certified in the abstracts

of tax lists. The commissioner shall review the certifications to determine their accuracy and may make changes in the certification as necessary or return a certification to the county auditor for corrections. The commissioner shall pay to the council and to the municipalities levying under section 473.388, subdivision 7, the amounts certified by the county auditors on the dates provided in section 273.1398, apportioned between the council and the municipality in the same proportion as the total transit levy is apportioned within the municipality. There is annually appropriated from the general fund in the state treasury to the department of revenue the amounts necessary to make these payments.

For the purposes of this subdivision, "full-peak and limited off-peak service" means peak period regular route service, plus weekday midday regular route service at intervals longer than 60 minutes on the route with the greatest frequency; and "limited peak period service" means peak period regular route service only.

For the purposes of property taxes payable in the following year, the council shall annually determine which cities and towns qualify for the 0.510 percent or 0.765 percent tax capacity rate reduction and shall certify this list to the county auditor of the county wherein such cities and towns are located on or before September 15. No changes may be made to the annual list after September 15.

(b) an additional amount necessary to provide full and timely payment of certificates of indebtedness issued by the council, after consultation with the commissioner of finance, if revenues to the metropolitan area transit fund in the fiscal year in which the indebtedness is issued increase over those revenues in the previous fiscal year by a percentage less than the percentage increase for the same period in the revised consumer price index for all urban consumers for the St. Paul-Minneapolis metropolitan area prepared by the United States Department of Labor.

Indebtedness to which property taxes have been pledged under paragraph (b) that is incurred in any fiscal year may not exceed the amount necessary to make up the difference between (1) the amount that the council received or expects to receive in that fiscal year from the metropolitan area transit fund and (2) the amount the council received from that fund in the previous fiscal year multiplied by the percentage increase for the same period in the revised consumer price index for all urban consumers for the St. Paul-Minneapolis metropolitan area prepared by the United States Department of Labor.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and subsequent years.

Sec. 73. Minnesota Statutes 2000, section 473F.08, subdivision 3, is amended to read:

Subd. 3. **APPORTIONMENT OF LEVY.** 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 local tax rate of the governmental unit for the preceding

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levy year times the distribution value set forth in subdivision 2, clause (b); and

(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;

(c) for determinations made under clause (a) in the case of school districts, for taxes payable in 2002, exclude the general education tax rate and the portion of the referendum tax rate attributable to the first \$415 per pupil unit from the local tax rate for the preceding levy year;

(d) for determinations made under clause (a) in the case of the metropolitan council, for taxes payable in 2002, exclude the transit operating tax rate from the local tax rate for the preceding levy year; and

(e) for determinations made under clause (a) in the case of transit opt-out cities, for taxes payable in 2002, exclude the opt-out transit rate from the local tax rate for the preceding levy year.

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

Sec. 74. Minnesota Statutes 2000, section 477A.011, subdivision 35, is amended to read:

Subd. 35. **TAX EFFORT RATE.** "Tax effort rate" means the sum of (1) the net levy for all cities plus (2) for aid payable in 2002 only, the total aid payments to all cities under section 273.1398 in the previous year; divided by the sum of the city net tax capacity for all cities. For purposes of this section, "net levy" means the city levy, after all adjustments, used for calculating the local tax rate under section 275.08 for taxes payable in the year prior to the aid distribution. The fiscal disparity distribution levy under chapter 276A or 473F is included in net levy.

EFFECTIVE DATE. This section is effective for aids payable in 2002 and future years.

Sec. 75. Minnesota Statutes 2000, section 477A.011, subdivision 36, is amended to read:

Subd. 36. **CITY AID BASE.** (a) Except as provided in paragraphs (b) to ~~(n)~~ (o), "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section

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477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

(c) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

(i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;

(ii) the city portion of the tax capacity rate exceeds 100 percent; and

(iii) its city aid base is less than \$60 per capita.

(d) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

(i) the city has a population in 1994 of 2,500 or more;

(ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;

(iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(e) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

(i) the city was incorporated as a statutory city after December 1, 1993;

(ii) its city aid base does not exceed \$5,600; and

(iii) the city had a population in 1996 of 5,000 or more.

(f) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

(i) the city had a population in 1996 of at least 50,000;

(ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

(iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

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(g) Beginning in 2002, the city aid base for a city is equal to the sum of its city aid base in 2001 and the amount of additional aid it was certified to receive under section 477A.06 in 2001. For 2002 only, the maximum amount of total aid a city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by the amount it was certified to receive under section 477A.06 in 2001.

(h) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(i) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

(j) The city aid base for a city is increased by \$225,000 in calendar years 2000 to 2002 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$225,000 in calendar year 2000 only, provided that:

(1) the city had a population of at least 5,000;

(2) its population had increased by at least 50 percent in the ten-year period ending in 1997;

(3) the city is located outside of the Minneapolis-St. Paul metropolitan statistical area as defined by the United States Bureau of the Census; and

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(4) the city received less than \$30 per capita in aid under section 477A.013, subdivision 9, for aids payable in 1999.

(k) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(l) The city aid base for a city is increased by \$32,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;

(3) the city net tax capacity for the city used in calculating aids available in 2000 was equal to or less than \$200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(m) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

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(n) The city aid base for a city is increased by \$45,000 in 2001 and thereafter and by an additional \$50,000 in calendar years 2002 to 2011, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$45,000 in calendar year 2001 only, and by \$50,000 in calendar year 2002 only, provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;

(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and

(4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

(o) The city aid base for a city with a population of 10,000 or more which is located outside of the seven-county metropolitan area is increased in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (b) or (c), is also increased in calendar year 2002 only, by an amount equal to the lesser of:

(1)(i) the total population of the city, as determined by the United States Bureau of the Census, in the 2000 census, (ii) minus 5,000, (iii) times 60; or

(2) \$2,500,000.

(p) The city aid base is increased by \$50,000 in 2002 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$50,000 in calendar year 2002 only, provided that:

(1) the city is located in the seven-county metropolitan area;

(2) its population in 2000 is between 10,000 and 20,000; and

(3) its commercial industrial percentage, as calculated for city aid payable in 2001, was greater than 25 percent.

(q) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2002 only, provided that:

(1) the city had a population of at least 3,000 but no more than 4,000 in 1999;

(2) its home county is located within the seven-county metropolitan area;

(3) its pre-1940 housing percentage is less than 15 percent; and

(4) its city net tax capacity per capita for taxes payable in 2000 is less than \$900 per capita.

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EFFECTIVE DATE. This section is effective beginning with aids payable in 2002.

Sec. 76. Minnesota Statutes 2000, section 477A.013, subdivision 1, is amended to read:

Subdivision 1. **TOWNS.** In 1994 each town that had levied for taxes payable in the prior year a local tax rate of at least .008 shall receive a distribution equal to the amount it received in 1993 under this section before any nonpermanent reductions made under section 477A.0132. In 1995 each town that had levied for taxes payable in 1993 a local tax rate of at least .008 shall receive a distribution equal to 102 percent of the amount it received in 1994 under this section before any increases or reductions under sections 16A.711, subdivision 5, and 477A.0132. In 1996 and subsequent years each town that had levied for taxes payable in 1993 a local tax rate of at least .008 shall receive a distribution equal to the amount it received in the previous year under this section, adjusted for inflation as provided under section 477A.03, subdivision 3 2002, no town is eligible for a distribution under this subdivision.

EFFECTIVE DATE. This section is effective for aids payable in 2002 and subsequent years.

Sec. 77. Minnesota Statutes 2000, section 477A.013, subdivision 9, is amended to read:

Subd. 9. **CITY AID DISTRIBUTION.** (a) In calendar year 1994 2002 and thereafter, each city shall receive an aid distribution equal to the sum of (1) the city formula aid under subdivision 8, and (2) its city aid base.

(b) The percentage increase for a first class city in calendar year 1995 and thereafter, except for 2002, shall not exceed the percentage increase in the sum of the aid to all cities under this section in the current calendar year compared to the sum of the aid to all cities in the previous year. For aids payable in 2002 only, the amount of the aid paid to a first class city shall not exceed the sum of its aid amount for calendar year 2001 under this section and its aid payment in calendar year 2001 under section 273.1398, subdivision 2, by more than 2.5 percent.

(c) For aids payable in all years except 2002, the total aid for any city, except a first class city, shall not exceed the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year before any increases or decreases under sections 16A.711, subdivision 5, and 477A.0132. For aids payable in 2002 only, the total aid for any city, except a first class city, shall not exceed 40 percent of the sum of (1) the city's net levy for taxes payable in the year prior to the aid distribution plus (2) its total aid in the previous year under section 273.1398, subdivision 2, before any increases or decreases under sections 16A.711, subdivision 5, and 477A.0132.

(d) Notwithstanding paragraph (c), in 1995 only, for cities which in 1992 or 1993 transferred an amount from governmental funds to their sewer and water fund in an amount greater than their net levy for taxes payable in the year in which the transfer

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occurred, the total aid shall not exceed the sum of (1) 20 percent of the city's net levy for the year prior to the aid distribution plus (2) its total aid in the previous year before any increases or decreases under sections 16A.711, subdivision 5, and 477A.0132.

EFFECTIVE DATE. This section is effective for aids payable in 2002 and future years.

Sec. 78. Minnesota Statutes 2000, section 477A.03, subdivision 2, is amended to read:

Subd. 2. **ANNUAL APPROPRIATION.** (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

(b) Aid payments to counties under section 477A.0121 are limited to \$20,265,000 in 1996. Aid payments to counties under section 477A.0121 are limited to \$27,571,625 in 1997. For aid payable in 1998 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(c)(i) For aids payable in 1998 and thereafter, the total aids paid to counties under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(ii) Aid payments to counties under section 477A.0122 in 2000 are further increased by an additional \$20,000,000 in 2000.

(d) Aid payments to cities in 1999 ~~2002~~ under section 477A.013, subdivision 9, are limited to \$380,565,489. ~~For aids payable in 2000, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 3, and increased by the amount necessary to effectuate Laws 1999, chapter 243, article 5, section 48, paragraph (b) \$140,000,000. For aids payable in 2001 through 2003, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3, and increased by the amount certified to be paid in 2003 under section 477A.06. For aids payable in 2005 and thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. The additional amount authorized under subdivision 4 is not included when calculating the appropriation limits under this paragraph.~~

EFFECTIVE DATE. This section is effective for aids payable in 2002 and future years.

Sec. 79. **[477A.07] RENTAL HOUSING TAX BASE REPLACEMENT AID.**

Subdivision 1. **AID AMOUNT.** (a) For aid payable in 2003, each county and city is eligible for aid equal to the amount by which (i) 0.3 percent of the assessment year

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2001 taxable market value of class 4a property, plus .25 percent of the assessment year 2001 market value of class 4b property, as defined in section 273.13, subdivision 25, exceeds (ii) 0.4 percent of the jurisdiction's total taxable net tax capacity for taxes payable in 2002, multiplied by the jurisdiction's average tax rate for taxes payable in 2002.

(b) For aid payable in 2004, each county and city is eligible for aid equal to the amount by which (i) 0.25 percent of the assessment year 2002 taxable market value of class 4a property, as defined in section 273.13, subdivision 25, exceeds (ii) 0.4 percent of the jurisdiction's total taxable net tax capacity for taxes payable in 2003, multiplied by the jurisdiction's average tax rate for taxes payable in 2003.

Subd. 2. COUNTY AID. Each county's aid amount for 2003 determined under subdivision 1 must be permanently added to the county's homestead and agricultural credit aid base under section 273.1398 for aid payable in 2003. Each county's aid amount for 2004 determined under subdivision 1 must be permanently added to the county's homestead and agricultural credit aid base for aid payable in 2004.

Subd. 3. CITY AID. Each city's 2003 aid amount determined under subdivision 1 must be permanently added to its city aid base under section 477A.011, subdivision 36, for aid payable in 2003. Each city's 2004 aid amount determined under subdivision 1 must be permanently added to its city aid base under section 477A.011, subdivision 36, for aid payable in 2004.

Subd. 4. APPROPRIATION INCREASE. For aid payable in 2003, the total aid amount payable to cities under section 477A.03, subdivision 2, paragraph (d), is permanently increased by the total amount payable to all cities under subdivision 3 for aid payable in 2003. For aid payable in 2004, the total aid amount payable to cities under section 477A.03, subdivision 2, paragraph (d), is permanently increased by the total amount payable to all cities under subdivision 3 for aid payable in 2004.

EFFECTIVE DATE. This section is effective for aids payable in 2003 and subsequent years.

Sec. 80. Minnesota Statutes 2000, section 477A.12, is amended to read:

477A.12 ANNUAL APPROPRIATIONS; LANDS ELIGIBLE; CERTIFICATION OF ACREAGE.

Subdivision 1. TYPES OF LAND; PAYMENTS. (a) As an offset for expenses incurred by counties and towns in support of natural resources lands, the following amounts are annually appropriated to the commissioner of natural resources from the general fund for transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.145. The amounts are:

(1) for acquired natural resources land, \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of acquired natural resources land or, at the county's option three-fourths of one percent of the appraised value of all

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acquired natural resources land in the county, whichever is greater;

(2) 75 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of county-administered other natural resources land; and

(3) 37.5 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of commissioner-administered other natural resources land located in each county as of July 1 of each year prior to the payment year.

(b) The amount determined under paragraph (a), clause (1), is payable for land that is acquired from a private owner and owned by the department of transportation for the purpose of replacing wetland losses caused by transportation projects, but only if the county contains more than 500 acres of such land at the time the certification is made under subdivision 2.

Subd. 2. PROCEDURE. Lands for which payments in lieu are made pursuant to section 97A.061, subdivision 3, and Laws 1973, chapter 567, shall not be eligible for payments under this section. Each county auditor shall certify to the department of natural resources during July of each year prior to the payment year the number of acres of county-administered other natural resources land within the county. The department of natural resources may, in addition to the certification of acreage, require descriptive lists of land so certified. The commissioner of natural resources shall determine and certify to the commissioner of revenue by March 1 of the payment year:

(1) the number of acres and most recent appraised value of acquired natural resources land within each county;

(2) the number of acres of commissioner-administered natural resources land within each county; and

(3) the number of acres of county-administered other natural resources land within each county, based on the reports filed by each county auditor with the commissioner of natural resources.

The commissioner of transportation shall determine and certify to the commissioner of revenue by March 1 of the payment year the number of acres of land and the appraised value of the land described in subdivision 1, paragraph (b), but only if it exceeds 500 acres.

The commissioner of revenue shall determine the distributions provided for in this section using the number of acres and appraised values certified by the commissioner of natural resources and the commissioner of transportation by March 1 of the payment year.

(e) Subd 3. DETERMINATION OF APPRAISED VALUE. For the purposes of this section, the appraised value of acquired natural resources land is the purchase price for the first five years after acquisition. The appraised value of acquired natural resources land received as a donation is the value determined for the commissioner of natural resources by a licensed appraiser, or the county assessor's estimated market value if no appraisal is done. The appraised value must be determined by the county

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assessor every five years after the land is acquired.

EFFECTIVE DATE. This section is effective for payments in 2002 and thereafter.

Sec. 81. Minnesota Statutes 2000, section 477A.14, is amended to read:

477A.14 USE OF FUNDS.

Except as provided in section 97A.061, subdivision 5, 40 percent of the total payment to the county shall be deposited in the county general revenue fund to be used to provide property tax levy reduction. The remainder shall be distributed by the county in the following priority:

(a) 37.5 cents, as adjusted for inflation under section 477A.145, for each acre of county-administered other natural resources land shall be deposited in a resource development fund to be created within the county treasury for use in resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of county-administered other natural resources land. Any county receiving less than \$5,000 annually for the resource development fund may elect to deposit that amount in the county general revenue fund;

(b) From the funds remaining, within 30 days of receipt of the payment to the county, the county treasurer shall pay each organized township 30 cents, as adjusted for inflation under section 477A.145, for each acre of acquired natural resources land and each acre of land described in section 477A.12, subdivision 1, paragraph (b), and 7.5 cents, as adjusted for inflation under section 477A.145, for each acre of other natural resources land located within its boundaries. Payments for natural resources lands not located in an organized township shall be deposited in the county general revenue fund. Payments to counties and townships pursuant to this paragraph shall be used to provide property tax levy reduction, except that of the payments for natural resources lands not located in an organized township, the county may allocate the amount determined to be necessary for maintenance of roads in unorganized townships. Provided that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully fund the distribution provided for in this clause, the amount available shall be distributed to each township and the county general revenue fund on a pro rata basis; and

(c) Any remaining funds shall be deposited in the county general revenue fund. Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the excess shall be used to provide property tax levy reduction.

EFFECTIVE DATE. This section is effective for payments in 2002 and thereafter.

Sec. 82. Laws 1992, chapter 499, article 7, section 31, as amended by Laws 1998, chapter 398, article 1; section 39, Laws 1999, chapter 241, article 1, section 54, and Laws 2000, chapter 489, article 2, section 28, is amended to read:

Sec. 31. **REPEALER.**

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Minnesota Statutes 1990, sections 124A.02, subdivision 24; 124A.23, subdivisions 2 and 3; 124A.26, subdivisions 2 and 3; 124A.27; 124A.28; and 124A.29, subdivision 2; and Minnesota Statutes 1991 Supplement, sections 124A.02, subdivisions 16 and 23; 124A.03, subdivisions 1b, 1c, 1d, 1e, 1f, 1g, 1h, and 1i; 124A.04; 124A.22, subdivisions 2, 3, 4, 4a, 4b, 8, and 9; 124A.23, subdivisions 1, 4, and 5; 124A.24; 124A.26, subdivision 1; and 124A.29, subdivision 1, are repealed effective June 30, 2004; Laws 1991, chapter 265, article 7, section 35, is repealed.

EFFECTIVE DATE. This section is effective July 1, 2001.

Sec. 83. CONVEYANCE OF TAX-FORFEITED LAND; DAKOTA COUNTY.

(a) If special school district No. 6 conveys the land described in paragraph (c) to the state according to Minnesota Statutes, section 282.01, subdivision 1d, then, notwithstanding any other provision of Minnesota Statutes, chapter 282, the commissioner of revenue shall reconvey the land described in paragraph (c) to special school district No. 6 for no consideration.

(b) The conveyance must be in a form approved by the attorney general. Notwithstanding Minnesota Statutes, chapter 282, or other law to the contrary, special school district No. 6 may use or sell the land for other than a public use. Notwithstanding Minnesota Statutes, chapter 282, or other law to the contrary, the state shall not retain a reversionary interest and shall convey the land free of the trust in favor of the taxing district.

(c) The land to be conveyed is in the city of South St. Paul, Dakota county, and is described as:

(1) Lots 4, 5, 6, and 7, Block 1, Lookout Park Addition;

(2) Lots 25 and 26, Block 1, Lookout Park Addition;

(3) Lots 11, 12, 13, 14, 15, 16, 17, 18, 19, and 20, Block 2, Lookout Park Addition;

(4) Lots 1, 2, 3, 4, and 5, Block 1, Bryants First Addition to the city of South St. Paul; and

(5) Lot 21, Block 1, Bryants First Addition to the city of South St. Paul, together with that part of the vacated alley and vacated Stanley Place accruing thereto.

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

Sec. 84. MINNEHAHA CREEK WATERSHED DISTRICT.

Subdivision 1. LEVY AUTHORIZED. Notwithstanding Minnesota Statutes, section 103D.905, subdivision 3, the Minnehaha Creek watershed district may annually levy an additional amount up to \$50,000 for enforcing rules and permits.

Subd. 2. EFFECTIVE DATE. This section is effective, without local approval, beginning with taxes levied in 2001, payable in 2002.

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Sec. 85. PRIVATE SALE OF TAX-FORFEITED LAND; ST. LOUIS COUNTY.

(a) Notwithstanding the public sale provisions of Minnesota Statutes, chapter 282, or other law to the contrary, St. Louis county may sell by private sale the tax-forfeited land described in paragraph (c) to one or more of the owners at the time of forfeiture.

(b) The conveyance must be in a form approved by the attorney general for a consideration of taxes due on the property and any penalties, interest, and costs.

(c) The land to be sold is located in St. Louis county and is described as:

(1) Parcel 200-10-1720: Sec. 11, Twp. 61, Rge 19 NW 1/4 of NW 1/4; and

(2) Parcel 200-10-280: Sec. 2, Twp. 61, Rge 19 SW 1/4 of SW 1/4.

(d) The county has determined that the county's land management interests would best be served if the lands were returned to private ownership.

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

Sec. 86. RED RIVER WATERSHED MANAGEMENT BOARD; PAYMENT IN LIEU OF TAXES.

(a) The Red River watershed management board may spend money from its general fund to compensate counties and townships for lost tax revenue from land that becomes tax exempt after it is acquired by the board or a member watershed district for flood damage reduction project. The amount that may be paid under this section to a county or township must not exceed the tax that was payable to that taxing jurisdiction on the land in the last taxes payable year before the land became exempt due to the acquisition, not to exceed \$4 per acre, multiplied by 20. This total amount may be paid in one payment, or in equal annual installments over a period that does not exceed 20 years. A member watershed district of the Red River management board may spend money from its construction fund for the purposes described in this section.

(b) For the purposes of this section, "Red River watershed management board" refers to the board established by Laws 1976, chapter 162, section 1, as amended by Laws 1982, chapter 474, section 1, Laws 1983, chapter 338, section 1, Laws 1989 First Special Session chapter 1, article 5, section 45, Laws 1991, chapter 167, section 1, and Laws 1998, chapter 389, article 3, section 29.

Sec. 87. INDEPENDENT SCHOOL DISTRICT NO. 319, NASHWAUK-KEEWATIN, ADDITIONAL LEVY.

In addition to other levies, independent school district No. 319, Nashwauk-Keewatin, may levy an amount up to \$25,000 each year to finance the Nashwauk School-Community Library and Community Service Project.

EFFECTIVE DATE. This section is effective July 1, 2001.

Sec. 88. WYOMING TOWNSHIP; CITY OF CHISAGO CITY; MUNICIPAL REIMBURSEMENT.

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Notwithstanding the limitation on duration or equality of payment imposed under Minnesota Statutes, section 414.036, the city of Chisago City may provide reimbursement for orderly annexed property to the town of Wyoming for a period and in such amounts agreed to by the city and the town under a joint powers agreement entered into for the purposes of establishing a joint commercial and business park in the annexed area.

EFFECTIVE DATE. This section is effective July 1, 2002.

Sec. 89. FORGIVENESS OF PENALTY AND INTEREST.

If the owner of record of property located in St. Louis county that has parcel number 060-0030-03840 enters into an agreement with the county by August 15, 2001, to make installment payments over a ten-year period of the amount of taxes and special assessments due on the property for the 1997 payable year and the owner makes the payments required under the agreement when due, the amount of penalties, interest, and related fees due as of August 15, 2001, with respect to the delinquent taxes will not be required to be paid.

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

Sec. 90. RENEWAL OF RULEMAKING AUTHORITY.

Notwithstanding Minnesota Statutes, section 14.125, the Minnesota housing finance agency may adopt administrative rules under Minnesota Statutes, chapter 14, to carry out the provisions of Minnesota Statutes, section 462A.071, and determinations made under Minnesota Statutes, section 462A.071, subdivision 11, paragraph (b), are valid until January 1, 2003.

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

Sec. 91. PROPOSED NOTICES; PUBLIC HEARINGS; TAXES PAYABLE 2002 ONLY.

Subdivision 1. PUBLIC HEARINGS. The public hearing requirements contained in Minnesota Statutes, section 275.065, are suspended for property taxes levied in 2001, payable in 2002. However, this does not prohibit a taxing authority from holding a public hearing on its proposed levy if it so chooses. The hearing requirements contained in Minnesota Statutes, section 275.065, are reinstated beginning for taxes payable in 2003.

Subd. 2. PROPOSED NOTICES. (a) The parcel-specific notice requirements contained in Minnesota Statutes, section 275.065, are suspended for property taxes levied in 2001, payable in 2002, and are replaced by the requirements contained in this section. The payable 2002 notice shall be parcel-specific, unless waived by the commissioner in extenuating circumstances as provided in subdivision 3. The notice shall contain the amount of property taxes that each of the taxing authorities propose to collect from the parcel for taxes payable in 2002. The proposed amount shall be shown separately for the county, city or town, school district, sum of the special taxing districts, the state general tax, tax increment, fiscal disparities, and the total tax of all

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taxing authorities. In the case of school districts, the state mandated school levy, which will show a zero levy due to the state takeover, the voter approved levies, and the other levies should be itemized separately, if possible. The amount of any residential homestead market value credit and agricultural homestead market value credit, and the resulting net tax shall be listed.

(b) The parcel's total net tax for taxes payable in 2001 shall be listed on the notice. The notice shall also contain the property classification and the taxable market value of the parcel for taxes payable in 2001 and 2002.

(c) The commissioner of revenue shall prescribe the form of the notice and may modify its contents as necessary, provided that, to the extent possible, the information requested in this section is contained in the notice. The notices shall be mailed by December 14, 2001.

Subd. 3. WAIVERS. Based on information supplied by a particular county, and at the request of the county board, the commissioner may waive the requirement for parcel specific notices or modify the form of the notices for a specific county and may waive any procedure or deadline having to do with the administration of the property tax, if the commissioner determines that doing so will not materially prejudice the rights of taxpayers in that county. This authority does not extend to the provisions of Minnesota Statutes, chapters 279, 280, 281, 282, and 284.

Subd. 4. SUPERSEDES. This section supersedes the public hearing and notice requirements in Minnesota Statutes, section 275.065, for taxes payable in 2002.

EFFECTIVE DATE. This section is effective only for hearings in 2001 and parcel-specific notices and property tax administration procedures and deadlines related only to taxes levied in 2001, payable in 2002.

Sec. 92. REPORT ON ASSESSMENT PRACTICES AND MARKET VALUES.

The department of revenue shall report to the legislature each year by March 1, the following information on values and assessment practices. The information should be provided by major types of property on a statewide basis and at the most disaggregate jurisdictional level that is useful and appropriate. The information must include:

- (1) recent market value trends and, to the extent possible, projections of market value trends for up to five years;
- (2) analysis of the effects of the limited market value law;
- (3) tax shift implications of market value trends and limited market value;
- (4) assessment quality indicators such as sales ratios and coefficients of dispersion;
- (5) to the extent possible, consideration should be given to quality factors such as:

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- (i) number of sales;
- (ii) time period;
- (iii) geographical area; and
- (iv) other;
- (6) summary of state board orders; and
- (7) percentage of parcels that change in value per year.

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

Sec. 93. STATE AID CERTIFICATIONS.

The commissioner of revenue is allowed until September 1, 2001, to certify to the various local units of government the state aid or reimbursement amounts administered or paid by the commissioner that such units are to receive in calendar year 2002.

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

Sec. 94. CLASS 4D; TAXES PAYABLE IN 2003.

If a parcel of property qualified under Minnesota Statutes, section 273.126, for classification of all or part of its value as class 4d for property taxes payable in 2002, the same percentage of the value of the parcel qualifies for classification as class 4d for taxes payable in 2003 as qualified for taxes payable in 2002. The income restriction and rent restriction agreement remain in effect for calendar year 2003, but no application for designation need be made under Minnesota Statutes, section 462A.071. A property subject to a rent restriction agreement may elect to terminate the agreement for taxes payable in 2003 and cease to qualify as class 4d.

Sec. 95. APPROPRIATION.

\$5,000,000 is appropriated from the general fund to the metropolitan council in fiscal year 2002 for transition revenue associated with the conversion of metropolitan area transit services funding for calendar year 2002.

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

Sec. 96. REPEALER.

(a) Minnesota Statutes 2000, sections 273.13, subdivision 24a; 273.1382; 273.1399; 275.078; 275.08, subdivision 1e; 473.446, subdivisions 1a and 1b; and 473.3915, are repealed effective for taxes levied in 2001, payable in 2002, and thereafter and aids or credits payable in 2002 and thereafter.

(b) Laws 1988, chapter 426, section 1; Laws 1988, chapter 702, section 16; Laws 1992, chapter 511, article 2, section 52, as amended by Laws 1997, chapter 231, article 2, section 50, and Laws 1998, chapter 389, article 3, section 32; Laws 1996, chapter 471, article 8, section 45; Laws 1999, chapter 243, article 6, section 14; Laws 1999, chapter 243, article 6, section 15; and Laws 2000, chapter 490, article 6, section 17, are

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repealed effective for taxes levied in 2001, payable in 2002 and thereafter.

(c) Minnesota Statutes 2000, sections 126C.30; 126C.31; 126C.32; 126C.33; 126C.34; 126C.35; and 126C.36, are repealed effective July 1, 2001.

(d) Minnesota Statutes 2000, section 273.126 and 462A.071, are repealed effective for property taxes payable in 2004, and any agreement entered into pursuant to the provisions of those sections expires, effective January 1, 2004, regardless of the term of the agreement.

ARTICLE 4

PROPERTY TAX REFUND

Section 1. Minnesota Statutes 2000, section 290A.03, subdivision 6, is amended to read:

Subd. 6. **HOMESTEAD.** "Homestead" means the dwelling occupied as the claimant's principal residence and so much of the land surrounding it, not exceeding ten acres, as is reasonably necessary for use of the dwelling as a home and any other property used for purposes of a homestead as defined in section 273.13, subdivision 22, except for agricultural land assessed as part of a homestead pursuant to section 273.13, subdivision 23, "homestead" is limited to the first \$600,000 of market value or, where the farm homestead is rented, house and garage and immediately surrounding one acre of land. The homestead may be owned or rented and may be a part of a multidwelling or multipurpose building and the land on which it is built. A manufactured home, as defined in section 273.125, subdivision 8, or a park trailer taxed as a manufactured home under section 168.012, subdivision 9, assessed as personal property may be a dwelling for purposes of this subdivision.

EFFECTIVE DATE. This section is effective beginning with refunds based on property taxes payable in 2002.

Sec. 2. Minnesota Statutes 2000, section 290A.03, subdivision 13, is amended to read:

Subd. 13. **PROPERTY TAXES PAYABLE.** "Property taxes payable" means the property tax exclusive of special assessments, penalties, and interest payable on a claimant's homestead after deductions made under sections 273.135, 273.1382, 273.1391, 273.42, subdivision 2, and any other state paid property tax credits in any calendar year, and after any refund claimed and allowable under section 290A.04, subdivision 2h, that is first payable in the year that the property tax is payable. In the case of a claimant who makes ground lease payments, "property taxes payable" includes the amount of the payments directly attributable to the property taxes assessed against the parcel on which the house is located. No apportionment or reduction of the "property taxes payable" shall be required for the use of a portion of the claimant's

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homestead for a business purpose if the claimant does not deduct any business depreciation expenses for the use of a portion of the homestead in the determination of federal adjusted gross income. For homesteads which are manufactured homes as defined in section 273.125, subdivision 8, and for homesteads which are park trailers taxed as manufactured homes under section 168.012, subdivision 9, "property taxes payable" shall also include 19 percent of the gross rent paid in the preceding year for the site on which the homestead is located. When a homestead is owned by two or more persons as joint tenants or tenants in common, such tenants shall determine between them which tenant may claim the property taxes payable on the homestead. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. Property taxes are considered payable in the year prescribed by law for payment of the taxes.

In the case of a claim relating to "property taxes payable," the claimant must have owned and occupied the homestead on January 2 of the year in which the tax is payable and (i) the property must have been classified as homestead property pursuant to section 273.124, on or before December 15 of the assessment year to which the "property taxes payable" relate; or (ii) the claimant must provide documentation from the local assessor that application for homestead classification has been made on or before December 15 of the year in which the "property taxes payable" were payable and that the assessor has approved the application.

EFFECTIVE DATE. This section is effective beginning with refunds based on property taxes payable in 2002.

Sec. 3. Minnesota Statutes 2000, section 290A.04, subdivision 2, is amended to read:

Subd. 2. **HOMEOWNERS.** A claimant whose property taxes payable 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. The state refund equals the amount of property taxes payable that remain, up to the state refund amount shown below.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$0 to 1,029	1.2 percent	18 percent	\$440
\$0 to 1,189	1.0 percent	15 percent	\$1,450
1,030 to 2,059	1.3 percent	18 percent	\$440
1,190 to 2,379	1.1 percent	15 percent	\$1,450
2,060 to 3,099	1.4 percent	20 percent	\$440
2,380 to 3,589	1.2 percent	15 percent	\$1,410
3,100 to 4,129	1.6 percent	20 percent	\$440
3,590 to 4,789	1.3 percent	20 percent	\$1,410
4,130 to 5,159	1.7 percent	20 percent	\$440

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<u>4,790</u> to <u>5,979</u>	1.4 percent	<u>20</u> percent	\$1,360
5,160 to 7,229	1.9 percent	25 percent	\$440
<u>5,980</u> to <u>8,369</u>	1.5 percent	<u>20</u> percent	\$1,360
7,230 to 8,259	2.1 percent	25 percent	\$440
<u>8,370</u> to <u>9,559</u>	1.6 percent	<u>25</u> percent	\$1,310
8,260 to 9,289	2.2 percent	25 percent	\$440
<u>9,560</u> to <u>10,759</u>	1.7 percent	<u>25</u> percent	\$1,310
9,290 to 10,319	2.3 percent	30 percent	\$440
<u>10,760</u> to <u>11,949</u>	1.8 percent	<u>25</u> percent	\$1,260
10,320 to 11,349	2.4 percent	30 percent	\$440
<u>11,950</u> to <u>13,139</u>	1.9 percent	<u>30</u> percent	\$1,260
11,350 to 12,389	2.5 percent	30 percent	\$440
<u>13,140</u> to <u>14,349</u>	2.0 percent	<u>30</u> percent	\$1,210
12,390 to 14,449	2.6 percent	30 percent	\$440
<u>14,350</u> to <u>16,739</u>	2.1 percent	<u>30</u> percent	\$1,210
14,450 to 15,479	2.8 percent	35 percent	\$440
<u>16,740</u> to <u>17,929</u>	2.2 percent	<u>35</u> percent	\$1,160
15,480 to 16,509	3.0 percent	35 percent	\$440
<u>17,930</u> to <u>19,119</u>	2.3 percent	<u>35</u> percent	\$1,160
16,510 to 17,549	3.2 percent	40 percent	\$440
<u>19,120</u> to <u>20,319</u>	2.4 percent	<u>35</u> percent	\$1,110
17,550 to 21,669	3.3 percent	40 percent	\$440
<u>20,320</u> to <u>25,099</u>	2.5 percent	<u>40</u> percent	\$1,110
21,670 to 24,769	3.4 percent	45 percent	\$440
<u>25,100</u> to <u>28,679</u>	2.6 percent	<u>40</u> percent	\$1,070
24,770 to 30,959	3.5 percent	45 percent	\$440
<u>28,680</u> to <u>35,849</u>	2.7 percent	<u>40</u> percent	\$1,070
30,960 to 36,119	3.5 percent	45 percent	\$440
<u>35,850</u> to <u>41,819</u>	2.8 percent	<u>45</u> percent	\$970
36,120 to 41,279	3.7 percent	50 percent	\$440
<u>41,820</u> to <u>47,799</u>	3.0 percent	<u>45</u> percent	\$970
41,280 to 58,829	4.0 percent	50 percent	\$440
<u>47,800</u> to <u>53,779</u>	3.2 percent	<u>45</u> percent	\$870
58,830 to 59,859	4.0 percent	50 percent	\$310
<u>53,780</u> to <u>59,749</u>	3.5 percent	<u>50</u> percent	\$780
59,860 to 60,889	4.0 percent	50 percent	\$210
<u>59,750</u> to <u>65,729</u>	4.0 percent	<u>50</u> percent	\$680
60,890 to 61,929	4.0 percent	50 percent	\$100
<u>65,730</u> to <u>69,319</u>	4.0 percent	<u>50</u> percent	\$580
69,320 to 71,719	4.0 percent	50 percent	\$480
<u>71,720</u> to <u>74,619</u>	4.0 percent	<u>50</u> percent	\$390
74,620 to 77,519	4.0 percent	50 percent	\$290

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The payment made to a claimant shall be the amount of the state refund calculated under this subdivision. No payment is allowed if the claimant's household income is ~~\$61,930~~ \$77,520 or more.

EFFECTIVE DATE. This section is effective beginning with refunds based on property taxes payable in 2002.

Sec. 4. Minnesota Statutes 2000, section 290A.04, subdivision 2a, is amended 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.

Household Income	Percent of Income	Percent Paid by Claimant	Maximum State Refund
\$ 0 to <u>3,099</u>			
<u>0</u> to <u>3,589</u>	1.0 percent	5 percent	<u>\$1,030</u> <u>\$1,190</u>
<u>3,100</u> to <u>4,129</u>			
<u>3,590</u> to <u>4,779</u>	1.0 percent	10 percent	<u>\$1,030</u> <u>\$1,190</u>
<u>4,130</u> to <u>5,159</u>			
<u>4,780</u> to <u>5,969</u>	1.1 percent	10 percent	<u>\$1,030</u> <u>\$1,190</u>
<u>5,160</u> to <u>7,229</u>			
<u>5,970</u> to <u>8,369</u>	1.2 percent	10 percent	<u>\$1,030</u> <u>\$1,190</u>
<u>7,230</u> to <u>9,289</u>			
<u>8,370</u> to <u>10,759</u>	1.3 percent	15 percent	<u>\$1,030</u> <u>\$1,190</u>
<u>9,290</u> to <u>10,319</u>			
<u>10,760</u> to <u>11,949</u>	1.4 percent	15 percent	<u>\$1,030</u> <u>\$1,190</u>
<u>10,320</u> to <u>11,349</u>			
<u>11,950</u> to <u>13,139</u>	1.4 percent	20 percent	<u>\$1,030</u> <u>\$1,190</u>
<u>11,350</u> to <u>13,419</u>			
<u>13,140</u> to <u>15,539</u>	1.5 percent	20 percent	<u>\$1,030</u> <u>\$1,190</u>
<u>13,420</u> to <u>14,449</u>			
<u>15,540</u> to <u>16,729</u>	1.6 percent	20 percent	<u>\$1,030</u> <u>\$1,190</u>
<u>14,450</u> to <u>15,479</u>			
<u>16,730</u> to <u>17,919</u>	1.7 percent	25 percent	<u>\$1,030</u> <u>\$1,190</u>
<u>15,480</u> to <u>17,549</u>			
<u>17,920</u> to <u>20,319</u>	1.8 percent	25 percent	<u>\$1,030</u> <u>\$1,190</u>
<u>17,550</u> to <u>18,579</u>			
<u>20,320</u> to <u>21,509</u>	1.9 percent	30 percent	<u>\$1,030</u> <u>\$1,190</u>

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18,580 to 19,609				
<u>21,510</u> to <u>22,699</u>	2.0 percent	30 percent	\$1,030	<u>\$1,190</u>
19,610 to 20,639				
<u>22,700</u> to <u>23,899</u>	2.2 percent	30 percent	\$1,030	<u>\$1,190</u>
20,640 to 21,669				
<u>23,900</u> to <u>25,089</u>	2.4 percent	30 percent	\$1,030	<u>\$1,190</u>
21,670 to 22,709				
<u>25,090</u> to <u>26,289</u>	2.6 percent	35 percent	\$1,030	<u>\$1,190</u>
22,710 to 23,739				
<u>26,290</u> to <u>27,489</u>	2.7 percent	35 percent	\$1,030	<u>\$1,190</u>
23,740 to 24,769				
<u>27,490</u> to <u>28,679</u>	2.8 percent	35 percent	\$1,030	<u>\$1,190</u>
24,770 to 25,799				
<u>28,680</u> to <u>29,869</u>	2.9 percent	40 percent	\$1,030	<u>\$1,190</u>
25,800 to 26,839				
<u>29,870</u> to <u>31,079</u>	3.0 percent	40 percent	\$1,030	<u>\$1,190</u>
26,840 to 27,869				
<u>31,080</u> to <u>32,269</u>	3.1 percent	40 percent	\$1,030	<u>\$1,190</u>
27,870 to 28,899				
<u>32,270</u> to <u>33,459</u>	3.2 percent	40 percent	\$1,030	<u>\$1,190</u>
28,900 to 29,929				
<u>33,460</u> to <u>34,649</u>	3.3 percent	45 percent	\$ 930	<u>\$1,080</u>
29,930 to 30,959				
<u>34,650</u> to <u>35,849</u>	3.4 percent	45 percent	\$ 830	<u>\$ 960</u>
30,960 to 31,999				
<u>35,850</u> to <u>37,049</u>	3.5 percent	45 percent	\$ 720	<u>\$ 830</u>
32,000 to 33,029				
<u>37,050</u> to <u>38,239</u>	3.5 percent	50 percent	\$ 620	<u>\$ 720</u>
33,030 to 34,059				
<u>38,240</u> to <u>39,439</u>	3.5 percent	50 percent	\$ 520	<u>\$ 600</u>
34,060 to 35,089				
<u>39,440</u> to <u>40,629</u>	3.5 percent	50 percent	\$ 310	<u>\$ 360</u>
35,090 to 36,119				
<u>40,630</u> to <u>41,819</u>	3.5 percent	50 percent	\$ 100	<u>\$ 120</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 ~~\$36,120~~ \$41,820 or more.

EFFECTIVE DATE. This section is effective beginning with refunds based on rent constituting property taxes paid in 2001.

Sec. 5. Minnesota Statutes 2000, section 290A.04, subdivision 2h, is amended to read:

Subd. 2h. **ADDITIONAL REFUND.** (a) Beginning with gross property taxes payable in 2003, if the gross property taxes payable on a homestead increase more than

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12 percent over the net property taxes payable in the prior year on the same property that is owned and occupied by the same owner on January 2 of both years, and the amount of that increase is \$100 or more, a claimant who is a homeowner shall be allowed an additional refund equal to 60 percent of the amount of the increase over the greater of 12 percent of the prior year's net property taxes payable or \$100. This subdivision shall not apply to any increase in the gross property taxes payable attributable to improvements made to the homestead after the assessment date for the prior year's taxes. This subdivision shall not apply to any increase in the gross property taxes payable attributable to the termination of valuation exclusions under section 273.11, subdivision 16.

The maximum refund allowed under this subdivision is \$1,000.

(b) For purposes of this subdivision, the following terms have the meanings given:

(1) "~~Net property taxes payable~~" means ~~property taxes payable minus refund amounts for which the claimant qualifies pursuant to subdivision 2 and this subdivision.~~

(2) "~~gross property taxes payable~~" 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.

(d) Upon request, the appropriate county official shall make available the names and addresses of the property taxpayers who may be eligible for the additional property tax refund under this section. The information shall be provided on a magnetic computer disk. The county may recover its costs by charging the person requesting the information the reasonable cost for preparing the data. The information may not be used for any purpose other than for notifying the homeowner of potential eligibility and assisting the homeowner, without charge, in preparing a refund claim.

EFFECTIVE DATE. This section is effective beginning with refunds based on property taxes payable in 2002.

Sec. 6. Minnesota Statutes 2000, section 290A.04, subdivision 4, is amended to read:

Subd. 4. **INFLATION ADJUSTMENT.** Beginning for property tax refunds payable in calendar year ~~1996~~ 2002, the commissioner shall annually adjust the dollar amounts of the income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation. The commissioner shall make the inflation adjustments in accordance with section ~~290.06~~, subdivision 2d 1f of the Internal Revenue Code, except that for purposes of this subdivision the percentage increase shall be determined from the year ending on June 30, ~~1994~~ 2000, to the year ending on June 30 of the year preceding that in which the refund is payable. The commissioner shall use the appropriate percentage

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increase to annually adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for inflation without regard to whether or not the income tax brackets are adjusted for inflation in that year. The commissioner shall round the thresholds and the maximum amounts, as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount.

The commissioner shall annually announce the adjusted refund schedule at the same time provided under section 290.06. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedure Act.

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

ARTICLE 5

STATE TAKEOVER OF COUNTY SERVICES

Section 1. Minnesota Statutes 2000, section 97A.065, subdivision 2, as amended by Laws 2001, chapter 185, section 23, is amended to read:

Subd. 2. **FINES AND FORFEITED BAIL.** (a) Fines and forfeited bail collected from prosecutions of violations of: the game and fish laws or rules adopted thereunder; sections 84.091 to 84.15 or rules adopted thereunder; sections 84.81 to 84.91 or rules adopted thereunder; section 169A.20, when the violation involved an off-road recreational vehicle as defined in section 169A.03, subdivision 16; chapter 348; and any other law relating to wild animals or aquatic vegetation, must be paid to the treasurer of the county where the violation is prosecuted. The county treasurer shall submit one-half of the receipts to the commissioner and credit the balance to the county general revenue fund except as provided in paragraphs (b), (c), and (d). In a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in Laws 1999, chapter 216, article 7, section 26, the share that would otherwise go to the county under this paragraph must be submitted to the state treasurer for deposit in the state treasury and credited to the general fund.

(b) The commissioner must reimburse a county, from the game and fish fund, for the cost of keeping prisoners prosecuted for violations under this section if the county board, by resolution, directs: (1) the county treasurer to submit all fines and forfeited bail to the commissioner; and (2) the county auditor to certify and submit monthly itemized statements to the commissioner.

(c) The county treasurer shall submit one-half of the receipts collected under paragraph (a) from prosecutions of violations of sections 84.81 to 84.91 or rules adopted thereunder, and 169A.20, except receipts that are surcharges imposed under section 357.021, subdivision 6, to the commissioner and credit the balance to the county general fund. The commissioner shall credit these receipts to the snowmobile trails and enforcement account in the natural resources fund.

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(d) The county treasurer shall indicate the amount of the receipts that are surcharges imposed under section 357.021, subdivision 6, and shall submit all of those receipts to the state treasurer.

EFFECTIVE DATE. This section is effective July 1, 2003, in the second and fourth districts; July 1, 2004, in the first and third districts; and July 1, 2005, in the sixth and tenth districts.

Sec. 2. Minnesota Statutes 2000, section 179A.101, subdivision 1, is amended to read:

Subdivision 1. **COURT EMPLOYEE UNITS.** (a) The state court administrator shall meet and negotiate with the exclusive representative of each of the units specified in this section. The units provided in this section are the only appropriate units for court employees. Court employees, unless otherwise excluded, are included within the units which include the classifications to which they are assigned for purposes of compensation. Initial assignment of classifications to bargaining units shall be made by the state court administrator by August 15, ~~1999~~ of the year preceding the year in which the state assumes the cost of court administration in the judicial district in which the bargaining unit is located. An exclusive representative may appeal the initial assignment decision of the state court administrator by filing a petition with the commissioner within 45 days of being certified as the exclusive representative for a judicial district. The units in this subdivision are the appropriate units of court employees.

(b) The judicial district unit consists of clerical, administrative, and technical employees of a judicial district under section 480.181, subdivision 1, paragraph (b), or of two or more of these districts that are represented by the same employee organization or one or more subordinate bodies of the same employee organization. The judicial district unit includes individuals, not otherwise excluded, whose work is typically clerical or secretarial in nature, including nontechnical data recording and retrieval and general office work, and individuals, not otherwise excluded, whose work is not typically manual and which requires specialized knowledge or skills acquired through two-year academic programs or equivalent experience or on-the-job training.

(c) The appellate courts unit consists of clerical, administrative, and technical employees of the court of appeals and clerical, administrative, and technical employees of the supreme court. The appellate courts unit includes individuals, not otherwise excluded, whose work is typically clerical or secretarial in nature, including nontechnical data recording and retrieval and general office work, and individuals, not otherwise excluded, whose work is not typically manual and which requires specialized knowledge or skills acquired through two-year academic programs or equivalent experience or on-the-job training.

(d) The court employees professional employee unit consists of professional employees, not otherwise excluded, that are employed by the supreme court, the court of appeals, or a judicial district under section 480.181, subdivision 1, paragraph (b).

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(e) The court employees court reporter unit consists of court reporters not otherwise excluded who are employed by a judicial district under section 480.181, subdivision 1, paragraph (a).

(f) Notwithstanding any provision of this chapter or any other law to the contrary, judges may appoint and remove court reporters at their pleasure.

(g) Copies of collective bargaining agreements entered into under this section must be submitted to the legislative coordinating commission for the commission's information.

EFFECTIVE DATE. This section is effective July 1, 2003, in the second and fourth districts; July 1, 2004, in the first and third districts; and July 1, 2005, in the sixth and tenth districts.

Sec. 3. Minnesota Statutes 2000, section 179A.102, subdivision 6, is amended to read:

Subd. 6. **CONTRACT AND REPRESENTATION RESPONSIBILITIES.** (a) Notwithstanding the provisions of section 179A.101, the exclusive representatives of units of court employees certified prior to the effective date of the judicial district coming under section 480.181, subdivision 1, paragraph (b), remain responsible for administration of their contracts and for other contractual duties and have the right to dues and fair share fee deduction and other contractual privileges and rights until a contract is agreed upon with the state court administrator for a new unit established under section 179A.101 or until June 30, 2001, whichever is earlier. Exclusive representatives of court employees certified after the effective date of this section in the judicial district are immediately upon certification responsible for bargaining on behalf of employees within the unit. They are also responsible for administering grievances arising under previous contracts covering employees included within the unit which remain unresolved on June 30, 2001, or upon agreement with the state court administrator on a contract for a new unit established under section 179A.101, whichever is earlier. Where the employer does not object, these responsibilities may be varied by agreement between the outgoing and incoming exclusive representatives. All other rights and duties of representation begin on July 1, 2001 of the year in which the state assumes the funding of court administration in the judicial district, except that exclusive representatives certified after the effective date of this section shall immediately, upon certification, have the right to all employer information and all forms of access to employees within the bargaining unit which would be permitted to the current contract holder, including the rights in section 179A.07, subdivision 6. This section does not affect an existing collective bargaining contract. Incoming exclusive representatives of court employees from judicial districts that come under section 480.181, subdivision 1, paragraph (b), are immediately, upon certification, responsible for bargaining on behalf of all previously unrepresented employees assigned to their units. All other rights and duties of exclusive representatives begin on July 1, 2001 of the year in which the state assumes the funding of court administration in the judicial district.

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(b) Nothing in this act or Laws 1999, chapter 216, article 7, sections 3 to 15, prevents an exclusive representative certified after the effective date of ~~sections 3 to 15~~ dates of those provisions from assessing fair share or dues deductions immediately upon certification for employees in a unit established under section 179A.101 if the employees were unrepresented for collective bargaining purposes before that certification.

EFFECTIVE DATE. This section is effective July 1, 2003, in the second and fourth districts; July 1, 2004, in the first and third districts; and July 1, 2005, in the sixth and tenth districts.

Sec. 4. Minnesota Statutes 2000, section 179A.103, subdivision 1, is amended to read:

Subdivision 1. **CONTRACTS.** Contracts for the period commencing July 1, ~~2000~~, of the year in which the state assumes the cost of court administration in the judicial district for the judicial district court employees of ~~judicial districts that are under section 480.181, subdivision 1, paragraph (b)~~, must be negotiated with the state court administrator. Negotiations for those contracts may begin any time after July 1, ~~1999~~ of the year before the state assumes the cost, and may be initiated by either party notifying the other of the desire to begin the negotiating process. Negotiations are subject to this chapter.

EFFECTIVE DATE. This section is effective July 1, 2003, in the second and fourth districts; July 1, 2004, in the first and third districts; and July 1, 2005, in the sixth and tenth districts.

Sec. 5. Minnesota Statutes 2000, section 273.1398, subdivision 4a, is amended to read:

Subd. 4a. **AID OFFSET FOR COURT COSTS.** (a) By July 15, ~~1999~~ of the year preceding the year in which the state assumes the cost of court administration in the judicial district as specified under section 480.183, the supreme court shall determine and certify to the commissioner of revenue for each county, ~~other than counties located in the eighth judicial district~~, the county's share of the costs assumed in the judicial districts specified under Laws 1999, chapter 216, article 7, section 480.183, subdivision 1, during the succeeding fiscal year beginning July 1, 2000.

(b) The amount certified in paragraph (a) shall be equal to the following:

(1) 103 percent of the required court administration expenditures as defined under section 480.183, subdivision 3, for calendar year 2003, as determined under subdivision 4b, paragraph (a); plus

(2) an adjustment for any cumulative percentage increase in salary expenditures as defined under section 480.183, subdivision 2, in excess of a maintenance of effort increase of six percent; less

(3) an amount equal to the county's share of transferred fines collected by the district courts in the county during the calendar year ~~1998~~ preceding certification.

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The court and the county may, if both parties agree, negotiate and certify an amount higher than the amount calculated under this paragraph.

(c) For purposes of this subdivision, the adjustment in paragraph (b), clause (2), shall be equal to:

(1) the sum of the court administration expenditures as defined under section 480.183, subdivision 3, required under subdivision 4b, paragraph (a), plus the temporary aid payment under subdivision 4c; multiplied by

(2) the difference between (i) the cumulative percentage increase in actual and anticipated salary settlements for court employees from July 1, 2001, until the date of the court transfer and (ii) the percentage specified in subdivision 4b, paragraph (a).

(b) (d) Payments to a county under subdivision 2 or section 273.166 for the calendar year 2000 in which the state assumes the cost of court administration as defined under section 480.183, subdivision 3, in the judicial district must be permanently reduced by an amount equal to 75 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a).

(e) (e) Payments to a county under subdivision 2 or section 273.166 for the calendar year 2001 after the calendar year in which the state assumes the cost of court administration as defined under section 480.183, subdivision 3, in the judicial district must be permanently reduced by an amount equal to 25 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a), provided that this amount must be increased or decreased by an amount equal to the positive or negative difference between the amount of fee and fine revenue certified under paragraph (b), clause (3), and the actual amount of fee and fine revenue of the county for the calendar year when certification takes place.

(d) (f) Payments to a county under subdivision 2 for calendar year 2001 are permanently increased by an amount equal to 7.5 percent of the county's share of transferred fines collected by the district courts in the county during calendar year 1998, as determined under paragraph (a). If the amount determined in paragraph (a) exceeds the amount of aid a county is scheduled to be paid under subdivision 2 in 2000, then the county shall not receive an aid increase under this paragraph.

(g) Payments to a county under subdivision 2 or section 273.166, for the cost of mandated services, as defined in section 480.183, subdivision 4, in the judicial district, must be permanently reduced in 2002 by an amount equal to the cost to the state for assumption of mandated court services as defined in section 480.183, subdivision 4. The supreme court shall determine the amount for each county and certify it to the commissioner of revenue by July 15, 2001.

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

Sec. 6. Minnesota Statutes 2000, section 273.1398, is amended by adding a subdivision to read:

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Subd. 4b. COURT EXPENDITURES; MAINTENANCE OF EFFORT. (a) Until the costs of court administration as defined under section 480.183, subdivision 3, in a county have been transferred to the state, each county in a judicial district transferring court administration costs to state funding after July 1, 2001, shall budget for the funding of these costs an amount at least equal to the certified budget amount for calendar year 2001, increased by six percent for each year from 2001 to 2003 and by eight percent from 2004 to the year of the transfer. The county shall budget, fund, and authorize expenditures not less than the amount calculated under this paragraph plus the temporary aid amount under subdivision 4c for maintenance of effort of administrative costs.

(b) By July 15, 2001, the court shall certify to each county in the judicial district its cost of court administration as defined under section 480.183, subdivision 3, based on 2001 budgets. In making that determination, the court shall exclude the budget costs of the county for the following categories:

- (1) rent;
- (2) examiner of titles;
- (3) civil court appointed attorneys for civil matters;
- (4) hospitalization costs; and
- (5) cost of maintaining vital statistics.

The amount of funding provided by a county for courts that is increased by the maintenance of effort requirement may not be used by a county to pay the costs described in clauses (1) to (5).

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

Sec. 7. Minnesota Statutes 2000, section 273.1398, is amended by adding a subdivision to read:

Subd. 4c. TEMPORARY AID; COURT ADMINISTRATION COSTS. For calendar years 2004 and 2005, each county in a judicial district that has not been transferred to the state by January 1 of that year shall receive additional homestead and agricultural credit aid. This amount is in addition to the amount calculated under subdivision 2 and must not be included in the definition of homestead and agricultural credit base under subdivision 1, paragraph (j). The amount of additional aid is equal to the difference between (1) the amount budgeted for court administration costs in 2001 as determined under subdivision 4b, paragraph (c), multiplied by the maintenance of effort percent for the calendar year as determined under subdivision 4b, paragraph (d), and (2) the amount calculated under subdivision 4b, paragraph (a), for calendar year 2003. This additional aid must be used only to fund court administration expenditures as defined in section 480.183, subdivision 3. This amount must be added to the state court's base budget in the year when the court in that judicial district in which the county is located is transferred to the state.

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

Sec. 8. Minnesota Statutes 2000, section 273.1398, is amended by adding a subdivision to read:

Subd. 4d. **AID OFFSET FOR OUT-OF-HOME PLACEMENT COSTS.** For aid payable in 2003, each county's aid under subdivision 2 shall be permanently reduced by an amount equal to the county's 2003 reimbursement for nonfederal expenditures for out-of-home placements, as provided in section 245.775, provided that payments will be made under section 477A.0123 in calendar year 2003. The counties shall provide all information requested by the commissioner of human services necessary to allow the commissioner to certify the previous three years' average nonfederal costs to the commissioner of revenue by July 15, 2003. The aid reduction under this subdivision must be made prior to any aid reductions for the state takeover of courts contained in this article.

EFFECTIVE DATE. This section is effective the day after final enactment, for aids payable beginning in 2003.

Sec. 9. Minnesota Statutes 2000, section 299D.03, subdivision 5, is amended to read:

Subd. 5. **FINES AND FORFEITED BAIL MONEY.** (a) All fines and forfeited bail money, from traffic and motor vehicle law violations, collected from persons apprehended or arrested by officers of the state patrol, shall be paid by the person or officer collecting the fines, forfeited bail money or installments thereof, on or before the tenth day after the last day of the month in which these moneys were collected, to the county treasurer of the county where the violation occurred. Three-eighths of these receipts shall be credited to the general revenue fund of the county, except that in a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in Laws 1999, chapter 216, article 7, section 26, this three-eighths share must be transmitted to the state treasurer for deposit in the state treasury and credited to the general fund. The other five-eighths of these receipts shall be transmitted by that officer to the state treasurer and shall be credited as follows:

(1) In the fiscal year ending June 30, 1991, the first \$275,000 in money received by the state treasurer after June 4, 1991, must be credited to the transportation services fund, and the remainder in the fiscal year credited to the trunk highway fund.

(2) In fiscal year 1992, the first \$215,000 in money received by the state treasurer in the fiscal year must be credited to the transportation services fund, and the remainder credited to the trunk highway fund.

(3) In fiscal year 1993 and subsequent years, the entire amount received by the state treasurer must be credited to the trunk highway fund. If, however, the violation occurs within a municipality and the city attorney prosecutes the offense, and a plea of not guilty is entered, one-third of the receipts shall be credited to the general revenue fund of the county, one-third of the receipts shall be paid to the municipality prosecuting the offense, and one-third shall be transmitted to the state treasurer as

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provided in this subdivision. All costs of participation in a nationwide police communication system chargeable to the state of Minnesota shall be paid from appropriations for that purpose.

(b) Notwithstanding any other provisions of law, all fines and forfeited bail money from violations of statutes governing the maximum weight of motor vehicles, collected from persons apprehended or arrested by employees of the state of Minnesota, by means of stationary or portable scales operated by these employees, shall be paid by the person or officer collecting the fines or forfeited bail money, on or before the tenth day after the last day of the month in which the collections were made, to the county treasurer of the county where the violation occurred. Five-eighths of these receipts shall be transmitted by that officer to the state treasurer and shall be credited to the highway user tax distribution fund. Three-eighths of these receipts shall be credited to the general revenue fund of the county, except that in a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in Laws 1999, chapter 216, article 7, section 26, this three-eighths share must be transmitted to the state treasurer for deposit in the state treasury and credited to the general fund.

EFFECTIVE DATE. This section is effective July 1, 2003, in the second and fourth districts; July 1, 2004, in the first and third districts; and July 1, 2005, in the sixth and tenth districts.

Sec. 10. Minnesota Statutes 2000, section 357.021, subdivision 1a, is amended to read:

Subd. 1a. **TRANSMITTAL OF FEES TO STATE TREASURER.** (a) 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. Except as provided in paragraph (d), the court administrator shall transmit the fees monthly to the state treasurer for deposit in the state treasury and credit to the general fund.

(b) In a county which has a screener-collector position, fees paid by a county pursuant to this subdivision shall be transmitted monthly to the county treasurer, who shall apply the fees first to reimburse the county for the amount of the salary paid for the screener-collector position. The balance of the fees collected shall then be forwarded to the state treasurer for deposit in the state treasury and credited to the general fund. In a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in Laws 1999, chapter 216, article 7, section 26, which has a screener-collector position, the fees paid by a county shall be transmitted monthly to the state treasurer for deposit in the state treasury and credited to the general fund. A screener-collector position for purposes of this paragraph is an employee whose function is to increase the collection of fines and to review the incomes of potential clients of the public defender, in order to verify eligibility for that service.

(c) No fee is required under this section from the public authority or the party the public authority represents in an action for:

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(1) child support enforcement or modification, medical assistance enforcement, or establishment of parentage in the district court, or in a proceeding under section 484.702;

(2) civil commitment under chapter 253B;

(3) the appointment of a public conservator or public guardian or any other action under chapters 252A and 525;

(4) wrongfully obtaining public assistance under section 256.98 or 256D.07, or recovery of overpayments of public assistance;

(5) court relief under chapter 260;

(6) forfeiture of property under sections 169A.63 and 609.531 to 609.5317;

(7) recovery of amounts issued by political subdivisions or public institutions under sections 246.52, 252.27, 256.045, 256.25, 256.87, 256B.042, 256B.14, 256B.15, 256B.37, 260B.331, and 260C.331, or other sections referring to other forms of public assistance;

(8) restitution under section 611A.04; or

(9) actions seeking monetary relief in favor of the state pursuant to section 16D.14, subdivision 5.

(d) The fees collected for child support modifications under subdivision 2, clause (13), must be transmitted to the county treasurer for deposit in the county general fund. The fees must be used by the county to pay for child support enforcement efforts by county attorneys.

EFFECTIVE DATE. This section is effective July 1, 2003, in the second and fourth districts; July 1, 2004, in the first and third districts; and July 1, 2005, in the sixth and tenth districts.

Sec. 11. [477A.0123] REIMBURSEMENT OF COUNTY FOR CERTAIN OUT-OF-HOME PLACEMENT.

Subdivision 1. AID PAYMENTS. (a) In calendar year 2003 and thereafter, the commissioner of revenue shall reimburse each county for a portion of the nonfederal share of the cost of out-of-home placement provided the commissioner of human services, in consultation with the commissioner of corrections, certifies to the commissioner of revenue that accurate data is available to make the aid determination under this section. The amount of reimbursement is a percent of the county's average nonfederal share of the cost for out-of-home placement for the most recent three calendar years for which data is available. The commissioner shall pay the aid under the schedule used for local government aid payments under section 477A.015.

(b) For aids payable in calendar year 2003, the percent of reimbursement in paragraph (a) shall be equal to the maximum percentage possible, up to 30 percent, that does not cause the payment to any county in the seven county metropolitan area to

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exceed the difference between the amount of aid it is scheduled to receive in calendar year 2003 under section 273.1398, prior to the offset under section 273.1398, subdivision 4d, and any aid offset under section 273.1398, subdivision 4a, that is scheduled to occur after July 1, 2003. For aids payable in 2004 and thereafter, the percent of reimbursement under paragraph (a) shall be equal to the percent of reimbursement determined for calendar year 2003, adjusted so that the total payments under this section do not exceed the appropriation under section 477A.03, subdivision 2, paragraph (e).

(c) For purposes of this section, "out-of-home placement" means the placement of a child in a child caring institution or shelter licensed under Minnesota Rules, parts 9545.0905 to 9545.1125, in a group home licensed under Minnesota Rules, parts 9545.1400 to 9545.1480, in family foster care or group family foster care licensed under Minnesota Rules, parts 9545.0010 to 9545.0260, or a correctional facility pursuant to a court order under which a county social services agency or a county correctional agency has been assigned responsibility for the placement.

Subd. 2. DETERMINATION OF NONFEDERAL SHARE OF COSTS. (a) By January 1, 2002, each county shall report the following information to the commissioners of human services and corrections, the separate amounts paid out of its social service agency budget and its corrections budget for out-of-home placement in calendar years 1998, 1999, and 2000, along with the number of case days associated with the expenditures from each budget. By March 15, 2002, the commissioner of human services, in consultation with the commissioner of corrections, shall certify to the commissioner of revenue and to the legislative committees responsible for local government aids and out-of-home placement funding, whether the data reported under this subdivision accurately reflects total expenditures by counties for out-of-home placement costs.

(b) By January 1 of calendar year 2004 and thereafter, each county shall report to the commissioners of human services and corrections the separate amounts paid out of its social service agency budget and its corrections budget for out-of-home placement in the calendar years two years before the current calendar year along with the number of case days associated with the expenditures from each budget.

(c) Until either the commissioner of human services or corrections develops another mechanism for collecting and verifying data on out-of-home placements, and the legislature authorizes the use of that data, the data collected under this subdivision shall be used to calculate payments under subdivision 1. The commissioner of human services shall certify the information to the commissioner of revenue by July 1 of the year prior to the aid payment.

EFFECTIVE DATE. This section is effective for aids payable in 2003 and thereafter except subdivision 2 is effective the day after final enactment.

Sec. 12. Minnesota Statutes 2000, section 477A.03, subdivision 2, is amended to read:

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Subd. 2. **ANNUAL APPROPRIATION.** (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

(b) Aid payments to counties under section 477A.0121 are limited to \$20,265,000 in 1996. Aid payments to counties under section 477A.0121 are limited to \$27,571,625 in 1997. For aid payable in 1998 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(c)(i) For aids payable in 1998 and thereafter, the total aids paid to counties under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(ii) Aid payments to counties under section 477A.0122 in 2000 are further increased by an additional \$20,000,000 in 2000.

(d) Aid payments to cities in 1999 under section 477A.013, subdivision 9, are limited to \$380,565,489. For aids payable in 2000, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided in subdivision 3, and increased by the amount necessary to effectuate Laws 1999, chapter 243, article 5, section 48, paragraph (b). For aids payable in 2001 through 2003, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3, and increased by the amount certified to be paid in 2003 under section 477A.06. For aids payable in 2005 and thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. The additional amount authorized under subdivision 4 is not included when calculating the appropriation limits under this paragraph.

(e) Reimbursements made to counties under section 477A.0123 in calendar year 2004 and thereafter are limited to an amount equal to the maximum allowed appropriation under this section in the previous year, multiplied by a percent to be established by law.

EFFECTIVE DATE. This section is effective for aids payable in calendar year 2003 and thereafter.

Sec. 13. Minnesota Statutes 2000, section 480.181, subdivision 1, is amended to read:

Subdivision 1. **STATE EMPLOYEES; COMPENSATION.** (a) District court referees, judicial officers, court reporters, law clerks, district administration staff, other than district administration staff in the second and fourth judicial districts, guardian ad litem program coordinators and staff, staff court interpreters in the second judicial district, court psychological services staff in the fourth judicial district, and other court

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employees under paragraph (b), are state employees and are governed by the judicial branch personnel rules adopted by the supreme court. The supreme court, in consultation with the conference of chief judges, shall establish the salary range of these employees under the judicial branch personnel rules. In establishing the salary ranges, the supreme court shall consider differences in the cost of living in different areas of the state.

(b) The court administrator and employees of the court administrator who are in the fifth, seventh, eighth, or ninth judicial district are state employees. The court administrator and employees of the court administrator in the remaining judicial districts become state employees as follows:

- (1) effective July 1, 2003, for the second and fourth judicial districts;
- (2) effective July 1, 2004, for the first and third judicial districts; and
- (3) effective July 1, 2005, for the sixth and tenth judicial districts.

EFFECTIVE DATE. The amendment to paragraph (a) for the second district is effective July 1, 2001, and for the fourth judicial district is effective July 1, 2003.

Sec. 14. [480.181] POST-RETIREMENT BENEFIT COSTS.

Where court administration, guardian ad litem, or interpreter employees elect to retain county insurance benefits under section 480.181 after July 1, 2001, and the county provides those employees post-retirement insurance benefits prior to July 1, 2001, the county shall pay the post-retirement cost of those benefits.

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

Sec. 15. [480.183] JUDICIAL DISTRICTS; SCHEDULED DATES OF STATE TRANSFER; DEFINITION OF SERVICES.

Subdivision 1. DATE OF STATE TRANSFER. The court administration expenditures as defined in this section for the remaining judicial districts shall be transferred to the state according to the following schedule:

- (1) effective July 1, 2003, the second and fourth judicial districts;
- (2) effective July 1, 2004, the first and third judicial districts; and
- (3) effective July 1, 2005, the sixth and tenth judicial districts.

Subd. 2. DEFINITION; SALARY EXPENDITURES. "Salary expenditures" means the salary of court administration employees, including salaries, related fringe benefits, and insurance, granted to court and other county employees in collective bargaining or county pay plans.

Subd. 3. DEFINITION; COURT ADMINISTRATION EXPENDITURES. "Court administration expenditures" means the total expenditures of (1) salary expenditures as defined under subdivision 2 and (2) other related administrative operating expenditures.

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Subd. 4. DEFINITION; MANDATED COURT SERVICES. “Mandated court services” means services for:

- (1) guardian ad litem;
- (2) interpreter;
- (3) Minnesota Rules, parts 9525.0900 to 9525.1020 (rule 20);
- (4) civil commitment examination, not including hospitalization or treatment costs, for mental commitments and related proceedings under chapter 253B; and
- (5) in forma pauperis costs.

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

Sec. 16. [484.77] FACILITIES.

The county board in each county shall provide suitable facilities for court purposes at the county seat, or at other locations agreed upon by the district court and the county. The county shall also be responsible for the costs of renting, maintaining, operating, remodeling, insuring, and renovating those facilities occupied by the court. The county board and the district court must mutually agree upon relocation, renovation, new construction, and remodeling decisions related to court facility needs. The state court administrator shall convene court and county representatives who shall develop written model guidelines for facilities that may be adopted in each county.

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

Sec. 17. Minnesota Statutes 2000, section 487.33, subdivision 5, is amended to read:

Subd. 5. ALLOCATION. The court administrator shall provide the county treasurer with the name of the municipality or other subdivision of government where the offense was committed which employed or provided by contract the arresting or apprehending officer and the name of the municipality or other subdivision of government which employed the prosecuting attorney or otherwise provided for prosecution of the offense for each fine or penalty and the total amount of fines or penalties collected for each municipality or other subdivision of government. On or before the last day of each month, the county treasurer shall pay over to the treasurer of each municipality or subdivision of government within the county all fines or penalties for parking violations for which complaints and warrants have not been issued and one-third of all fines or penalties collected during the previous month for offenses committed within the municipality or subdivision of government from persons arrested or issued citations by officers employed by the municipality or subdivision or provided by the municipality or subdivision by contract. An additional one-third of all fines or penalties shall be paid to the municipality or subdivision of government providing prosecution of offenses of the type for which the fine or penalty is collected occurring within the municipality or subdivision, imposed for violations of state statute or of an ordinance, charter provision, rule or regulation of a city whether or not a guilty

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plea is entered or bail is forfeited. Except as provided in section 299D.03, subdivision 5, or as otherwise provided by law, all other fines and forfeitures and all fees and statutory court costs collected by the court administrator shall be paid to the county treasurer of the county in which the funds were collected who shall dispense them as provided by law. In a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in Laws 1999, chapter 216, article 7, section 26, all other fines, forfeitures, fees, and statutory court costs must be paid to the state treasurer for deposit in the state treasury and credited to the general fund.

EFFECTIVE DATE. This section is effective July 1, 2003, in the second and fourth districts; July 1, 2004, in the first and third districts; and July 1, 2005, in the sixth and tenth districts.

Sec. 18. Minnesota Statutes 2000, section 488A.03, is amended by adding a subdivision to read:

Subd. 14. REVENUES TO GENERAL FUND. In a judicial district under section 480.181, subdivision 1, paragraph (b), the county's share of all fines, forfeitures, fees, and statutory court costs must be paid to the state treasurer for deposit in the state treasury and credited to the general fund.

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

Sec. 19. Minnesota Statutes 2000, section 488A.20, is amended by adding a subdivision to read:

Subd. 8. REVENUES TO GENERAL FUND. In a judicial district under section 480.181, subdivision 1, paragraph (b), the county's share of all fines, forfeitures, fees, and statutory court costs must be paid to the state treasurer for deposit in the state treasury and credited to the general fund.

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

Sec. 20. Minnesota Statutes 2000, section 574.34, subdivision 1, is amended to read:

Subdivision 1. **GENERAL.** Fines and forfeitures not specially granted or appropriated by law shall be paid into the treasury of the county where they are incurred, except in a county in a judicial district under section 480.181, subdivision 1, paragraph (b), as added in Laws 1999, chapter 216, article 7, section 26, the fines and forfeitures must be deposited in the state treasury and credited to the general fund.

EFFECTIVE DATE. This section is effective July 1, 2003, in the second and fourth districts; July 1, 2004, in the first and third districts; and July 1, 2005, in the sixth and tenth districts.

Sec. 21. **TRANSITIONAL PROVISIONS.**

Subdivision 1. TRANSFER OF PROPERTY. The title to personal property that is used by employees being transferred to state employment under this article in the

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scope of their employment is transferred to the state when they become state employees.

Subd. 2. RULES. The supreme court, in consultation with the conference of chief judges, may adopt rules to implement this article.

Subd. 3. BUDGETS. Notwithstanding any law to the contrary, the fiscal year budgets for the year in which the state assumes the cost of court administration in the judicial district for the court administrators' offices being transferred to state employment under this article, including the number of complement positions and salaries, must be submitted by the court administrators to the supreme court. The budgets must include the current levels of funding and positions at the time of submission as well as any requests for increases in funding and positions.

EFFECTIVE DATE. This section is effective July 1, 2003, in the second and fourth districts; July 1, 2004, in the first and third districts; and July 1, 2005, in the sixth and tenth districts.

Sec. 22. **APPROPRIATION.**

(a) The supreme court general fund appropriation base is increased by \$39,240,000 in fiscal year 2004 and by an additional \$17,316,000 in fiscal year 2005. In fiscal years 2006 and 2007 the supreme court may request additional base adjustments to reflect the transfer of the remaining judicial districts.

(b) \$8,701,253 is appropriated to the supreme court from the general fund in each of fiscal years 2002 and 2003 to be used to pay the costs of mandated court services assumed by the state under Minnesota Statutes, section 480.183, subdivision 1.

(c) For each of fiscal years 2004 and 2005, \$1,700,000 is appropriated from the general fund to the supreme court to fund court takeover equity adjustments. These amounts must be added to the court base budget in subsequent fiscal years.

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

ARTICLE 6

MINERALS TAXES

Section 1. Minnesota Statutes 2000, section 116J.424, is amended to read:

116J.424 **IRRRB CONTRIBUTION.**

The commissioner of the iron range resources and rehabilitation board with approval of the board shall provide an equal match for any loan or equity investment made for a facility located in the tax relief area defined in section 273.134, paragraph (b), by the Minnesota minerals 21st century fund created by section 116J.423. The match may be in the form of a loan or equity investment, notwithstanding whether the

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fund makes a loan or equity investment. The state shall not acquire an equity interest because of an equity investment or loan by the board and the board at its sole discretion shall decide what interest it acquires in a project. The commissioner of trade and economic development may require a commitment from the board to make the match prior to disbursing money from the fund.

Sec. 2. Minnesota Statutes 2000, section 126C.21, subdivision 4, is amended to read:

Subd. 4. **TACONITE DEDUCTIONS.** (1) Notwithstanding any provisions of any other law to the contrary, the adjusted net tax capacity used in calculating general education aid may include only that property that is currently taxable in the district.

(2) For districts that received payments under sections 298.018; ~~298.24 to 298.28;~~ 298.34 to 298.39; 298.391 to 298.396; and 298.405; ~~or any law imposing a tax upon severed mineral values; or recognized revenue pursuant to section 477A.15;~~ the general education aid must be reduced in the final adjustment payment by the difference between the dollar amount of the payments received pursuant to those sections; ~~or revenue recognized pursuant to section 477A.15~~ in the fiscal year to which the final adjustment is attributable and the amount that was calculated, pursuant to section 126C.48, subdivision 8, as a reduction of the levy attributable to the fiscal year to which the final adjustment is attributable. If the final adjustment of a district's general education aid for a fiscal year is a negative amount because of this clause, the next fiscal year's general education aid to that district must be reduced by this negative amount in the following manner: there must be withheld from each scheduled general education aid payment due the district in such fiscal year, 15 percent of the total negative amount, until the total negative amount has been withheld. The amount reduced from general education aid pursuant to this clause must be recognized as revenue in the fiscal year to which the final adjustment payment is attributable.

EFFECTIVE DATE. This section is effective for aids payable in the 2002-2003 school year.

Sec. 3. Minnesota Statutes 2000, section 126C.48, subdivision 8, is amended to read:

Subd. 8. **TACONITE PAYMENT AND OTHER REDUCTIONS.** (1) Reductions in levies pursuant to sections 126C.48, subdivision 1, and 273.138, must 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; ~~298.24 to 298.28;~~ ~~except an amount distributed under section 298.28, subdivision 4, paragraph (e); 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;~~ must not include a portion of these aids in their permissible levies pursuant to those sections, but instead must reduce the permissible levies authorized by this chapter and chapters 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by the greater of the following:

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(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections of 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 of 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 five percent.

(3) ~~No reduction pursuant to this subdivision shall reduce the levy made by the district pursuant to section 126C.13, to an amount less than the amount raised by a levy of a net tax rate of 6.82 percent times the adjusted net tax capacity for taxes payable in 1990 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 126C.17, subdivision 9, shall not be reduced pursuant to this subdivision. The amount of any levy authorized by section 126C.43, 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 health and safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, 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; ~~298.24 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 126C.21, subdivision 4, 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 126C.21, subdivision 4, 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.

EFFECTIVE DATE. This section is effective for taxes levied in 2001 for taxes payable in 2002.

Sec. 4. Minnesota Statutes 2000, section 273.134, is amended to read:

273.134 TACONITE AND IRON ORE AREAS; TAX RELIEF AREA; DEFINITIONS.

(a) For purposes of this section and section 273.135, "municipality" means any city, however organized, or town, and the applicable assessment date is the date as of which property is listed and assessed for the tax in question.

For the purposes of section 273.135, "tax relief area" means the geographic area contained, within the boundaries of a school district on January 2, 2000, which

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contains a municipality which meets the following qualifications:

(1) it is a municipality in which the assessed valuation of unmined iron ore on May 1, 1941, was not less than 40 percent of the assessed valuation of all real property; or

(2) it is a municipality in which, on January 1, 1977 or the applicable assessment date, there is a taconite concentrating plant or where taconite is mined or quarried or where there is located an electric generating plant which qualifies as a taconite facility.

For purposes of this paragraph, a "tax relief area" does not include a school district whose boundaries are more than 20 miles from a taconite mine or plant or in which the assessed valuation of unmined iron ore on May 1, 1941, was less than 40 percent of the assessed valuation of all real property.

(b) For purposes of section 273.1391, subdivision 2, paragraph (c), and chapter 298, "tax relief area" means the geographic area contained within the boundaries of a school district which contains a municipality that meets the following qualifications:

(1) it is a municipality in which the assessed valuation of unmined iron ore on May 1, 1941, was not less than 40 percent of the assessed valuation of all real property; or

(2) it is a municipality in which, on January 1, 1977, or the applicable assessment date, there is a taconite concentrating plant or where taconite is mined or quarried or where there is located an electric generating plant which qualifies as a taconite facility.

EFFECTIVE DATE. This section is effective for taxes and aids payable and expenditures authorized in 2002 and thereafter.

Sec. 5. Minnesota Statutes 2000, section 273.135, subdivision 1, is amended to read:

Subdivision 1. The property tax to be paid in respect to property taxable within a tax relief area as defined in section 273.134, paragraph (a), on homestead property, as otherwise determined by law and regardless of the market value of the property, for all purposes shall be reduced in the amount prescribed by subdivision 2, subject to the limitations contained therein.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 6. Minnesota Statutes 2000, section 273.135, subdivision 2, is amended to read:

Subd. 2. The amount of the reduction authorized by subdivision 1 shall be:

(a) In the case of property located within a tax relief area as defined under section 273.134, paragraph (a), that is within the boundaries of a municipality which meets the qualifications prescribed in section 273.134, paragraph (a), 66 percent of the tax,

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provided that the reduction shall not exceed the maximum amounts specified in clause paragraph (c).

(b) In the case of property located within the boundaries of a school district which qualifies as a tax relief area under section 273.134, paragraph (a), but which is outside the boundaries of a municipality which meets the qualifications prescribed in section 273.134, paragraph (a), 57 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in clause paragraph (c).

(c) The maximum reduction of the tax is \$315.10 on property described in clause paragraph (a) and \$289.80 on property described in clause paragraph (b).

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 7. Minnesota Statutes 2000, section 273.136, subdivision 2, is amended to read:

Subd. 2. The commissioner of revenue shall determine, not later than April 1 of each year, the amount of reduction resulting from section 273.135 in each county containing a tax relief area as defined by section 273.134, paragraph (b), basing determinations on a review of abstracts of tax lists submitted by the county auditors pursuant to section 275.29. The commissioner may make changes in the abstracts of tax lists as deemed necessary. The commissioner of revenue, after such review, shall submit to the St. Louis county auditor, on or before April 15, the amount of the first half payment payable hereunder and on or before September 15 the amount of the second half payment.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 8. Minnesota Statutes 2000, section 273.1391, subdivision 2, is amended to read:

Subd. 2. 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 tax on qualified property 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 (e) paragraph (d). 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

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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 tax, but not to exceed the maximums specified in clause (e) paragraph (d).

(c) In the case of property located within the boundaries of a municipality that meets the qualifications in section 273.134, paragraph (b), but not the qualifications in section 273.134, paragraph (a), 66 percent of the tax, provided that the reduction shall not exceed \$315.10. In the case of property located within the boundaries of a school district which qualifies as a tax relief area under section 273.134, paragraph (b), but does not qualify as a tax relief area under section 273.134, paragraph (a), but which is outside the boundaries of a municipality which meets the qualifications of the preceding sentence, 57 percent of the tax, provided that the reduction shall not exceed the maximum amounts specified in paragraph (d).

(d) Except as otherwise provided in this section, the maximum reduction of the tax is \$289.80.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 9. Minnesota Statutes 2000, section 273.1391, subdivision 3, is amended to read:

Subd. 3. Not later than December 1, each county auditor having jurisdiction over one or more tax relief areas defined in subdivision 2 shall certify to the commissioner of revenue an estimate of the total amount of the reduction, determined under subdivision 2, in taxes payable the next succeeding year with respect to all tax relief areas in the auditor's county. The commissioner shall make payments to the county by May 15 and October 15 annually at the times provided in section 477A.015. The county treasurer shall distribute as part of the May and October settlements the funds received from the commissioner.

EFFECTIVE DATE. This section is effective for payments in 2002 and thereafter.

Sec. 10. Minnesota Statutes 2000, section 276A.01, subdivision 2, is amended to read:

Subd. 2. **AREA.** "Area" means the territory included within all tax relief areas defined in section 273.134, paragraph (b).

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 11. Minnesota Statutes 2000, section 298.018, subdivision 1, is amended to read:

Subdivision 1. **WITHIN TACONITE TAX RELIEF AREA.** The proceeds of the tax paid under sections 298.015 to 298.017 on minerals and energy resources mined

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or extracted within the taconite tax relief area defined in section 273.134, paragraph (b), shall be allocated as follows:

(1) five percent to the city or town within which the minerals or energy resources are mined or extracted;

(2) ten percent to the taconite municipal aid account to be distributed as provided in section 298.282;

(3) ten percent to the school district within which the minerals or energy resources are mined or extracted;

(4) 20 percent to a group of school districts comprised of those school districts wherein the mineral or energy resource was mined or extracted or in which there is a qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions;

(5) 20 percent to the county within which the minerals or energy resources are mined or extracted;

(6) 20 percent to St. Louis county acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;

(7) five percent to the iron range resources and rehabilitation board for the purposes of section 298.22;

(8) five percent to the northeast Minnesota economic protection trust fund; and

(9) five percent to the taconite environmental protection fund.

The proceeds of the tax shall be distributed on July 15 each year.

Sec. 12. Minnesota Statutes 2000, section 298.018, subdivision 2, is amended to read:

Subd. 2. **OUTSIDE TACONITE TAX RELIEF AREA.** The proceeds of the tax paid under sections 298.015 to 298.017 on minerals and energy resources mined or extracted outside of the taconite tax relief area defined in section 273.134, paragraph (b), shall be deposited in the general fund.

Sec. 13. Minnesota Statutes 2000, section 298.17, is amended to read:

298.17 OCCUPATION TAXES TO BE APPORTIONED.

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All occupation taxes paid by persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore or other ores, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of the proceeds of the tax imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university. Of the moneys apportioned to the general fund by this section there is annually appropriated and credited to the iron range resources and rehabilitation board account in the special revenue fund an amount equal to that which would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22. The money appropriated pursuant to this section shall be used (1) to provide environmental development grants to local governments located within any county in region 3 as defined in governor's executive order number 60, issued on June 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134, paragraph (b), or (2) to provide economic development loans or grants to businesses located within any such county, provided that the county board or an advisory group appointed by the county board to provide recommendations on economic development shall make recommendations to the iron range resources and rehabilitation board regarding the loans. Payment to the iron range resources and rehabilitation board account shall be made by May 15 annually.

Of the money allocated to Koochiching county, one-third must be paid to the Koochiching county economic development commission.

Sec. 14. Minnesota Statutes 2000, section 298.22, subdivision 2, is amended to read:

Subd. 2. IRON RANGE RESOURCES AND REHABILITATION BOARD.

There is hereby created the iron range resources and rehabilitation board, consisting of 13 members, five of whom are state senators appointed by the subcommittee on committees of the rules committee of the senate, and five of whom are representatives, appointed by the speaker of the house of representatives. The remaining members shall be appointed one each by the senate majority leader, the speaker of the house of representatives, and the governor and must be nonlegislators who reside in a tax relief area as defined in section 273.134, paragraph (b). The members shall be appointed in January of every odd-numbered year, except that the initial nonlegislator members shall be appointed by July 1, 1999, and shall serve until January of the next odd-numbered year. Vacancies on the board shall be filled in the same manner as the original members were chosen. At least a majority of the legislative members of the board shall be elected from state senatorial or legislative districts in which over 50 percent of the residents reside within a tax relief area as defined in section 273.134, paragraph (b). All expenditures and projects made by the commissioner of iron range

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resources and rehabilitation shall be consistent with the priorities established in subdivision 8 and shall first be submitted to the iron range resources and rehabilitation board for approval by a majority of the board of expenditures and projects for rehabilitation purposes as provided by this section, and the method, manner, and time of payment of all funds proposed to be disbursed shall be first approved or disapproved by the board. The board shall biennially make its report to the governor and the legislature on or before November 15 of each even-numbered year. The expenses of the board shall be paid by the state from the funds raised pursuant to this section.

Sec. 15. Minnesota Statutes 2000, section 298.22, is amended by adding a subdivision to read:

Subd. 8. **SPENDING PRIORITY.** In making or approving any expenditures on programs or projects, the commissioner and the board shall give the highest priority to programs and projects that target relief to those areas of the taconite tax relief area as defined in section 273.134, paragraph (b), that have the largest percentages of job losses and population losses directly attributable to the economic downturn in the taconite industry since the 1980s. The commissioner and the board shall compare the 1980 population and employment figures with the 2000 population and employment figures, and shall specifically consider the job losses in 2000 and 2001 resulting from the closure of LTV Steel Mining Company, in making or approving expenditures consistent with this subdivision, as well as the areas of residence of persons who suffered job loss for which relief is to be targeted under this subdivision. This subdivision supersedes any other conflicting provisions of law and does not preclude the commissioner and the board from making expenditures for programs and projects in other areas.

Sec. 16. Minnesota Statutes 2000, section 298.2211, subdivision 2, is amended to read:

Subd. 2. **AREA OF OPERATION.** Projects undertaken, developed, or financed pursuant to this section shall be located within the tax relief area defined in section 273.134, paragraph (b).

Sec. 17. Minnesota Statutes 2000, section 298.2213, subdivision 3, is amended to read:

Subd. 3. **USE OF MONEY.** The money appropriated under this section may be used to provide loans, loan guarantees, interest buy-downs, and other forms of participation with private sources of financing, provided that a loan to a private enterprise must be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan must be no less than the lesser of eight percent or the rate of interest that is three percentage points less than a full faith and credit obligation of the United States government of comparable maturity, at the time that the loan is approved.

Money appropriated in this section must be expended only in or for the benefit of the tax relief area defined in section 273.134, paragraph (b), and as otherwise provided in this section.

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Sec. 18. Minnesota Statutes 2000, section 298.2214, subdivision 1, is amended to read:

Subdivision 1. **CREATION OF COMMITTEE; PURPOSE.** A committee is created to advise the commissioner of iron range resources and rehabilitation on providing higher education programs in the taconite tax relief area defined in section 273.134, paragraph (b). The committee is subject to section 15.059.

Sec. 19. Minnesota Statutes 2000, section 298.223, subdivision 1, is amended to read:

Subdivision 1. **CREATION; PURPOSES.** A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota located within a tax relief area defined in section 273.134, paragraph (b), that are adversely affected by the environmentally damaging operations involved in mining taconite and iron ore and producing iron ore concentrate and for the purpose of promoting the economic development of northeast Minnesota. The taconite environmental protection fund shall be used for the following purposes:

(a) to initiate investigations into matters the iron range resources and rehabilitation board determines are in need of study and which will determine the environmental problems requiring remedial action;

(b) reclamation, restoration, or reforestation of minelands not otherwise provided for by state law;

(c) local economic development projects including construction of sewer and water systems, and other public works located within a tax relief area defined in section 273.134, paragraph (b);

(d) monitoring of mineral industry related health problems among mining employees.

Sec. 20. Minnesota Statutes 2000, section 298.225, subdivision 1, is amended to read:

Subdivision 1. (a) The distribution of the taconite production tax as provided in section 298.28, subdivisions 2 3 to 5, 6, paragraph (b), 7, and 8, shall equal the lesser of the following amounts:

(1) the amount distributed pursuant to this section and section 298.28, with respect to 1983 production if the production for the year prior to the distribution year is no less than 42,000,000 taxable tons. If the production is less than 42,000,000 taxable tons, the amount of the distributions shall be reduced proportionately at the rate of two percent for each 1,000,000 tons, or part of 1,000,000 tons by which the production is less than 42,000,000 tons; or

(2)(i) for the distributions made pursuant to section 298.28, subdivisions 4, paragraphs (b) and (c), and 6, paragraph (c), 40.5 percent of the amount distributed

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pursuant to this section and section 298.28, with respect to 1983 production;

(ii) for the distributions made pursuant to section 298.28, subdivision 5, paragraphs (b) and (d), 75 percent of the amount distributed pursuant to this section and section 298.28, with respect to 1983 production.

(b) The distribution of the taconite production tax as provided in section 298.28, subdivision 2, shall equal the following amount:

(1) if the production for the year prior to the distribution year is at least 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production; or

(2) if the production for the year prior to the distribution year is less than 42,000,000 taxable tons, the amount distributed pursuant to this section and section 298.28 with respect to 1999 production, reduced proportionately at the rate of two percent for each 1,000,000 tons or part of 1,000,000 tons by which the production is less than 42,000,000 tons.

EFFECTIVE DATE; RETROACTIVE APPLICATION. This section is effective for distributions in 2001 and thereafter. For the distribution paid in February 2001 only, as soon as practicable after the date of final enactment of this act, the commissioner of iron range resources and rehabilitation shall pay two-thirds of any additional amounts required under this section from the taconite environmental protection fund and one-third of any additional amounts required under this section from the northeast Minnesota economic protection trust fund, as directed by the commissioner of revenue.

Sec. 21. Minnesota Statutes 2000, section 298.227, is amended to read:

298.227 TACONITE ECONOMIC DEVELOPMENT FUND.

An amount equal to that distributed pursuant to each taconite producer's taxable production and qualifying sales under section 298.28, subdivision 9a, shall be held by the iron range resources and rehabilitation board in a separate taconite economic development fund for each taconite and direct reduced ore producer. Money from the fund for each producer shall be released ~~only on the written authorization of~~ by the commissioner after review by a joint committee consisting of an equal number of representatives of the salaried employees and the nonsalaried production and maintenance employees of that producer. The district 11 director of the United States Steelworkers of America, on advice of each local employee president, shall select the employee members. In nonorganized operations, the employee committee shall be elected by the nonsalaried production and maintenance employees. ~~Each producer's joint committee may authorize release of~~ The review must be completed no later than six months after the producer presents a proposal for expenditure of the funds to the committee. The funds held pursuant to this section may be released only for acquisition of equipment and facilities for the producer or for research and development in Minnesota on new mining, or taconite, iron, or steel production technology, but only if the producer provides a matching expenditure to be used for the same purpose of at

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least 50 percent of the distribution based on 14.7 cents per ton beginning with distributions in 2002. ~~Funds may be released only upon a majority vote of the representatives of the committee.~~ If a taconite production facility is sold after operations at the facility had ceased, any money remaining in the fund for the former producer may be released to the purchaser of the facility on the terms otherwise applicable to the former producer under this section. If a producer fails to provide matching funds for a proposed expenditure within six months after the commissioner approves release of the funds, the funds are available for release to another producer in proportion to the distribution provided and under the conditions of this section. Any portion of the fund which is not released by a ~~joint committee~~ the commissioner within two years of its deposit in the fund shall be divided between the taconite environmental protection fund created in section 298.223 and the northeast Minnesota economic protection trust fund created in section 298.292 for placement in their respective special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite environmental protection fund and one-third to the northeast Minnesota economic protection trust fund.

Sec. 22. Minnesota Statutes 2000, section 298.24, subdivision 1, is amended to read:

Subdivision 1. (a) For concentrate produced in ~~1999~~ 2001, 2002, and 2003, there is imposed upon taconite and iron sulphides, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of ~~\$2.144~~ \$2.103 per gross ton of merchantable iron ore concentrate produced therefrom.

(b) For concentrates produced in ~~2000~~ 2004 and subsequent years, the tax rate shall be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax rate multiplied by the percentage increase in the implicit price deflator from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit price deflator" means the implicit price deflator for the gross domestic product prepared by the bureau of economic analysis of the United States Department of Commerce.

(c) On concentrates produced in 1997 and thereafter, an additional tax is imposed equal to three cents per gross ton of merchantable iron ore concentrate for each one percent that the iron content of the product exceeds 72 percent, when dried at 212 degrees Fahrenheit.

(d) The tax shall be imposed on the average of the production for the current year and the previous two years. The rate of the tax imposed will be the current year's tax rate. This clause shall not apply in the case of the closing of a taconite facility if the property taxes on the facility would be higher if this clause and section 298.25 were not applicable.

(e) If the tax or any part of the tax imposed by this subdivision is held to be unconstitutional, a tax of ~~\$2.144~~ \$2.103 per gross ton of merchantable iron ore concentrate produced shall be imposed.

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(f) Consistent with the intent of this subdivision to impose a tax based upon the weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly determine the weight of merchantable iron ore concentrate included in fluxed pellets by subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic flux additives included in the pellets from the weight of the pellets. For purposes of this paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite, olivine, or other basic flux additives are combined with merchantable iron ore concentrate. No subtraction from the weight of the pellets shall be allowed for binders, mineral and chemical additives other than basic flux additives, or moisture.

(g)(1) Notwithstanding any other provision of this subdivision, for the first two years of a plant's production of direct reduced ore, no tax is imposed under this section. As used in this paragraph, "direct reduced ore" is ore that results in a product that has an iron content of at least 75 percent. For the third year of a plant's production of direct reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise determined under this subdivision. For the fourth such production year, the rate is 50 percent of the rate otherwise determined under this subdivision; for the fifth such production year, the rate is 75 percent of the rate otherwise determined under this subdivision; and for all subsequent production years, the full rate is imposed.

(2) Subject to clause (1), production of direct reduced ore in this state is subject to the tax imposed by this section, but if that production is not produced by a producer of taconite or iron sulfides, the production of taconite or iron sulfides consumed in the production of direct reduced iron in this state is not subject to the tax imposed by this section on taconite or iron sulfides.

Sec. 23. Minnesota Statutes 2000, section 298.28, subdivision 3, is amended to read:

Subd. 3. **CITIES; TOWNS.** (a) 12.5 cents per taxable ton, less any amount distributed under subdivision 8, and paragraph (b), must be allocated to the taconite municipal aid account to be distributed as provided in section 298.282.

(b) An amount must be allocated to towns or cities that is annually certified by the county auditor of a county containing a taconite tax relief area as defined in section 273.134, paragraph (b), within which there is (1) an organized township if, as of January 2, 1982, more than 75 percent of the assessed valuation of the township consists of iron ore or (2) a city if, as of January 2, 1980, more than 75 percent of the assessed valuation of the city consists of iron ore.

(c) The amount allocated under paragraph (b) will be the portion of a township's or city's certified levy equal to the proportion of (1) the difference between 50 percent of January 2, 1982, assessed value in the case of a township and 50 percent of the January 2, 1980, assessed value in the case of a city and its current assessed value to (2) the sum of its current assessed value plus the difference determined in (1), provided that the amount distributed shall not exceed \$55 per capita in the case of a township

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or \$75 per capita in the case of a city. For purposes of this limitation, population will be determined according to the 1980 decennial census conducted by the United States Bureau of the Census. If the current assessed value of the township exceeds 50 percent of the township's January 2, 1982, assessed value, or if the current assessed value of the city exceeds 50 percent of the city's January 2, 1980, assessed value, this paragraph shall not apply. For purposes of this paragraph, "assessed value," when used in reference to years other than 1980 or 1982, means the appropriate net tax capacities multiplied by 10.2.

Sec. 24. Minnesota Statutes 2000, section 298.28, subdivision 4, is amended to read:

Subd. 4. **SCHOOL DISTRICTS.** (a) 22.28 cents per taxable ton plus the increase provided in paragraph (d) must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b) and (c), except as otherwise provided in paragraph (f).

(b) 4.46 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(c)(i) 17.82 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts in which the taconite was mined or quarried or the concentrate produced or in which there is a qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i).

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, is ~~was~~ authorized by referendum for taxes payable in 2001, shall receive a distribution from a fund that receives a distribution in 1998 of

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21.3 cents per ton. On July 15 of 1999, and each year thereafter, the increase over the amount established for the prior year shall be determined according to the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Each district shall receive the product of:

(i) \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year; times

(ii) the lesser of:

(A) one; or

(B) the ratio of the sum of the amount certified pursuant to section 126C.17, subdivision 6, in the previous year, plus the amount certified pursuant to section 126C.17, subdivision 8, in the previous year, plus the referendum aid according to section 126C.17, subdivision 7, for the current year, plus an amount equal to the reduction under section 126C.17, subdivision 12, to the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of iron range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the northeast Minnesota economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve \$25 times the number of pupil units in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of children, families, and learning.

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

(f) Effective with the distribution in 2003 and thereafter, five percent of the distributions to school districts under paragraphs (b), (c), and (e); subdivision 6, paragraph (c); subdivision 11; and section 477A.15, shall be distributed to the general fund. The remainder shall be distributed to the cities and townships within each school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution. No city or township shall receive a distribution greater than its levy for taxes payable in the year prior to distribution.

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Sec. 25. Minnesota Statutes 2000, section 298.28, subdivision 6, is amended to read:

Subd. 6. **PROPERTY TAX RELIEF.** (a) In ~~1999, 38.81~~ 2002 and thereafter, 35.9 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), and less any amount required to be deducted under paragraph (d), 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, .7282 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

(d) Two cents per taxable ton must be deducted from the amount allocated to the St. Louis county auditor under paragraph (a).

EFFECTIVE DATE. This section is effective for distributions in 2002 and thereafter.

Sec. 26. Minnesota Statutes 2000, section 298.28, subdivision 7, is amended to read:

Subd. 7. **IRON RANGE RESOURCES AND REHABILITATION BOARD.** For the 1998 distribution, 6.5 cents per taxable ton shall be paid to the iron range resources and rehabilitation board for the purposes of section 298.22. That amount shall be increased in 1999 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount distributed pursuant to this subdivision shall be expended within or for the benefit of a tax relief area defined in section 273.134, paragraph (b). No part of the fund provided in this subdivision may be used to provide loans for the operation of private business unless the loan is approved by the governor.

Sec. 27. Minnesota Statutes 2000, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. **TACONITE ECONOMIC DEVELOPMENT FUND.** (a) ~~15.4~~ 30.1 cents per ton for distributions in 1999, 2000, 2001, and 2002 and thereafter must be paid to the taconite economic development fund. No distribution shall be made under this paragraph in any year in which total industry production falls below 30 million tons.

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(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed \$700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed \$700,000.

EFFECTIVE DATE. This section is effective for distribution in 2002 and thereafter upon enactment of section 39.

Sec. 28. Minnesota Statutes 2000, section 298.28, subdivision 10, is amended to read:

Subd. 10. **INCREASE.** Beginning with distributions in 2000, the amount determined under subdivisions 6, paragraph (a), and subdivision 9 shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. Beginning with distributions in 2003, the amount determined under subdivision 6, paragraph (a), shall be increased in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1.

The distributions per ton determined under subdivisions 5, paragraphs (b) and (d), and 6, paragraph (b), for distribution in 1988 and subsequent years shall be the distribution per ton determined for distribution in 1987. The distribution per ton under subdivision 6, paragraph (c), for distribution in 2000 and subsequent years shall be 81 percent of the distribution per ton determined for distribution in 1987.

EFFECTIVE DATE. This section is effective for distributions in 2002 and thereafter.

Sec. 29. Minnesota Statutes 2000, section 298.282, subdivision 1, is amended to read:

Subdivision 1. The amount deposited with the county as provided in section 298.28, subdivision 3, ~~shall~~ must be distributed as provided by this section, among the municipalities comprising a tax relief area under section 273.134, paragraph (b), as amended hereby, each being herein referred to in this section as a qualifying municipality.

Sec. 30. Minnesota Statutes 2000, section 298.292, subdivision 2, is amended to read:

Subd. 2. **USE OF MONEY.** Money in the northeast Minnesota economic protection trust fund may be used for the following purposes:

(1) to provide loans, loan guarantees, interest buy-downs and other forms of participation with private sources of financing, but a loan to a private enterprise shall be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan shall be no less than the lesser of eight percent or an interest rate three percentage points less than a full faith and credit

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obligation of the United States government of comparable maturity, at the time that the loan is approved;

(2) to fund reserve accounts established to secure the payment when due of the principal of and interest on bonds issued pursuant to section 298.2211;

(3) to pay in periodic payments or in a lump sum payment any or all of the interest on bonds issued pursuant to chapter 474 for the purpose of constructing, converting, or retrofitting heating facilities in connection with district heating systems or systems utilizing alternative energy sources; and

(4) to invest in a venture capital fund or enterprise that will provide capital to other entities that are engaging in, or that will engage in, projects or programs that have the purposes set forth in subdivision 1. No investments may be made in a venture capital fund or enterprise unless at least two other unrelated investors make investments of at least \$500,000 in the venture capital fund or enterprise, and the investment by the northeast Minnesota economic protection trust fund may not exceed the amount of the largest investment by an unrelated investor in the venture capital fund or enterprise. For purposes of this subdivision, an "unrelated investor" is a person or entity that is not related to the entity in which the investment is made or to any individual who owns more than 40 percent of the value of the entity, in any of the following relationships: spouse, parent, child, sibling, employee, or owner of an interest in the entity that exceeds ten percent of the value of all interests in it. For purposes of determining the limitations under this clause, the amount of investments made by an investor other than the northeast Minnesota economic protection trust fund is the sum of all investments made in the venture capital fund or enterprise during the period beginning one year before the date of the investment by the northeast Minnesota economic protection trust fund.

Money from the trust fund shall be expended only in or for the benefit of the tax relief area defined in section 273.134, paragraph (b).

Sec. 31. Minnesota Statutes 2000, section 298.293, is amended to read:

298.293 EXPENDING FUNDS.

The funds provided by section 298.28, subdivision 11, relating to the northeast Minnesota economic protection trust fund, except money expended pursuant to Laws 1982, Second Special Session, chapter 2, sections 8 to 14, shall be expended only in an amount that does not exceed the sum of the net interest, dividends, and earnings arising from the investment of the trust for the preceding 12 calendar months from the date of the authorization plus, for fiscal year 1983, \$10,000,000 from the corpus of the fund. The funds may be spent only in or for the benefit of those areas that are tax relief areas as defined in section 273.134, paragraph (b). If during any year the taconite property tax account under sections 273.134 to 273.136 does not contain sufficient funds to pay the property tax relief specified in Laws 1977, chapter 423, article X, section 4, there is appropriated from this trust fund to the relief account sufficient funds to pay the relief specified in Laws 1977, chapter 423, article X, section 4.

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Sec. 32. Minnesota Statutes 2000, section 298.296, subdivision 2, is amended to read:

Subd. 2. **EXPENDITURE OF FUNDS.** Before January 1, ~~2002~~ 2003, funds may be expended on projects and for administration of the trust fund only from the net interest, earnings, and dividends arising from the investment of the trust at any time, including net interest, earnings, and dividends that have arisen prior to July 13, 1982, plus \$10,000,000 made available for use in fiscal year 1983, except that any amount required to be paid out of the trust fund to provide the property tax relief specified in Laws 1977, chapter 423, article X, section 4, and to make school bond payments and payments to recipients of taconite production tax proceeds pursuant to section 298.225, may be taken from the corpus of the trust. Additionally, upon recommendation by the board, up to \$13,000,000 from the corpus of the trust may be made available for use as provided in subdivision 4, and up to \$10,000,000 from the corpus of the trust may be made available for use as provided in section 298.2961. On and after January 1, ~~2002~~ 2003, funds may be expended on projects and for administration from any assets of the trust. Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the net interest, dividends, and earnings arising from the trust in the preceding fiscal year.

Principal and interest received in repayment of loans made pursuant to this section, and earnings on other investments made under section 298.292, subdivision 2, clause (4), shall be deposited in the state treasury and credited to the trust. These receipts are appropriated to the board for the purposes of sections 298.291 to 298.298.

Sec. 33. Minnesota Statutes 2000, section 298.2961, is amended to read:

298.2961 **PRODUCER GRANTS.**

Subdivision 1. **APPROPRIATION.** (a) \$10,000,000 is appropriated from the northeast Minnesota economic protection trust fund to a special account in the taconite area environmental protection fund for grants ~~or loans~~ to producers on a project-by-project basis as provided in this section.

(b) The proceeds of the tax designated under section 298.28, subdivision 9b, are appropriated for grants ~~and loans~~ to producers on a project-by-project basis as provided in this section.

Subd. 2. **PROJECTS; APPROVAL.** (a) Projects funded must be for:

- (1) environmentally unique reclamation projects; ~~or~~
- (2) pit or plant repairs, expansions, or modernizations other than for a value added iron products plant ~~that extend the life of the plant; or~~
- (3) haulage trucks and equipment and mining shovels.

(b) To be proposed by the board, a project must be approved by at least eight iron range resources and rehabilitation board members. The money for a project may be spent only upon approval of the project by the governor. The board may submit

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supplemental projects for approval at any time.

(c) The board may require that it receive an equity percentage in any project to which it contributes under this section.

Sec. 34. Minnesota Statutes 2000, section 298.298, is amended to read:

298.298 LONG-RANGE PLAN.

Consistent with the policy established in sections 298.291 to 298.298, the iron range resources and rehabilitation board shall prepare and present to the governor and the legislature by January 1, 1984 a long-range plan for the use of the northeast Minnesota economic protection trust fund for the economic development and diversification of the tax relief area defined in section 273.134, paragraph (b). The iron range resources and rehabilitation board shall, before November 15 of each even numbered year, prepare a report to the governor and legislature updating and revising this long-range plan and reporting on the iron range resources and rehabilitation board's progress on those matters assigned to it by law. After January 1, 1984, no project shall be approved by the iron range resources and rehabilitation board which is not consistent with the goals and objectives established in the long-range plan.

Sec. 35. Minnesota Statutes 2000, section 298.75, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** Except as may otherwise be provided, the following words, when used in this section, shall have the meanings herein ascribed to them.

(1) "Aggregate material" shall mean nonmetallic natural mineral aggregate including, but not limited to sand, silica sand, gravel, building stone, crushed rock, limestone, and granite, and borrow, but only if the borrow is transported on a public road, street, or highway. Aggregate material shall not include dimension stone and dimension granite. Aggregate material must be measured or weighed after it has been extracted from the pit, quarry, or deposit.

(2) "Person" shall mean any individual, firm, partnership, corporation, organization, trustee, association, or other entity.

(3) "Operator" shall mean any person engaged in the business of removing aggregate material from the surface or subsurface of the soil, for the purpose of sale, either directly or indirectly, through the use of the aggregate material in a marketable product or service.

(4) "Extraction site" shall mean a pit, quarry, or deposit containing aggregate material and any contiguous property to the pit, quarry, or deposit which is used by the operator for stockpiling the aggregate material.

(5) "Importer" shall mean any person who buys aggregate material produced from a county not listed in paragraph (6) or another state and causes the aggregate material to be imported into a county in this state which imposes a tax on aggregate material.

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(6) "County" shall mean the counties of Pope, Stearns, Benton, Sherburne, Carver, Scott, Dakota, Le Sueur, Kittson, Marshall, Pennington, Red Lake, Polk, Norman, Mahnommen, Clay, Becker, Carlton, St. Louis, Rock, Murray, Wilkin, Big Stone, Sibley, Hennepin, Washington, Chisago, and Ramsey. County also means any other county whose board has voted after a public hearing to impose the tax under this section and has notified the commissioner of revenue of the imposition of the tax.

EFFECTIVE DATE. This section is effective August 1, 2001.

Sec. 36. Minnesota Statutes 2000, section 298.75, subdivision 2, is amended to read:

Subd. 2. A county shall impose upon every importer and operator a production tax equal up to ten cents per cubic yard or up to seven cents per ton of aggregate material removed except that the county board may decide not to impose this tax if it determines that in the previous year operators removed less than 20,000 tons or 14,000 cubic yards of aggregate material from that county. The tax shall be imposed on aggregate material produced in the county when the aggregate material is transported from the extraction site or sold. When aggregate material is stored in a stockpile within the state of Minnesota and a public highway, road or street is not used for transporting the aggregate material, the tax shall be imposed either when the aggregate material is sold, or when it is transported from the stockpile site, or when it is used from the stockpile, whichever occurs first. The tax shall be imposed on an importer when the aggregate material is imported into the county that imposes the tax.

If the aggregate material is transported directly from the extraction site to a waterway, railway, or another mode of transportation other than a highway, road or street, the tax imposed by this section shall be apportioned equally between the county where the aggregate material is extracted and the county to which the aggregate material is originally transported. If that destination is not located in Minnesota, then the county where the aggregate material was extracted shall receive all of the proceeds of the tax.

EFFECTIVE DATE. This section is effective for aggregate material sold, imported, transported, or used from a stockpile after July 31, 2001.

Sec. 37. Minnesota Statutes 2000, section 471.58, is amended to read:

471.58 RANGE ASSOCIATION OF MUNICIPALITIES AND SCHOOLS; MEMBERSHIP.

For the purpose of providing an areawide approach to problems which demand coordinated and cooperative actions and which are common to those areas of northeast Minnesota affected by operations involved in mining iron ore and taconite and producing concentrate therefrom, and for the purpose of promoting the general welfare and economic development of the cities, towns and school districts within the iron ranges area of northeast Minnesota, any city, town or school district in which the net tax capacity consists in part of iron ore, or lands containing taconite or semitaconite or which is located in whole or part in the tax relief area defined by section 273.134,

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paragraph (b), may pay annual dues in the range association of municipalities and schools. The association may sue, be sued, intervene and act in a civil action in which the outcome of the action will have an effect upon the interest of any of its members.

Sec. 38. SPECIAL MUNICIPAL AID FOR TAXES PAYABLE IN 2002 ONLY.

Subdivision 1. QUALIFYING MUNICIPALITIES. Municipalities wholly or partially contained within a school district within the taconite tax relief area defined in Minnesota Statutes, section 273.134, paragraph (b), whose levy for taxes payable in 2001 was reduced under Minnesota Statutes, section 126C.48, subdivision 8, are eligible for supplemental aid in calendar year 2002 under this section. Each qualifying municipality is eligible for aid equal to (i) the amount of the district's levy reduction times (ii) the portion of the municipality's taxable net tax capacity within the boundaries of the school district, divided by (iii) the district's total taxable net tax capacity, with all computations based on taxes payable in 2001. The commissioner of revenue, in consultation with the commissioner of children, families, and learning, shall make all necessary calculations to determine the aid amounts under this section.

Subd. 2. APPROPRIATION. The amounts necessary to make the payments required under this section are appropriated from the taconite property tax relief account to the commissioner of revenue in fiscal year 2003. Payments to qualifying municipalities shall be made on the dates prescribed in Minnesota Statutes, section 477A.015.

EFFECTIVE DATE. This section is effective for aids payable in 2002 only.

Sec. 39. APPROPRIATION.

The commissioner of revenue shall determine a state aid amount equal to a tax of 33 cents per taxable ton of iron ore concentrates for production year 2001 and 22 cents per taxable ton of iron ore concentrates for production years 2002 and thereafter. There is appropriated from the general fund to the commissioner an amount equal to the state aid determined under this section. It must be distributed under Minnesota Statutes, section 298.28, as if the aid were production tax revenues.

ARTICLE 7

TAX ADMINISTRATION

Section 1. Minnesota Statutes 2000, section 16D.08, subdivision 2, is amended to read:

Subd. 2. **POWERS.** (a) In addition to the collection remedies available to private collection agencies in this state, the commissioner, with legal assistance from the attorney general, may utilize any statutory authority granted to a referring agency for

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purposes of collecting debt owed to that referring agency. The commissioner may also delegate to the enterprise the tax collection remedies in sections 270.06, clauses (7) and (17), excluding the power to subpoena witnesses; 270.66; 270.69, excluding subdivisions 7 and 13; 270.70, excluding subdivision 14; 270.7001 to 270.72; and 290.92, subdivision 23, except that a continuous wage levy under section 290.92, subdivision 23, is only effective for 70 days, unless no competing wage garnishments, executions, or levies are served within the 70-day period, in which case a wage levy is continuous until a competing garnishment, execution, or levy is served in the second or a succeeding 70-day period, in which case a continuous wage levy is effective for the remainder of that period. A debtor who qualifies for cancellation of collection costs under section 16D.11, subdivision 3, clause (1), can apply to the commissioner for reduction or release of a continuous wage levy, if the debtor establishes that the debtor needs all or a portion of the wages being levied upon to pay for essential living expenses, such as food, clothing, shelter, medical care, or expenses necessary for maintaining employment. The commissioner's determination not to reduce or release a continuous wage levy is appealable to district court. The word "tax" or "taxes" when used in the tax collection statutes listed in this subdivision also means debts referred under this chapter.

(b) For debts other than state taxes ~~or~~, child support, or student loans, before any of the tax collection remedies listed in this subdivision can be used, except for the remedies in section 270.06, clauses (7) and (17), if the referring agency has not already obtained a judgment or filed a lien, the commissioner must first obtain a judgment against the debtor. For student loans when the referring agency has not obtained a judgment or filed a lien, before using the tax collection remedies listed in this subdivision, except for the remedies in section 270.06, clauses (7) and (17), the commissioner shall give the debtor 30 days' notice in writing, which may be served in any manner permitted in section 270.68 for service of a summons and complaint. The notice must advise the debtor of the debtor's right to request that the commissioner commence a court action, and that if no such request is made within 30 days after service of the notice, the commissioner may use these tax collection remedies. If a timely request is made, the commissioner shall obtain a judgment before using these tax collection remedies.

EFFECTIVE DATE. This section is effective for student loans referred to the commissioner for collection on or after July 1, 2001.

Sec. 2. Minnesota Statutes 2000, section 84.922, is amended by adding a subdivision to read:

Subd. 11. PROOF OF SALES TAX PAYMENT. A person applying for initial registration in Minnesota of an all-terrain vehicle shall provide a purchaser's certificate showing a complete description of the all-terrain vehicle, the seller's name and address, the full purchase price of the all-terrain vehicle, and the trade-in allowance, if any. The certificate also must include information showing either that (1) the sales and use tax under chapter 297A was paid, or (2) the purchase was exempt from tax under chapter 297A. The certificate is not required if the applicant provides a receipt, invoice, or

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other document that shows the all-terrain vehicle was purchased from a retailer maintaining a place of business in this state as defined in section 297A.66, subdivision 1.

EFFECTIVE DATE. This section is effective for registrations occurring on or after August 1, 2001.

Sec. 3. Minnesota Statutes 2000, section 144.3831, subdivision 2, is amended to read:

Subd. 2. **COLLECTION AND PAYMENT OF FEE.** The public water supply described in subdivision 1 shall:

- (1) collect the fees assessed on its service connections;
- (2) pay the department of revenue health an amount equivalent to the fees based on the total number of service connections. The service connections for each public water supply described in subdivision 1 shall be verified every four years by the department of health; and
- (3) pay one-fourth of the total yearly fee to the department of revenue health each calendar quarter. ~~The first quarterly payment is due on or before September 30, 1992.~~ In lieu of quarterly payments, a public water supply described in subdivision 1 with fewer than 50 service connections may make a single annual payment by June 30 each year, ~~starting in 1993.~~ The fees payable to the department of revenue health shall be deposited in the state treasury as nondedicated state government special revenue fund revenues.

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

Sec. 4. Minnesota Statutes 2000, section 270.06, is amended to read:

270.06 POWERS AND DUTIES.

The commissioner of revenue shall:

- (1) have and exercise general supervision over the administration of the assessment and taxation laws of the state, over assessors, town, county, and city boards of review and equalization, and all other assessing officers in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state;
- (2) confer with, advise, and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state;
- (3) direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the laws of this state governing returns of assessment and taxation of property, and cause complaints to be made against local assessors, members of boards of equalization,

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members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty;

(4) require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture and punishment for violation of the laws of this state in respect to the assessment and taxation of property in their respective districts or counties;

(5) require town, city, county, and other public officers to report information as to the assessment of property, collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the department of revenue, in such form and upon such blanks as the commissioner may prescribe;

(6) require individuals, copartnerships, companies, associations, and corporations to furnish information concerning their capital, funded or other debt, current assets and liabilities, earnings, operating expenses, taxes, as well as all other statements now required by law for taxation purposes;

(7) subpoena witnesses, at a time and place reasonable under the circumstances, to appear and give testimony, and to produce books, records, papers and documents for inspection and copying relating to any matter which the commissioner may have authority to investigate or determine;

(8) issue a subpoena which does not identify the person or persons with respect to whose liability the subpoena is issued, but only if (a) the subpoena relates to the investigation of a particular person or ascertainable group or class of persons, (b) there is a reasonable basis for believing that such person or group or class of persons may fail or may have failed to comply with any law administered by the commissioner, (c) the information sought to be obtained from the examination of the records (and the identity of the person or persons with respect to whose liability the subpoena is issued) is not readily available from other sources, (d) the subpoena is clear and specific as to the information sought to be obtained, and (e) the information sought to be obtained is limited solely to the scope of the investigation. Provided further that the party served with a subpoena which does not identify the person or persons with respect to whose tax liability the subpoena is issued shall have the right, within 20 days after service of the subpoena, to petition the district court for the judicial district in which lies the county in which that party is located for a determination as to whether the commissioner of revenue has complied with all the requirements in (a) to (e), and thus, whether the subpoena is enforceable. If no such petition is made by the party served within the time prescribed, the subpoena shall have the force and effect of a court order;

(9) cause the deposition of witnesses residing within or without the state, or absent therefrom, to be taken, upon notice to the interested party, if any, in like manner that depositions of witnesses are taken in civil actions in the district court, in any matter which the commissioner may have authority to investigate or determine;

(10) investigate the tax laws of other states and countries and to formulate and submit to the legislature such legislation as the commissioner may deem expedient to

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prevent evasions of assessment and taxing laws, and secure just and equal taxation and improvement in the system of assessment and taxation in this state;

(11) consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the department of revenue, and furnish the governor, from time to time, such assistance and information as the governor may require relating to tax matters;

(12) transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the department of revenue for the preceding years, showing all the taxable property in the state and the value of the same, in tabulated form;

(13) inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties, particularly as to their compliance with the laws requiring the assessment of all property not exempt from taxation;

(14) administer and enforce the assessment and collection of state taxes and fees, including the use of any remedy available to nongovernmental creditors, and, from time to time, make, publish, and distribute rules for the administration and enforcement of assessments and fees administered by the commissioner and state tax laws. The rules have the force of law;

(15) prepare blank forms for the returns required by state tax law and distribute them throughout the state, furnishing them subject to charge on application;

(16) prescribe rules governing the qualification and practice of agents, attorneys, or other persons representing taxpayers before the commissioner. The rules may require that those persons, agents, and attorneys show that they are of good character and in good repute, have the necessary qualifications to give taxpayers valuable services, and are otherwise competent to advise and assist taxpayers in the presentation of their case before being recognized as representatives of taxpayers. After due notice and opportunity for hearing, the commissioner may suspend and ~~disbar~~ bar from further practice before the commissioner any person, agent, or attorney who is shown to be incompetent or disreputable, who refuses to comply with the rules, or who with intent to defraud, willfully or knowingly deceives, misleads, or threatens a taxpayer or prospective taxpayer, by words, circular, letter, or by advertisement. This clause does not curtail the rights of individuals to appear in their own behalf or partners or corporations' officers to appear in behalf of their respective partnerships or corporations;

(17) appoint agents as the commissioner considers necessary to make examinations and determinations. The agents have the rights and powers conferred on the commissioner to subpoena, examine, and copy books, records, papers, or memoranda, subpoena witnesses, administer oaths and affirmations, and take testimony. In addition to administrative subpoenas of the commissioner and the agents, upon demand of the commissioner or an agent, the court administrator of any district court shall issue a

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subpoena for the attendance of a witness or the production of books, papers, records, or memoranda before the agent for inspection and copying. Disobedience of a court administrator's subpoena shall be punished by the district court of the district in which the subpoena is issued, or in the case of a subpoena issued by the commissioner or an agent, by the district court of the district in which the party served with the subpoena is located, in the same manner as contempt of the district court;

(18) appoint and employ additional help, purchase supplies or materials, or incur other expenditures in the enforcement of state tax laws as considered necessary. The salaries of all agents and employees provided for in this chapter shall be fixed by the appointing authority, subject to the approval of the commissioner of administration;

(19) execute and administer any agreement with the secretary of the treasury of the United States or a representative of another state regarding the exchange of information and administration of the tax laws;

(20) administer and enforce the provisions of sections 325D.30 to 325D.42, the Minnesota Unfair Cigarette Sales Act;

(21) authorize the use of unmarked motor vehicles to conduct seizures or criminal investigations pursuant to the commissioner's authority; and

(22) exercise other powers and perform other duties required of or imposed upon the commissioner of revenue by law.

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

Sec. 5. Minnesota Statutes 2000, section 270.60, is amended by adding a subdivision to read:

Subd. 5. FEES; APPROPRIATION. (a) The commissioner may enter into an agreement with the governing body of any federally recognized Indian reservation in Minnesota concerning fees administered by the commissioner that are paid by the tribe, members of the tribe, or persons who conduct business with the tribe, or otherwise imposed on on-reservation activities. The agreement may provide for the refund or sharing of the fee. The commissioner may make any payments required by the agreement from the fees collected.

(b) Each head of an agency, board, or other governmental entity that administers a program that is funded by fees administered by the commissioner may sign an agreement entered into by the commissioner under this subdivision. An agreement is not valid until signed by the head of each agency, board, or other governmental entity that administers a program funded by the particular fee covered in an agreement and by the commissioner of revenue.

(c) There is annually appropriated to the commissioner of revenue from the funds for which the fees are collected the amounts necessary to make payments as provided in this subdivision.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all fees administered by the commissioner of revenue for which timely claims for refund have been, or can be, filed.

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Sec. 6. Minnesota Statutes 2000, section 270.70, subdivision 13, is amended to read:

Subd. 13. **LEVY AND SALE BY SHERIFF.** If any tax payable to the commissioner of revenue or to the department of revenue is not paid as provided in subdivision 2, the commissioner may, ~~within five years after the date of assessment of the tax, within the time periods provided in subdivision 1 for collection of taxes,~~ delegate the authority granted by subdivision 1, by means of issuing a warrant to the sheriff of any county of the state commanding the sheriff, as agent for the commissioner, to levy upon and sell the real and personal property of the person liable for the payment or collection of the tax and to levy upon the rights to property of that person within the county, or to levy upon and seize any property within the county on which there is a lien provided in section 270.69, and to return the warrant to the commissioner and pay to the commissioner the money collected by virtue thereof by a time to be therein specified not less than 60 days from the date of the warrant. The sheriff shall proceed thereunder to levy upon and seize any property of the person and to levy upon the rights to property of the person within the county (except the person's homestead or that property which is exempt from execution pursuant to section 550.37), or to levy upon and seize any property within the county on which there is a lien provided in section 270.69. For purposes of the preceding sentence, the term "tax" shall include any penalty, interest and costs properly payable. The sheriff shall then sell so much of the property levied upon as is required to satisfy the taxes, interest, and penalties, together with the sheriff's costs; but the sales, and the time and manner of redemption therefrom, shall, to the extent not provided in sections 270.701 to 270.709, be governed by chapter 550. The proceeds of the sales, less the sheriff's costs, shall be turned over to the commissioner, who shall then apply the proceeds as provided in section 270.708.

EFFECTIVE DATE. This section is effective the day following final enactment for all taxes for which issuance of a warrant under this subdivision has not been barred as of that date.

Sec. 7. Minnesota Statutes 2000, section 270.73, subdivision 1, is amended to read:

Subdivision 1. **POSTING, NOTICE.** Pursuant to the authority to disclose under section 270B.12, subdivision 4, the commissioner shall, by the 15th of each month, submit to the commissioner of public safety a list of all taxpayers who are required to pay, withhold, or collect the tax imposed by section 290.02, 290.0922, 290.92, 290.9727, 290.9728, 290.9729, or 297A.02, or local sales and use tax payable to the commissioner of revenue, or a local option tax administered and collected by the commissioner of revenue, and who are ten days or more delinquent in either filing a tax return or paying the tax.

The commissioner of revenue is under no obligation to list a taxpayer whose business is inactive. At least ten days before notifying the commissioner of public

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safety, the commissioner of revenue shall notify the taxpayer of the intended action.

The commissioner of public safety shall post the list in the same manner as provided in section 340A.318, subdivision 3. The list will prominently show the date of posting. If a taxpayer previously listed files all returns and pays all taxes then due, the commissioner shall notify the commissioner of public safety within two business days.

EFFECTIVE DATE. This section is effective for lists submitted to the commissioner of public safety on or after the day following final enactment.

Sec. 8. Minnesota Statutes 2000, section 270A.03, subdivision 5, is amended to read:

Subd. 5. **DEBT.** "Debt" means a legal obligation of a natural person to pay a fixed and certain amount of money, which equals or exceeds \$25 and which is due and payable to a claimant agency. The term includes criminal fines imposed under section 609.10 or 609.125 and restitution. A debt may arise under a contractual or statutory obligation, a court order, or other legal obligation, but need not have been reduced to judgment.

A debt includes any legal obligation of a current recipient of assistance which is based on overpayment of an assistance grant where that payment is based on a client waiver or an administrative or judicial finding of an intentional program violation; or where the debt is owed to a program wherein the debtor is not a client at the time notification is provided to initiate recovery under this chapter and the debtor is not a current recipient of food stamps, transitional child care, or transitional medical assistance.

A debt does not include any legal obligation to pay a claimant agency for medical care, including hospitalization if the income of the debtor at the time when the medical care was rendered does not exceed the following amount:

- (1) for an unmarried debtor, an income of ~~\$6,400~~ \$8,800 or less;
- (2) for a debtor with one dependent, an income of ~~\$8,200~~ \$11,270 or less;
- (3) for a debtor with two dependents, an income of ~~\$9,700~~ \$13,330 or less;
- (4) for a debtor with three dependents, an income of ~~\$11,000~~ \$15,120 or less;
- (5) for a debtor with four dependents, an income of ~~\$11,600~~ \$15,950 or less; and
- (6) for a debtor with five or more dependents, an income of ~~\$12,100~~ \$16,630 or less.

The income amounts in this subdivision shall be adjusted for inflation for debts incurred in calendar years ~~1994~~ 2001 and thereafter. The dollar amount of each income level that applied to debts incurred in the prior year shall be increased in the same manner as provided in section ~~290.06, subdivision 2d,~~ for the expansion of the tax rate brackets if of the Internal Revenue Code of 1986, as amended through December 31,

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2000, except that for the purposes of this subdivision the percentage increase shall be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for debts incurred after December 31, 2000.

Debt also includes an agreement to pay a MinnesotaCare premium, regardless of the dollar amount of the premium authorized under section 256L.15, subdivision 1a.

EFFECTIVE DATE. This section is effective for debts incurred after December 31, 2000.

Sec. 9. Minnesota Statutes 2000, section 270A.11, is amended to read:

270A.11 DATA PRIVACY.

Private and confidential data on individuals may be exchanged among the department, the taxpayer's rights advocate, the attorney general, the claimant agency, and the debtor as necessary to accomplish and effectuate the intent of sections 270A.01 to 270A.12, as provided by section 13.05, subdivision 4, clause (b). The department may disclose to the claimant agency only the debtor's name, address, social security number and the amount of the refund, and in the case of a joint return, the name of the debtor's spouse. Any person employed by, or formerly employed by, a claimant agency who discloses any such information for any other purpose, shall be subject to the civil and criminal penalties of section 270B.18. Data collected by the department from claimant agencies relating to claims filed under this chapter are private data on individuals.

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

Sec. 10. Minnesota Statutes 2000, section 270B.02, subdivision 2, is amended to read:

Subd. 2. **PROTECTED NONPUBLIC DATA.** The following are protected nonpublic data as defined in section 13.02, subdivision 13:

(1) criteria for determining which computer processed returns are selected for audit;

(2) criteria for determining which returns are selected for an in-depth audit; ~~and~~

(3) criteria for determining which accounts receivable balances below a stated amount are written off or canceled; and

(4) criteria or information used in determining which alleged criminal violations of any law administered by the commissioner are selected for criminal investigation.

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

Sec. 11. Minnesota Statutes 2000, section 270B.02, subdivision 3, is amended to read:

Subd. 3. **CONFIDENTIAL DATA ON INDIVIDUALS; PROTECTED NON-PUBLIC DATA.** (a) Except as provided in paragraph (b), the name or existence of an

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informer, informer letters, and other unsolicited data, in whatever form, given to the department of revenue by a person, other than the data subject, who informs that a specific taxpayer is not or may not be in compliance with tax laws, or nontax laws administered by the department of revenue, including laws not listed in section 270B.01, subdivision 8, are confidential data on individuals or protected nonpublic data as defined in section 13.02, subdivisions 3 and 13.

(b) Data under paragraph (a) may be disclosed with the consent of the informer or upon a written finding by a court that the information provided by the informer was false and that there is evidence that the information was provided in bad faith. This subdivision does not alter disclosure responsibilities or obligations under the rules of criminal procedure.

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

Sec. 12. Minnesota Statutes 2000, section 270B.03, subdivision 6, is amended to read:

Subd. 6. **INVESTIGATIVE DATA.** For purposes of any law administered by the department of revenue, including laws not listed in section 270B.01, subdivision 8, investigative data collected or created by the department of revenue in order to prepare a case against a person, whether known or unknown, for the commission of a crime is confidential or protected nonpublic during an investigation. When the investigation becomes inactive, as defined in section 13.82, subdivision 5, ~~the classifications otherwise applicable under any other laws become effective data is private or nonpublic.~~

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

Sec. 13. Minnesota Statutes 2000, section 272.02, subdivision 10, is amended to read:

Subd. 10. **PERSONAL PROPERTY USED FOR POLLUTION CONTROL.** Personal property used primarily for the abatement and control of air, water, or land pollution is exempt to the extent that it is so used, and real property is exempt if it is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota pollution control agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this subdivision, 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 real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air or water, or land pollution shall file an application with the commissioner of

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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 and advice to the commissioner.

The information and advice furnished by the Minnesota pollution control agency must include statements as to whether the equipment, device, or real property meets a standard, rule, criteria, guideline, policy, or order of the Minnesota pollution control agency, and whether the equipment, device, or real property is installed or operated in accordance with it. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The equipment or, device, or real property shall continue to be exempt from taxation as long as the permit order issued by the Minnesota pollution control agency commissioner remains in effect.

EFFECTIVE DATE. This section is effective for exemption applications received on or after August 1, 2001.

Sec. 14. Minnesota Statutes 2000, 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. 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.

The commissioner of revenue may grant approval on a probationary basis for a period of two years. The commissioner must base the decision to impose a probationary period on objective and consistent criteria. At the end of the two-year probationary period, the commissioner may either refuse to approve the person's appointment for the remainder of the person's four-year term, approve the person's appointment but only for another two-year probationary period, or unconditionally approve the person's appointment for the remainder of the four-year term for which the person was originally appointed by the county board. The criteria shall not be considered rules and are not subject to the Administrative Procedure Act.

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.

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

Sec. 15. Minnesota Statutes 2000, section 273.061, subdivision 2, is amended to read:

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Subd. 2. **TERM; VACANCY.** (a) The terms of county assessors appointed under this section shall be four years. A new term shall begin on January 1 of every fourth year after 1973. When any vacancy in the office occurs, the board of county commissioners, within 30 90 days thereafter, shall fill the same by appointment for the remainder of the term, following the procedure prescribed in subdivision 1. The term of the county assessor may be terminated by the board of county commissioners at any time, on charges of ~~inefficiency or neglect of duty~~ malfeasance, misfeasance, or nonfeasance by the commissioner of revenue. If the board of county commissioners does not intend to reappoint a county assessor who has been certified by the state board of assessors, the board shall present written notice to the county assessor not later than 90 days prior to the termination of the assessor's term, that it does not intend to reappoint the assessor. If written notice is not timely made, the county assessor will automatically be reappointed by the board of county commissioners.

The commissioner of revenue may recommend to the state board of assessors the nonrenewal, suspension, or revocation of an assessor's license as provided in sections 270.41 to 270.53.

(b) In the event of a vacancy in the office of county assessor, through death, resignation or other reasons, the deputy (or chief deputy, if more than one) shall perform the functions of the office. If there is no deputy, the county auditor shall designate a person to perform the duties of the office until an appointment is made as provided in clause (a). Such person shall perform the duties of the office for a period not exceeding 30 90 days during which the county board must appoint a county assessor. Such ~~30-day~~ 90-day period may, however, be extended by written approval of the commissioner of revenue.

(c) In the case of the first appointment under paragraph (a) of a county assessor who is accredited but who does not have senior accreditation, an approval of the appointment by the commissioner shall be provisional, provided that a county assessor appointed to a provisional term under this paragraph must reapply to the commissioner at the end of the provisional term. A provisional term may not exceed two years. The commissioner shall not approve the appointment for the remainder of the four-year term unless the assessor has obtained senior accreditation.

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

Sec. 16. Minnesota Statutes 2000, section 273.072, subdivision 1, is amended to read:

Subdivision 1. Any county and any city or town lying wholly or partially within the county and constituting a separate assessment district may, by agreement entered into under section 471.59 and approved by the commissioner of revenue, provide for the assessment of property in the municipality or town by the county assessor. Any two or more cities or towns constituting separate assessment districts, ~~whether their assessors are elective or appointive,~~ may enter into an agreement under section 471.59 for the assessment of property in the contracting units by the assessor of one of the

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units or by an assessor who is jointly employed.

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

Sec. 17. [273.0755] TRAINING AND EDUCATION OF PROPERTY TAX PERSONNEL.

(a) Beginning with the four-year period starting on July 1, 2000, every person licensed by the state board of assessors at the Accredited Minnesota Assessor level or higher, shall successfully complete a week-long Minnesota laws course sponsored by the department of revenue at least once in every four-year period. An assessor need not attend the course if they successfully pass the test for the course.

(b) The commissioner of revenue may require that each county, and each city for which the city assessor performs the duties of county assessor, have (i) a person on the assessor's staff who is certified by the department of revenue in sales ratio calculations, (ii) an officer or employee who is certified by the department of revenue in tax calculations, and (iii) an officer or employee who is certified by the department of revenue in the proper preparation of abstracts of assessment. The commissioner of revenue may require that each county have an officer or employee who is certified by the department of revenue in the proper preparation of abstracts of tax lists.

EFFECTIVE DATE. This section is effective July 1, 2001, and thereafter.

Sec. 18. Minnesota Statutes 2000, section 273.1104, subdivision 2, is amended to read:

Subd. 2. **NOTICE OF MARKET VALUE.** On or before 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 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.

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

Sec. 19. Minnesota Statutes 2000, section 273.111, subdivision 4, is amended to read:

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Subd. 4. **DETERMINATION OF VALUE.** 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 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 having 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.

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

Sec. 20. Minnesota Statutes 2000, 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 included on the assessment roll 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 appeal and equalization under section 274.01 or the review process established under section 274.13, subdivision 1c. It shall contain: (1) the market value for the current and prior assessment, (2) the limited market value under section 273.11, subdivision 1a for the current and prior assessment, (3) the qualifying amount of any improvements under section 273.11, subdivision 16 for the current assessment, (4) the market value subject to taxation after subtracting the amount of any qualifying improvements for the current assessment, (5) the new classification of the property for the current and prior assessment, (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 (8) the dates, places, and times set for the meetings of the local board of review or appeal and equalization, the review process established under section 274.13, subdivision 1c, and the county board of appeal and 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 commissioner of revenue shall specify the form of the notice. 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

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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.

EFFECTIVE DATE. This section is effective for notices required to be mailed in 2002 and thereafter.

Sec. 21. Minnesota Statutes 2000, section 274.01, subdivision 1, is amended to read:

Subdivision 1. **ORDINARY BOARD; MEETINGS, DEADLINES, GRIEVANCES.** (a) The town board of a town, or the council or other governing body of a city, is the board of review appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

~~If in any county, at least 25 percent of the total net tax capacity of a city or town is noncommercial seasonal residential recreational property classified under section 273.13, subdivision 25, the county must hold two countywide informational meetings on Saturdays. The meetings will allow noncommercial seasonal residential recreational taxpayers to discuss their property valuation with the appropriate assessment staff. These Saturday informational meetings must be scheduled to allow the owner of the noncommercial seasonal residential recreational property the opportunity to attend one of the meetings prior to the scheduled board of review for their city or town. The Saturday meeting dates must be contained on the notice of valuation of real property under section 273.121.~~

The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board of review has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

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(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property in cases where the owner or other person having control over the property will not permit the assessor to inspect the property and the interior of any buildings or structures.

(c) A local board of review may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board of review without regard to the one percent limitation.

(d) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(e) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board of review meeting.

(f) The local board of review or the board of equalization must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board of review

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file written objections to an assessment or classification with the county assessor. The objections must be presented to the board of review at its meeting by the county assessor for its consideration.

EFFECTIVE DATE. This section is effective January 1, 2002, and thereafter.

Sec. 22. Minnesota Statutes 2000, section 274.13, subdivision 1, is amended to read:

Subdivision 1. **MEMBERS; MEETINGS; RULES FOR EQUALIZING ASSESSMENTS.** The county commissioners, or a majority of them, with the county auditor, or, if the auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall form a board for the equalization of the assessment of the property of the county, including the property of all cities whose charters provide for a board of equalization. This board shall be referred to as the county board of appeal and equalization. The board shall meet annually, on the date specified in section 274.14, at the office of the auditor. Each member shall take an oath to fairly and impartially perform duties as a member. The board shall examine and compare the returns of the assessment of property of the towns or districts, and equalize them so that each tract or lot of real property and each article or class of personal property is entered on the assessment list at its market value, subject to the following rules:

(1) The board shall raise the valuation of each tract or lot of real property which in its opinion is returned below its market value to the sum believed to be its market value. The board must first give notice of intention to raise the valuation to the person in whose name it is assessed, if the person is a resident of the county. The notice must fix a time and place for a hearing.

(2) The board shall reduce the valuation of each tract or lot which in its opinion is returned above its market value to the sum believed to be its market value.

(3) The board shall raise the valuation of each class of personal property which in its opinion is returned below its market value to the sum believed to be its market value. It shall raise the aggregate value of the personal property of individuals, firms, or corporations, when it believes that the aggregate valuation, as returned, is less than the market value of the taxable personal property possessed by the individuals, firms, or corporations, to the sum it believes to be the market value. The board must first give notice to the persons of intention to do so. The notice must set a time and place for a hearing.

(4) The board shall reduce the valuation of each class of personal property that is returned above its market value to the sum it believes to be its market value. Upon complaint of a party aggrieved, the board shall reduce the aggregate valuation of the individual's personal property, or of any class of personal property for which the individual is assessed, which in its opinion has been assessed at too large a sum, to the sum it believes was the market value of the individual's personal property of that class.

(5) The board must not reduce the aggregate value of all the property of its county, as submitted to the county board of equalization, with the additions made by the

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auditor under this chapter, by more than one percent of its whole valuation. The board may raise the aggregate valuation of real property, and of each class of personal property, of the county, or of any town or district of the county, when it believes it is below the market value of the property, or class of property, to the aggregate amount it believes to be its market value.

(6) The board shall change the classification of any property which in its opinion is not properly classified.

EFFECTIVE DATE. This section is effective January 1, 2002, and thereafter.

Sec. 23. Minnesota Statutes 2000, section 282.04, subdivision 2, is amended to read:

Subd. 2. **RIGHTS BEFORE SALE; IMPROVEMENTS, INSURANCE, DEMOLITION.** Before the sale of a parcel of forfeited land the county auditor may, with the approval of the county board of commissioners, provide for the repair and improvement of any building or structure located upon the parcel, and may provide for maintenance of tax-forfeited lands, if it is determined by the county board that such repairs, improvements, or maintenance are necessary for the operation, use, preservation and safety of the building or structure. If so authorized by the county board, the county auditor may insure the building or structure against loss or damage resulting from fire or windstorm, may purchase workers' compensation insurance to insure the county against claims for injury to the persons employed in the building or structure by the county, and may insure the county, its officers and employees against claims for injuries to persons or property because of the management, use or operation of the building or structure. The county auditor may, with the approval of the county board, provide for the demolition of the building or structure, which has been determined by the county board to be within the purview of section 299F.10, and for the sale of salvaged materials from the building or structure. The county auditor, with the approval of the county board, may provide for the sale of abandoned personal property under either chapter 345 or 566, as appropriate. The sale may be made by the sheriff using the procedures for the sale of abandoned property in section 345.15 or by the county auditor using the procedures for the sale of abandoned property in section 504B.271. The net proceeds from any sale of the personal property, salvaged materials, timber or other products, or leases made under this law must be deposited in the forfeited tax sale fund and must be distributed in the same manner as if the parcel had been sold.

The county auditor, with the approval of the county board, may provide for the demolition of any structure on tax-forfeited lands, if in the opinion of the county board, the county auditor, and the land commissioner, if there is one, the sale of the land with the structure on it, or the continued existence of the structure by reason of age, dilapidated condition or excessive size as compared with nearby structures, will result in a material lessening of net tax capacities of real estate in the vicinity of the tax-forfeited lands, or if the demolition of the structure or structures will aid in disposing of the tax-forfeited property.

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Before the sale of a parcel of forfeited land located in an urban area, the county auditor may with the approval of the county board provide for the grading of the land by filling or the removal of any surplus material from it. If the physical condition of forfeited lands is such that a reasonable grading of the lands is necessary for the protection and preservation of the property of any adjoining owner, the adjoining property owner or owners may apply to the county board to have the grading done. If, after considering the application, the county board believes that the grading will enhance the value of the forfeited lands commensurate with the cost involved, it may approve it, and the work must be performed under the supervision of the county or city engineer, as the case may be, and the expense paid from the forfeited tax sale fund.

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

Sec. 24. Minnesota Statutes 2000, section 287.035, is amended to read:

287.035 IMPOSITION OF TAX.

A tax of 23 cents is imposed upon each \$100, or fraction thereof, is imposed on the privilege of recording a mortgage. The tax rate is .0023 of the debt or portion of a debt that is secured by any recorded mortgage of real property located in this state. The person liable for the tax is the ~~mortgagee~~ mortgagor. The tax is not imposed on the lawful interest amounts that may accrue with respect to a debt.

EFFECTIVE DATE. This section is effective for mortgages acknowledged and recorded after July 31, 2001.

Sec. 25. Minnesota Statutes 2000, section 287.04, is amended to read:

287.04 EXEMPTIONS.

The tax imposed by section 287.035 does not apply to:

- (a) A decree of marriage dissolution or an instrument made pursuant to it.
- (b) A mortgage given to correct a misdescription of the mortgaged property.
- (c) A mortgage or other instrument that adds additional security for the same debt for which mortgage registry tax has been paid.
- (d) A contract for the conveyance of any interest in real property, including a contract for deed.
- (e) A mortgage secured by real property subject to the minerals production tax of sections 298.24 to 298.28.
- (f) ~~The principal amount of bonds or other obligations issued by the St. Paul port authority under its common revenue bond fund if each of the following conditions are met.~~
 - (1) ~~The bonds or other obligations are secured by a mortgage on property, title to which is held by the political subdivision.~~
 - (2) ~~The mortgage is recorded after May 19, 1993.~~

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(3) ~~The bonds or other obligations are either (i) outstanding on May 19, 1993, or (ii) issued in exchange for or to otherwise refund bonds or other obligations the original series of which were issued before May 19, 1993 a mortgage loan made under a low and moderate income or other affordable housing program, if the mortgagee is a federal, state, or local government agency.~~

(g) ~~Mortgages taken in good faith by persons or granted corporations whose property is expressly exempted from taxation by section 272.02, subdivisions 2 to 8, or mortgagees that are by fraternal benefit societies subject to section 64B.24.~~

(h) ~~A mortgage amendment or extension, as defined in section 287.01.~~

(i) An agricultural mortgage if the proceeds of the loan secured by the mortgage are used to acquire or improve real property classified under section 273.13, subdivision 23, paragraph (a), or (b), clause (1), (2), or (3).

EFFECTIVE DATE. This section is effective for mortgages acknowledged and recorded after July 31, 2001.

Sec. 26. Minnesota Statutes 2000, section 287.08, is amended to read:

287.08 TAX, HOW PAYABLE; RECEIPTS.

(a) ~~The tax imposed by sections 287.01 to 287.12 must be paid to the treasurer of any county in this state in which the real property or some part is located at or before the time of filing the mortgage for record. The treasurer shall endorse receipt on the mortgage and the receipt is conclusive proof that the tax has been paid in the amount stated and authorizes any county recorder or registrar of titles to record the mortgage. Its form, in substance, shall be "registration tax hereon of dollars paid." If the mortgage is exempt from taxation the endorsement shall, in substance, be "exempt from registration tax." In either case the receipt must be signed by the treasurer. In case the treasurer is unable to determine whether a claim of exemption should be allowed, the tax must be paid as in the case of a taxable mortgage.~~

(b) Upon written application of the taxpayer, The county treasurer may refund in whole or in part any mortgage registry tax that has been erroneously paid, or a person having paid a mortgage registry tax amount may seek a refund of the tax, or other appropriate relief, overpayment if a written application by the taxpayer is submitted to the county treasurer within three and one-half years from the date of the overpayment. If the county has not issued a denial of the application, the taxpayer may bring an action in tax court in the county in which the tax was paid at any time after the expiration of six months from the time that the application was submitted. A denial of refund may be appealed within 60 days from the date of the denial by bringing an action in tax court in the county in which the tax was paid, within 60 days of the payment. The action is commenced by the serving of a petition for relief on the county treasurer, and by filing a copy with the court. The county attorney shall defend the action. The county treasurer shall notify the treasurer of each county that has or would receive a portion of the tax as paid.

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(c) If the county treasurer determines a refund should be paid, or if a refund is ordered by the court, the county treasurer of each county that actually received a portion of the tax shall immediately pay a proportionate share of three percent of the refund using any available county funds. The county treasurer of each county that received, or would have received, a portion of the tax shall also pay their county's proportionate share of the remaining 97 percent of the court-ordered refund on or before the 20th day of the following month using solely the mortgage registry tax funds that would be paid to the commissioner of revenue on that date under section 287.12. If the funds on hand under this procedure are insufficient to fully fund 97 percent of the court-ordered refund, the county treasurer of the county in which the action was brought shall file a claim with the commissioner of revenue under section 16A.48 for the remaining portion of 97 percent of the refund, and shall pay over the remaining portion upon receipt of a warrant from the state issued pursuant to the claim.

(d) When any mortgage covers real property located in more than one county in this state the total tax must be paid to the treasurer of the county where the mortgage is first presented for recording, and the payment must be receipted as provided in paragraph (a). If the principal debt or obligation secured by such a multiple county mortgage exceeds \$1,000,000, the nonstate portion of the tax must be divided and paid over by the county treasurer receiving it, on or before the 20th day of each month after receipt, to the county or counties entitled in the ratio that the market value of the real property covered by the mortgage in each county bears to the market value of all the real property in this state described in the mortgage. In making the division and payment the county treasurer shall send a statement giving the description of the real property described in the mortgage and the market value of the part located in each county. For this purpose, the treasurer of any county may require the treasurer of any other county to certify to the former the market valuation of any tract of real property in any mortgage.

(e) The mortgagor must pay the tax imposed by sections 287.01 to 287.12. The mortgagee may undertake to collect and remit the tax on behalf of the mortgagor. If the mortgagee collects money from the mortgagor to remit the tax on behalf of the mortgagor, the mortgagee has a fiduciary duty to remit the tax on behalf of the mortgagor as to the amount of the tax collected for that purpose and the mortgagor is relieved of any further obligation to pay the tax as to the amount collected by the mortgagee for this purpose.

EFFECTIVE DATE. The changes in paragraph (b) of this section are effective for overpayments occurring after July 31, 2001, and the remaining changes are effective for documents acknowledged and recorded after July 31, 2001.

Sec. 27. Minnesota Statutes 2000, section 287.13, is amended by adding a subdivision to read:

Subd. 3. PAYMENT TO MORTGAGEE. If a mortgagee undertakes to collect from the mortgagor the amount of the tax due under sections 287.01 to 287.12 as provided in section 287.08, paragraph (e), the mortgagor is not subject to the penalties

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under this section and the mortgagee is subject to the provisions of this section.

EFFECTIVE DATE. This section is effective for documents acknowledged and recorded after July 31, 2001.

Sec. 28. Minnesota Statutes 2000, section 287.20, subdivision 2, is amended to read:

Subd. 2. **CONSIDERATION.** (a) "Consideration" means generally the total monetary value that is given in return for a conveyance of real property in this state and includes all lump-sum payments, all prior or future installment payments that are required under the agreement between the parties, and the fair market value of any property taken, or to be taken, in exchange.

(b) Consideration does not include the reasonable and lawful amounts of interest paid for the privilege of paying the purchase price in installments and the fair market value of any items of intangible personal property that are conveyed by the taxable instrument.

(c) Consideration does not include the amount paid for the personal property located on the real property being conveyed and transferred as a part of the total consideration, except that the amount paid for the personal property located on the real property being conveyed must be included if the real property being conveyed is a one-, two-, or three-unit residential structure.

(d) When a conveyance of real property is made pursuant to a contract for deed, the consideration is the price for the real property reflected in the contract; except that, subject to the limitations under section 287.221, ~~when the conveyance is made by a person engaged in the business of land sales or construction of buildings and other improvements, or by an affiliated person if the contract for deed, or other agreement entered into as a condition to the seller executing the contract, requires the property to be improved during the term of the contract and the price of the real property as reflected in the contract does not include the consideration for the required improvements, then the consideration is the amount paid for the land price for the real property as reflected in the contract and the consideration for the required improvements added during the term of the contract. By January 1, 2001, the commissioner shall adopt rules that define the phrases "engaged in the business of land sales or construction of buildings and other improvements" and "affiliated person" as those phrases are used in this paragraph.~~

(e) "Total consideration" has the same meaning as consideration.

(f) "Consideration, exclusive of the value of any lien or encumbrance remaining at the time of sale" or "net consideration" means the amount of consideration as reduced by the amount outstanding under any lien that attached to the real property prior to the time of sale and that is not released or satisfied as a result of the sale.

EFFECTIVE DATE. This section is effective for deeds acknowledged and recorded after July 31, 2001.

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

Sec. 29. Minnesota Statutes 2000, section 287.20, subdivision 9, is amended to read:

Subd. 9. **REORGANIZATION.** "Reorganization" means the transfer of substantially all of the assets of a corporation, a limited liability company, or a partnership not in the usual or regular course of business if at the time of the transfer the transfer qualifies as: (i) a corporate reorganization under section 368(a) of the Internal Revenue Code of 1986, as amended through December 31, 2000; or (ii) a transfer pursuant to the continuation of an existing partnership under section 708 of the Internal Revenue Code of 1986, as amended through December 31, 2000.

EFFECTIVE DATE. This section is effective for taxable deeds acknowledged and recorded after July 31, 2001.

Sec. 30. Minnesota Statutes 2000, section 287.21, subdivision 1, is amended to read:

Subdivision 1. **DETERMINATION OF TAX.** (a) A tax is imposed on each deed or instrument by which any real property in this state is granted, assigned, transferred, or otherwise conveyed. The tax applies against the net consideration.

(b) The tax is determined in the following manner: (1) when transfers are made by instruments pursuant to mergers, consolidations, sales, or transfers of substantially all of the assets of the entities as defined in section 287.20, subdivision 9, pursuant to plans of reorganization, the tax is \$1.65; (2) when there is no consideration or when the consideration, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, is \$500 or less, the tax is \$1.65; or (3) when the consideration, exclusive of the value of any lien or encumbrance remaining at the time of sale, exceeds \$500, the tax is \$1.65 plus \$1.65 for each additional \$500 or fraction of that amount .0033 of the net consideration.

(c) The tax is due at the time a taxable deed or instrument is presented for recording.

EFFECTIVE DATE. This section is effective for documents acknowledged and recorded after July 31, 2001.

Sec. 31. Minnesota Statutes 2000, section 287.28, is amended to read:

287.28 **REFUNDS OR REDEMPTION.**

(a) ~~The county treasurer may refund in whole or in part any tax which has been erroneously paid and may allow for or redeem such of the stamps, issued under the authority of sections 287.20 to 287.31 as may that have been spoiled, destroyed, or rendered useless or unfit for the purpose intended or for which the owner may have no use or which through mistake may have been improperly or unnecessarily used. Such order~~ Redemption shall be made only upon written application of the taxpayer.

(b) ~~A person having paid a deed tax amount may seek a refund of the tax, or other appropriate relief.~~ The county treasurer may refund any deed tax overpayment if a

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

written application by the taxpayer is submitted to the county treasurer within three and one-half years from the date of the overpayment. If the county has not issued a denial of the application, the taxpayer may bring an action in tax court in the county in which the tax was paid at any time after the expiration of six months from the time that the application was submitted. A denial of refund may be appealed within 60 days from the date of the denial by commencing an action in tax court in the county where the tax was paid, within 60 days of the payment. The action is commenced by serving a petition for relief on the county treasurer, and filing a copy with the court. The county attorney shall defend the action. The county treasurer shall notify the treasurer of each county that has, or would receive a portion of the tax as paid. Any refund of deed tax which the county treasurer determines should be made, and any court ordered refund of deed tax, shall be accomplished using the refund procedures in section 287.08.

EFFECTIVE DATE. This section is effective for overpayments occurring after July 31, 2001.

Sec. 32. Minnesota Statutes 2000, section 289A.12, subdivision 3, is amended to read:

Subd. 3. **RETURNS OR REPORTS BY PARTNERSHIPS, FIDUCIARIES, AND S CORPORATIONS.** (a) Partnerships must file a return with the commissioner for each taxable year. The return must conform to the requirements of section ~~290.31~~ 290.311, and must include the names and addresses of the partners entitled to a distributive share in their taxable net income, gain, loss, or credit, and the amount of the distributive share to which each is entitled. A partnership required to file a return for a partnership taxable year must furnish a copy of the information required to be shown on the return to a person who is a partner at any time during the taxable year, on or before the day on which the return for the taxable year was filed.

(b) The fiduciary of an estate or trust making the return required to be filed under section 289A.08, subdivision 2, for a taxable year must give a beneficiary who receives a distribution from the estate or trust with respect to the taxable year or to whom any item with respect to the taxable year is allocated, a statement containing the information required to be shown on the return, on or before the date on which the return was filed.

(c) An S corporation must file a return with the commissioner for a taxable year during which an election under section 290.9725 is in effect, stating specifically the names and addresses of the persons owning stock in the corporation at any time during the taxable year, the number of shares of stock owned by a shareholder at all times during the taxable year, the shareholder's pro rata share of each item of the corporation for the taxable year, and other information the commissioner requires. An S corporation required to file a return under this paragraph for any taxable year must furnish a copy of the information shown on the return to the person who is a shareholder at any time during the taxable year, on or before the day on which the return for the taxable year was filed.

(d) The partnership or S corporation return must be signed by someone designated by the partnership or S corporation.

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

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2000.

Sec. 33. Minnesota Statutes 2000, section 289A.50, subdivision 2a, is amended to read:

Subd. 2a. **REFUND OF SALES TAX TO PURCHASERS.** If a vendor has collected from a purchaser a tax on a transaction that is not subject to the tax imposed by chapter 297A, the purchaser may apply directly to the commissioner for a refund under this section if:

- (a) the purchaser is currently registered to collect and remit the sales and tax or remit the use tax; and
- (b) the amount of the refund applied for exceeds \$500.

The purchaser may not file more than two applications for refund under this subdivision in a calendar year.

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

Sec. 34. Minnesota Statutes 2000, 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 must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, 7.85 percent.

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.

(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:

- (1) On the first \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- (3) On all over \$57,710, 7.85 percent.

(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 must be computed by applying to taxable net income the following schedule of rates:

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- (1) On the first \$21,630, 5.35 percent;
- (2) On all over \$21,630, but not over \$86,910, 7.05 percent;
- (3) On all over \$86,910, 7.85 percent.

(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 and increased by the additions required under section 290.01, subdivision 19a, clauses (1) and (6), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), 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, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1) and (6), and reduced by the amounts specified in section 290.01, subdivision 19b, clause (1).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 35. Minnesota Statutes 2000, section 290.06, subdivision 23, is amended to read:

Subd. 23. REFUND OF CONTRIBUTIONS TO POLITICAL PARTIES AND CANDIDATES. (a) A taxpayer may claim a refund equal to the amount of the taxpayer's contributions made in the calendar year to candidates and to a political party. The maximum refund for an individual must not exceed \$50 and for a married couple, filing jointly, must not exceed \$100. A refund of a contribution is allowed only if the taxpayer files a form required by the commissioner and attaches to the form a copy of an official refund receipt form issued by the candidate or party and signed by the candidate, the treasurer of the candidate's principal campaign committee, or the chair or treasurer of the party unit, after the contribution was received. The receipt forms must be numbered, and the data on the receipt that are not public must be made

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available to the campaign finance and public disclosure board upon its request. A claim must be filed with the commissioner no sooner than January 1 of the calendar year in which the contribution was made and no later than April 15 of the calendar year following the calendar year in which the contribution was made. A taxpayer may file only one claim per calendar year. Amounts paid by the commissioner after June 15 of the calendar year following the calendar year in which the contribution was made must include interest at the rate specified in section 270.76.

(b) No refund is allowed under this subdivision for a contribution to a candidate unless the candidate:

(1) has signed an agreement to limit campaign expenditures as provided in section 10A.322;

(2) is seeking an office for which voluntary spending limits are specified in section 10A.25; and

(3) has designated a principal campaign committee.

This subdivision does not limit the campaign expenditures of a candidate who does not sign an agreement but accepts a contribution for which the contributor improperly claims a refund.

(c) For purposes of this subdivision, "political party" means a major political party as defined in section 200.02, subdivision 7, or a minor political party qualifying for inclusion on the income tax or property tax refund form under section 10A.31, subdivision 3a.

A "major party" or "minor party" includes the aggregate of that party's organization within each house of the legislature, the state party organization, and the party organization within congressional districts, counties, legislative districts, municipalities, and precincts.

"Candidate" means a candidate as defined in section 10A.01, subdivision 10, except a candidate for judicial office.

"Contribution" means a gift of money.

(d) The commissioner shall make copies of the form available to the public and candidates upon request.

(e) The following data collected or maintained by the commissioner under this subdivision are private: the identities of individuals claiming a refund, the identities of candidates to whom those individuals have made contributions, and the amount of each contribution.

(f) The commissioner shall report to the campaign finance and public disclosure board by each August 1 a summary showing the total number and aggregate amount of political contribution refunds made on behalf of each candidate and each political party. These data are public.

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(g) The amount necessary to pay claims for the refund provided in this section is appropriated from the general fund to the commissioner of revenue.

(h) For a taxpayer who files a claim for refund via the Internet or other electronic means, the commissioner may accept the number on the official receipt as documentation that a contribution was made rather than the actual receipt as required by paragraph (a).

EFFECTIVE DATE. This section is effective for refund claims based on contributions made after December 31, 2001.

Sec. 36. Minnesota Statutes 2000, 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 ~~\$13,350~~ \$18,040, \$720 maximum for one dependent, \$1,440 for all dependents;

income over ~~\$13,350~~ \$18,040, the maximum credit for one dependent shall be reduced by \$18 for every \$350 of additional income, \$36 for all dependents.

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.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 1999.

Sec. 37. Minnesota Statutes 2000, section 290.067, subdivision 2b, is amended 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. make the inflation adjustments in accordance with section 1f of the Internal Revenue Code except that for the purposes of this subdivision the percentage increase must be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for the tax year beginning after December 31, 2000. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedures Act.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2000.

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Sec. 38. Minnesota Statutes 2000, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **CREDIT ALLOWED.** (a) An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals 1.9125 percent of the first ~~\$4,460~~ \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned income or modified adjusted gross income, whichever is greater, in excess of ~~\$5,570~~ \$5,770, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 8.5 percent of the first ~~\$6,680~~ \$6,920 of earned income and 8.5 percent of earned income over ~~\$11,650~~ \$12,080 but less than ~~\$12,990~~ \$13,450. The credit is reduced by 5.73 percent of earned income or modified adjusted gross income, whichever is greater, in excess of ~~\$14,560~~ \$15,080, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ten percent of the first ~~\$9,390~~ \$9,720 of earned income and 20 percent of earned income over ~~\$14,350~~ \$14,860 but less than ~~\$16,230~~ \$16,800. The credit is reduced by 10.3 percent of earned income or modified adjusted gross income, whichever is greater, in excess of ~~\$17,280~~ \$17,890, but in no case is the credit less than zero.

(e) For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income.

(g) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 1999.

Sec. 39. Minnesota Statutes 2000, section 290.0671, subdivision 7, is amended to read:

Subd. 7. **INFLATION ADJUSTMENT.** The earned income amounts used to calculate the credit and the income thresholds at which the maximum credit begins to be reduced in subdivision 1 must be adjusted for inflation. The commissioner shall adjust the earned income and threshold amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year. make the inflation adjustments in accordance with section 1f of the Internal Revenue Code except that for the purposes

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of this subdivision the percentage increase shall be determined from the year starting September 1, 1999, and ending August 31, 2000, as the base year for adjusting for inflation for the tax year beginning after December 31, 2000. The determination of the commissioner under this subdivision is not a rule under the Administrative Procedures Act.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2000.

Sec. 40. Minnesota Statutes 2000, section 290.0675, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** (a) For purposes of this section the following terms have the meanings given.

(b) "Earned income" means the sum of the following, to the extent included in Minnesota taxable income:

(1) earned income as defined in section 32(c)(2) of the Internal Revenue Code;

(2) to the extent included in Minnesota taxable income, income received from a retirement pension, profit-sharing, stock bonus, or annuity plan; and

(3) to the extent included in Minnesota taxable income, social security benefits as defined in section 86(d)(1) of the Internal Revenue Code.

(c) "Taxable income" means net income as defined in section 290.01, subdivision 19.

(d) "Earned income of lesser-earning spouse" means the earned income of the spouse with the lesser amount of earned income as defined in paragraph (b) for the taxable year.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 41. Minnesota Statutes 2000, section 290.0675, subdivision 3, is amended to read:

Subd. 3. **CREDIT AMOUNT.** The credit amount is as shown in the table in this subdivision, based on the couple's taxable income for the tax year and on the earned income of the lesser-earning spouse the difference between the tax on the couple's joint Minnesota taxable income under the rates in section 290.06, subdivision 2c, paragraph (a), and the sum of the tax under the rates of section 290.06, subdivision 2c, paragraph (b), on the earned income of the lesser-earning spouse, and the tax under the rates of section 290.06, subdivision 2c, paragraph (b), on the couple's joint Minnesota taxable income, minus the earned income of the lesser-earning spouse.

	Credit For	Credit For
Earned Income of	Taxable Income	Taxable Income
Lesser Earning Spouse	\$25,680-\$102,029	\$102,030-over
\$14,250 - \$15,249	\$7	\$0

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\$15,250 - \$16,249	\$24	\$0
\$16,250 - \$17,249	\$41	\$0
\$17,250 - \$18,249	\$58	\$0
\$18,250 - \$19,249	\$75	\$0
\$19,250 - \$20,249	\$92	\$0
\$20,250 - \$21,249	\$109	\$0
\$21,250 - \$22,249	\$126	\$0
\$22,250 - \$23,249	\$143	\$0
\$23,250 - \$24,249	\$160	\$0
\$24,250 - \$25,249	\$161	\$0
\$25,250 - \$26,249	\$161	\$0
\$26,250 - \$27,249	\$161	\$0
\$27,250 - \$28,249	\$161	\$0
\$28,250 - \$29,249	\$161	\$0
\$29,250 - \$30,249	\$161	\$0
\$30,250 - \$31,249	\$161	\$0
\$31,250 - \$32,249	\$161	\$6
\$32,250 - \$33,249	\$161	\$14
\$33,250 - \$34,249	\$161	\$22
\$34,250 - \$35,249	\$161	\$30
\$35,250 - \$36,249	\$161	\$38
\$36,250 - \$37,249	\$161	\$46
\$37,250 - \$38,249	\$161	\$54
\$38,250 - \$39,249	\$161	\$62
\$39,250 - \$40,249	\$161	\$70
\$40,250 - \$41,249	\$161	\$78
\$41,250 - \$42,249	\$161	\$86
\$42,250 - \$43,249	\$161	\$94
\$43,250 - \$44,249	\$161	\$102
\$44,250 - \$45,249	\$161	\$110
\$45,250 - \$46,249	\$161	\$118
\$46,250 - \$47,249	\$161	\$126
\$47,250 - \$48,249	\$161	\$134
\$48,250 - \$49,249	\$161	\$142
\$49,250 - \$50,249	\$161	\$150
\$50,250 - \$51,249	\$161	\$158
\$51,250 - \$52,249	\$161	\$166
\$52,250 - \$53,249	\$161	\$174
\$53,250 - \$54,249	\$161	\$182
\$54,250 - \$55,249	\$161	\$190
\$55,250 - \$56,249	\$161	\$198
\$56,250 - \$57,249	\$161	\$206
\$57,250 - \$58,249	\$161	\$214

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\$58,250 - \$59,249	\$161	\$222
\$59,250 - \$60,249	\$161	\$230
\$60,250 - \$61,249	\$161	\$238
\$61,250 - \$62,249	\$161	\$246
\$62,250 - \$63,249	\$161	\$254
\$63,250 - \$64,249	\$161	\$262
\$64,250 and over	\$161	\$268

For taxable years beginning after December 31, 2001, the commissioner of revenue shall prepare and make available to taxpayers a comprehensive table showing the credit under this section at brackets of earnings of the lesser-earning spouse and joint taxable income. The brackets of earnings shall not be more than \$2,000.

For taxable years beginning after December 31, 2000 2002, the commissioner shall update the table as necessary to provide a credit that reflects the relationship between the marginal tax rates imposed under section 290.06, subdivision 2c.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 42. Minnesota Statutes 2000, section 290.0921, subdivision 3, is amended to read:

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

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

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

(2) The 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 certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

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(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 subparagraph (E) and 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.

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

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

(11) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (10), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (11).

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

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

Sec. 43. Minnesota Statutes 2000, section 290.92, subdivision 23, is amended to read:

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Subd. 23. WITHHOLDING BY EMPLOYER OF DELINQUENT TAXES.

(1) The commissioner may, within five years after the date of assessment of the tax, or if a lien has been filed under section 270.69, within the statutory period for enforcement of the lien, give notice to any employer deriving income which has a taxable situs in this state regardless of whether the income is exempt from taxation, that an employee of that employer is delinquent in a certain amount with respect to any state taxes, including penalties, interest, and costs. The commissioner can proceed under this subdivision only if the tax is uncontested or if the time for appeal of the tax has expired. The commissioner shall not proceed under this subdivision until the expiration of 30 days after mailing to the taxpayer, at the taxpayer's last known address, a written notice of (a) the amount of taxes, interest, and penalties due from the taxpayer and demand for their payment, and (b) the commissioner's intention to require additional withholding by the taxpayer's employer pursuant to this subdivision. The effect of the notice shall expire ~~180 days~~ one year after it has been mailed to the taxpayer provided that the notice may be renewed by mailing a new notice which is in accordance with this subdivision. The renewed notice shall have the effect of reinstating the priority of the original claim. The notice to the taxpayer shall be in substantially the same form as that provided in section 571.72. The notice shall further inform the taxpayer of the wage exemptions contained in section 550.37, subdivision 14. If no statement of exemption is received by the commissioner within 30 days from the mailing of the notice, the commissioner may proceed under this subdivision. The notice to the taxpayer's employer may be served by mail or by delivery by an employee of the department of revenue and shall be in substantially the same form as provided in section 571.75. Upon receipt of notice, the employer shall withhold from compensation due or to become due to the employee, the total amount shown by the notice, subject to the provisions of section 571.922. The employer shall continue to withhold each pay period until the notice is released by the commissioner under section 270.709. Upon receipt of notice by the employer, the claim of the state of Minnesota shall have priority over any subsequent garnishments or wage assignments. The commissioner may arrange between the employer and the employee for withholding a portion of the total amount due the employee each pay period, until the total amount shown by the notice plus accrued interest has been withheld.

The "compensation due" any employee is defined in accordance with the provisions of section 571.921. The maximum withholding allowed under this subdivision for any one pay period shall be decreased by any amounts payable pursuant to a garnishment action with respect to which the employer was served prior to being served with the notice of delinquency and any amounts covered by any irrevocable and previously effective assignment of wages; the employer shall give notice to the department of the amounts and the facts relating to such assignments within ten days after the service of the notice of delinquency on the form provided by the department of revenue as noted in this subdivision.

(2) If the employee ceases to be employed by the employer before the full amount set forth in a notice of delinquency plus accrued interest has been withheld, the employer shall immediately notify the commissioner in writing of the termination date

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of the employee and the total amount withheld. No employer may discharge any employee by reason of the fact that the commissioner has proceeded under this subdivision. If an employer discharges an employee in violation of this provision, the employee shall have the same remedy as provided in section 571.927, subdivision 2.

(3) Within ten days after the expiration of such pay period, the employer shall remit to the commissioner, on a form and in the manner prescribed by the commissioner, the amount withheld during each pay period under this subdivision.

(4) Clauses (1), (2), and (3), except provisions imposing a liability on the employer for failure to withhold or remit, shall apply to cases in which the employer is the United States or any instrumentality thereof or this state or any municipality or other subordinate unit thereof.

(5) The commissioner shall refund to the employee excess amounts withheld from the employee under this subdivision. If any excess results from payments by the employer because of willful failure to withhold or remit as prescribed in clause (3), the excess attributable to the employer's payment shall be refunded to the employer.

(6) Employers required to withhold delinquent taxes, penalties, interest, and costs under this subdivision shall not be required to compute any additional interest, costs or other charges to be withheld.

(7) The collection remedy provided to the commissioner by this subdivision shall have the same legal effect as if it were a levy made pursuant to section 270.70.

EFFECTIVE DATE. This section is effective for notices of intent mailed on or after the day following final enactment.

Sec. 44. Minnesota Statutes 2000, section 290A.03, subdivision 12, is amended to read:

Subd. 12. **GROSS RENT.** (a) "Gross rent" means rental paid for the right of occupancy, at arms-length, of a homestead, exclusive of charges for any medical services furnished by the landlord as a part of the rental agreement, whether expressly set out in the rental agreement or not.

(b) The gross rent of a resident of a nursing home or intermediate care facility is \$350 per month. The gross rent of a resident of an adult foster care home is \$550 per month. Beginning for rent paid in 2002, the commissioner shall annually adjust for inflation the gross rent amounts stated in this paragraph. The adjustment must be made in accordance with section 1f of the Internal Revenue Code, except that for purposes of this paragraph the percentage increase shall be determined from the year ending on June 30, 2001, to the year ending on June 30 of the year in which the rent is paid. The commissioner shall round the gross rents to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall round it up to the next \$10 amount. The determination of the commissioner under this paragraph is not a rule under the Administrative Procedure Act.

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(c) If the landlord and tenant have not dealt with each other at arms-length and the commissioner determines that the gross rent charged was excessive, the commissioner may adjust the gross rent to a reasonable amount for purposes of this chapter.

(d) Any amount paid by a claimant residing in property assessed pursuant to section 273.124, subdivision 3, 4, 5, or 6 for occupancy in that property shall be excluded from gross rent for purposes of this chapter. However, property taxes imputed to the homestead of the claimant or the dwelling unit occupied by the claimant that qualifies for homestead treatment pursuant to section 273.124, subdivision 3, 4, 5, or 6 shall be included within the term "property taxes payable" as defined in subdivision 13, notwithstanding the fact that ownership is not in the name of the claimant.

EFFECTIVE DATE. This section is effective for refunds based on rent paid after December 31, 2000.

Sec. 45. Minnesota Statutes 2000, section 290A.15, is amended to read:

290A.15 CLAIM APPLIED AGAINST OUTSTANDING LIABILITY.

The amount of any claim otherwise payable under this chapter may be applied by the commissioner against any delinquent tax liability of the claimant or spouse of the claimant payable to the department of revenue any member of the household. If there are two members of the household, the commissioner may apply only one-half of a refund to the separate liability of either member of the household.

EFFECTIVE DATE. This section is effective beginning with refunds paid on or after August 1, 2001.

Sec. 46. Minnesota Statutes 2000, section 296A.16, subdivision 2, is amended to read:

Subd. 2. **FUEL USED IN OTHER VEHICLE; CLAIM FOR REFUND.** Any person who shall buy buys and use uses gasoline for a qualifying purpose other than use in motor vehicles, snowmobiles except as provided in clause (2), or motorboats, or special fuel for a qualifying purpose other than use in licensed motor vehicles, and who shall have paid the tax directly or indirectly through the amount of the tax being included in the price of the gasoline or special fuel, or otherwise, shall be reimbursed and repaid the amount of the tax paid upon filing with the commissioner a claim for refund in the form and manner prescribed by the commissioner, and containing the information the commissioner shall require. By signing any such claim which is false or fraudulent, the applicant shall be subject to the penalties provided in this chapter for knowingly making a false claim. The claim shall set forth the total amount of the gasoline so purchased and used by the applicant other than in motor vehicles, or special fuel purchased and used by the applicant other than in licensed motor vehicles, and shall state when and for what purpose it was used. When a claim contains an error in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner. The commissioner, on being satisfied that the claimant is entitled to the payments, shall approve the claim and transmit it to the commissioner of finance. The

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words "gasoline" or "special fuel" as used in this subdivision do not include aviation gasoline or special fuel for aircraft. Gasoline or special fuel bought and used for a "qualifying purpose" means:

(1) Gasoline or special fuel used in carrying on a trade or business, used on a farm situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose" have the meanings given them in section 6420(c)(2), (3), and (4) of the Internal Revenue Code of 1986, as amended through December 31, 1997.

(2) Gasoline or special fuel used for off-highway business use. "Off-highway business use" means any use off the public highway by a person in that person's trade, business, or activity for the production of income. Off-highway business use includes:

(i) use of a passenger snowmobile off the public highways as part of the operations of a resort as defined in section 157.15, subdivision 11; and

(ii) use of gasoline or special fuel to operate a power takeoff unit on a vehicle, but not including fuel consumed during idling time.

Off-highway business use does not include:

(i) use as a fuel in a motor vehicle which, at the time of use, is registered or is required to be registered for highway use under the laws of any state or foreign country; or

(ii) use of a licensed motor vehicle fuel tank in lieu of a separate storage tank for storing fuel to be used for a qualifying purpose, as defined in this section. Fuel purchased to be used for a qualifying purpose cannot be placed in the fuel tank of a licensed motor vehicle and must be stored in a separate supply tank.

(3) Gasoline or special fuel placed in the fuel tanks of new motor vehicles, manufactured in Minnesota, and shipped by interstate carrier to destinations in other states or foreign countries.

By July 1, 1998, the commissioner shall adopt rules that determine the rates and percentages necessary to develop formulas for calculating the refund under clause (2), item (ii).

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

Sec. 47. [296A.201] ASSESSMENTS.

Subdivision 1. GENERAL RULE. The commissioner may make determinations, corrections, and assessments with respect to any tax or fee under this chapter, including interest, additions to taxes and fees, and assessable penalties.

Subd. 2. COMMISSIONER FILED RETURNS. If a taxpayer fails to file a required return, the commissioner, from information in the commissioner's possession or obtainable by the commissioner, may make a return for the taxpayer. The return is prima facie correct and valid. The commissioner may use statistical or other sampling techniques consistent with generally accepted auditing standards in examining returns or records and making assessments.

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

Subd. 3. ORDER OF ASSESSMENT; NOTICE AND DEMAND TO TAXPAYER. (a) If a return has been filed and the commissioner determines that the tax or fee disclosed by the return is different than the tax or fee determined by the examination, the commissioner shall send an order of assessment to the taxpayer. If no return has been filed, the commissioner may make a return for the taxpayer under subdivision 2 or may send an order of assessment under this subdivision. The order must explain the basis for the assessment and must explain the taxpayer's appeal rights. An order of assessment is final when made but may be reconsidered by the commissioner under section 296A.25.

(b) Penalties under this chapter are not imposed and no collection action can be taken, including the filing of liens under section 270.69, if the amount shown on the order is paid to the commissioner:

(1) within 60 days after notice of the amount and demand for its payment have been mailed to the taxpayer by the commissioner; or

(2) if an administrative appeal is filed under this chapter, or a tax court appeal is filed under chapter 271, within 60 days following final determination of the appeal if the appeal is based upon a constitutional challenge to the tax or fee, and if not, when the decision of the tax court is made.

Subd. 4. ERRONEOUS REFUNDS. An erroneous refund is considered an underpayment of tax or fee 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 of tax or fee made by the commissioner is prima facie correct and valid. The taxpayer has the burden of establishing its incorrectness or invalidity in any related action or proceeding.

Subd. 6. AGGREGATE REFUND OR ASSESSMENT. The commissioner, on examining returns of a taxpayer for more than one year or period, may issue one order covering the period under examination that reflects the aggregate refund or additional tax or fee due.

Subd. 7. SUFFICIENCY OF NOTICE. An order of assessment, sent postage prepaid by United States mail 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, even if the corporation has terminated its existence, unless the department has been provided with a new address by a party authorized to receive notices of assessment.

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

Sec. 48. Minnesota Statutes 2000, section 296A.21, subdivision 1, is amended to read:

New language is indicated by underline, deletions by strikeout.

Subdivision 1. **GENERAL RULE RULES.** (a) The commissioner shall make determinations, corrections, and assessments, and refunds with respect to taxes and fees under this chapter, including interest, additions to taxes, and assessable penalties. Except as otherwise provided in this section, the amount of taxes assessable must be assessed within 3-1/2 years after the date the return is filed.

(b) A claim for a refund of an overpayment of state tax or fees 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 the claim must be filed within one year from the date of an order assessing tax or fees, or from the date of a return filed by the commissioner, upon payment in full of the tax, fees, penalties, and interest shown on the order or return, whichever period expires later.

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

Sec. 49. Minnesota Statutes 2000, section 296A.21, subdivision 4, is amended to read:

Subd. 4. **TIME LIMIT FOR REPAYMENT CERTAIN REFUNDS.** ~~No repayment~~ Notwithstanding subdivision 1, paragraph (b), no refund under section 296A.16, subdivision 2, shall be made unless the claim for refund and invoice shall be are filed with the commissioner within one year from the date of purchase. The postmark on the envelope in which a written claim is mailed shall determine its date of filing.

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

Sec. 50. Minnesota Statutes 2000, section 297A.07, subdivision 3, is amended to read:

Subd. 3. **NEW PERMITS AFTER REVOCATION.** The commissioner shall not issue a new permit or reinstate a revoked permit after revocation unless the taxpayer applies for a permit and provides reasonable evidence of intention to comply with the sales and use tax laws and rules. The commissioner may require the applicant to supply security, in addition to that authorized by section 297A.28, as is reasonably necessary to insure compliance with the sales and use tax laws and rules. If the commissioner issues or reinstates a permit not in conformance with the requirements of this subdivision or applicable rules, the commissioner may cancel the permit upon notice to the permit holder. The notice must be served by first class and certified mail at the permit holder's last known address. The cancellation shall be effective immediately, subject to the right of the permit holder to show that the permit was issued in conformance with the requirements of this subdivision and applicable rules. Upon such showing, the permit must be reissued.

If a taxpayer has had a permit or permits revoked three times in a five-year period, the commissioner shall not issue a new permit or reinstate the revoked permit until 24 months have elapsed after revocation and the taxpayer has satisfied the conditions for reinstatement of a revoked permit or issuance of a new permit imposed by this section and rules adopted hereunder.

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

For purposes of this subdivision, the term "taxpayer" means an individual, if a revoked permit was issued to or in the name of an individual, or a corporation or partnership, if a revoked permit was issued to or in the name of a corporation or partnership. Taxpayer also means an officer of a corporation, a member of a partnership, or an individual who is liable for delinquent sales taxes, either for the entity for which the new or reinstated permit is at issue, or for another entity for which a permit was previously revoked, or personally as a permit holder.

EFFECTIVE DATE; INSTRUCTION TO REVISOR. (a) This section is effective the day following final enactment.

(b) In the next edition of Minnesota Statutes, the revisor shall codify the amendments to this section in Minnesota Statutes, section 297A.86, subdivision 2.

Sec. 51. Minnesota Statutes 2000, section 297A.25, subdivision 3, is amended to read:

Subd. 3. **MEDICINES; MEDICAL DEVICES.** The gross receipts from the sale of and storage, use, or consumption 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, fever thermometers, therapeutic, and prosthetic devices. "Prescribed drugs" or "prescribed medicine" includes over-the-counter drugs or medicine prescribed by a licensed physician health care professional. "Therapeutic devices" includes reusable finger pricking devices for the extraction of blood, blood glucose monitoring machines, and other diagnostic agents used in diagnosing, monitoring, or treating diabetes. Nonprescription analgesics consisting principally (determined by the weight of all ingredients) of acetaminophen, acetylsalicylic acid, ibuprofen, ketoprofen, naproxen, and other nonprescription analgesics that are approved by the United States Food and Drug Administration for internal use by human beings, or a combination thereof, are exempt.

Medical supplies purchased by a licensed health care facility or licensed health care professional to provide medical treatment to residents or patients are exempt. The exemption does not apply to medical equipment or components of medical equipment, laboratory supplies, radiological supplies, and other items used in providing medical services. For purposes of this subdivision, "medical supplies" means adhesive and nonadhesive bandages, gauze pads and strips, cotton applicators, antiseptics, nonprescription drugs, eye solution, and other similar supplies used directly on the resident or patient in providing medical services.

EFFECTIVE DATE; INSTRUCTION TO REVISOR. This section is effective the day following final enactment. In the next edition of Minnesota Statutes, the revisor of statutes shall codify the amendment in this section in Minnesota Statutes, section 297A.67, subdivision 7.

Sec. 52. Minnesota Statutes 2000, section 297A.25, subdivision 11, is amended to read:

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

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 colleges, state academies, the Perpich center for arts education, an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools, school districts, public libraries, public library systems, multicounty, multi-type library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the legislative reference library are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, service cooperatives, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f).

Sales to hospitals and nursing homes owned and operated by political subdivisions of the state of tangible personal property and taxable services used at or by the hospitals and nursing homes are exempt under this subdivision.

Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care. Sales to a political subdivision of repair and replacement parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.

Sales to a political subdivision of machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10, are exempt under this subdivision.

Sales to political subdivisions of chore and homemaking services to be provided to elderly or disabled individuals are exempt.

Sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases of motor vehicles exempt from tax under section 297B.03, clause (10), are exempt.

Sales of telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund are exempt under this subdivision.

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

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.

The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.

Sales exempted by this subdivision include sales made to other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state, but do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e).

EFFECTIVE DATE; INSTRUCTION TO REVISOR. This section is effective the day following final enactment. In the next edition of Minnesota Statutes, the revisor of statutes shall codify the amendment in this section in Minnesota Statutes, section 297A.70, subdivision 2.

Sec. 53. Minnesota Statutes 2000, section 297A.82, subdivision 3, is amended to read:

Subd. 3. **PAYMENT OF TAX TO COMMISSIONER.** If the an aircraft is purchased from a person who is not the holder of a valid sales and use tax permit under this chapter, the purchaser shall pay the tax to the commissioner of revenue prior to registering or licensing the aircraft in this state. The commissioner of revenue shall issue a certificate stating that the sales and use tax in respect to the transaction has been paid.

EFFECTIVE DATE. This section is effective for sales and purchases occurring after the day following final enactment.

Sec. 54. Minnesota Statutes 2000, section 297A.82, is amended by adding a subdivision to read:

Subd. 7. **AGREEMENT WITH COMMISSIONER OF TRANSPORTATION.** Notwithstanding subdivisions 1 to 4, the commissioner may enter into an agreement with the commissioner of transportation whereby, upon approval of both commissioners, the commissioner of transportation will collect the sales tax on aircraft from persons required to register or license aircraft in this state. For purposes of

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collecting the tax, the commissioner of transportation shall act as agent of the commissioner of revenue and shall be subject to all rules not inconsistent with the provisions of this chapter, that may be prescribed by the commissioner.

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

Sec. 55. Minnesota Statutes 2000, section 297B.03, is amended to read:

297B.03 EXEMPTIONS.

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.25, subdivision 18;

(2) purchase or use of any motor vehicle by any person who was a resident of another state or country at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota and the motor vehicle was registered in the person's name in the other state or country;

(3) purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.211;

(4) purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code of 1986, as amended through December 31, 1999;

(5) purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota based private or for hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce;

(6) purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs;

(7) purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144E.10;

(8) purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

(9) purchase of a ready-mixed concrete truck;

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

(10) purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks;

(11) purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, except a public school, university, or library, but only if the vehicle is:

(i) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

EFFECTIVE DATE. This section is effective the day following final enactment, except that the change to paragraph (11) is effective for sales and purchases occurring after June 30, 2000.

Sec. 56. Minnesota Statutes 2000, section 297F.16, subdivision 4, is amended to read:

Subd. 4. **ERRONEOUS REFUNDS OR CREDITS.** An erroneous refund or credit is considered an underpayment of tax on the date made. An assessment of a deficiency arising out of an erroneous refund or credit must be made 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 in full, whichever period expires later 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.

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

Sec. 57. Minnesota Statutes 2000, section 297G.15, subdivision 4, is amended to read:

Subd. 4. **ERRONEOUS REFUNDS OR CREDITS.** An erroneous refund or credit is considered an underpayment of tax on the date made. An assessment of a deficiency arising out of an erroneous refund or credit must be made 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 in full, whichever period expires later 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.

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

Sec. 58. Minnesota Statutes 2000, section 297G.16, subdivision 5, is amended to read:

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

Subd. 5. **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 in full, whichever period expires later. Claimants under this section are subject to the notice requirements of section 289A.38, subdivision 7 or within one year from the date of an order assessing tax or from the date of a return filed by the commissioner, upon payment in full of the tax, penalties, and interest shown on the order or return made by the commissioner, whichever period expires later.

EFFECTIVE DATE. This section is effective for returns becoming due or orders assessing tax issued on or after the day following final enactment.

Sec. 59. Minnesota Statutes 2000, section 297G.16, subdivision 7, is amended to read:

Subd. 7. **TIME LIMIT FOR A BAD DEBT DEDUCTION.** Claims for refund must be filed with the commissioner within one year of the filing of the taxpayer's income tax return containing the bad debt deduction that is being claimed. Claimants under this subdivision are subject to the notice requirements of section 289A.38, subdivision 7.

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

Sec. 60. **[297H.115] USE TAX.**

Subdivision 1. **IMPOSITION; LIABILITY OF GENERATORS AND SELF-HAULERS.** (a) A use tax is imposed on the sales price of mixed municipal solid waste management services received by a residential generator at the rate imposed under section 297H.02, unless the tax imposed under section 297H.02 was paid. The residential generator is liable.

(b) A use tax is imposed on the sales price of mixed municipal solid waste management services received by a commercial generator at the rate imposed under section 297H.03, unless the tax imposed under section 297H.03 was paid. The commercial generator is liable.

(c) A use tax is imposed on the volume of nonmixed municipal solid waste that is managed at the rate imposed under section 297H.04, unless the tax imposed under section 297H.04 was paid. The generator is liable.

(d) A use tax is imposed on the sales price of mixed municipal solid waste management services received by a self-hauler at the rate imposed under section 297H.05, paragraph (a), unless the tax imposed under section 297H.05, paragraph (a), was paid. The self-hauler is liable.

(e) A use tax is imposed on the volume of nonmixed municipal solid waste managed at the rate imposed under section 297H.05, paragraph (b), unless the tax imposed under section 297H.05, paragraph (b), was paid. The self-hauler is liable.

New language is indicated by underline, deletions by strikeout.

Subd. 2. PAYMENT; REPORTING. A generator or self-hauler that is liable under subdivision 1 shall report the use tax on a return prescribed by the commissioner of revenue, and shall remit the tax with the return. The return and the tax must be filed using the filing cycle and due dates provided for taxes imposed under chapter 297A.

Subd. 3. COMMISSIONER ASSESSMENT. (a) The commissioner of revenue may not assess the generator or self-hauler a use tax on a transaction for which the waste management service provider has paid the solid waste management tax, except as provided in paragraph (b).

(b) If the waste management service provider who is an accrual basis taxpayer remits a payment and thereafter offsets the amount as a bad debt under section 297H.09, the commissioner of revenue may assess the generator or self-hauler a use tax for the offset amount.

EFFECTIVE DATE. This section is effective for services received on or after August 1, 2001.

Sec. 61. Minnesota Statutes 2000, section 383A.80, subdivision 1, is amended to read:

Subdivision 1. **AUTHORITY TO IMPOSE; RATE.** (a) The governing body of Ramsey county may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals one cent for each \$100 or fraction .0001 of the principal.

(c) The rate of the deed tax equals five cents for each \$500 or fraction .0001 of the amount.

EFFECTIVE DATE. This section is effective for documents acknowledged and recorded after July 31, 2001.

Sec. 62. Minnesota Statutes 2000, section 383B.80, subdivision 1, is amended to read:

Subdivision 1. **AUTHORITY TO IMPOSE; RATE.** (a) The governing body of Hennepin county may impose a mortgage registry and deed tax.

(b) The rate of the mortgage registry tax equals one cent for each \$100 or fraction .0001 of the principal.

(c) The rate of the deed tax equals five cents for each \$500 or fraction .0001 of the amount.

EFFECTIVE DATE. This section is effective for documents acknowledged and recorded after July 31, 2001.

Sec. 63. Minnesota Statutes 2000, section 461.12, is amended by adding a subdivision to read:

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

Subd. 8. NOTICE TO COMMISSIONER. The licensing authority under this section shall, within 30 days of the issuance of a license, inform the commissioner of revenue of the licensee's name, address, trade name, and the effective and expiration dates of the license. The commissioner of revenue must also be informed of a license renewal, transfer, cancellation, suspension, or revocation during the license period.

EFFECTIVE DATE. This section is effective for licenses issued, renewed, transferred, canceled, suspended, or revoked on or after January 1, 2002.

Sec. 64. REPORT ON INCOME TAX RECIPROCITY WITH WISCONSIN.

By March 1, 2002, the commissioner of revenue must report to house and senate committees dealing with taxes on the advisability of terminating individual income tax reciprocity with the state of Wisconsin under Minnesota Statutes, section 290.081.

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

Sec. 65. APPROPRIATIONS.

\$462,000 is appropriated in each of fiscal years 2002 and 2003 from the general fund to the commissioner of revenue to administer this article. In addition, there is a one-time appropriation of \$41,000 in fiscal year 2002, and a one-time appropriation of \$43,000 in fiscal year 2003, from the general fund to the commissioner of revenue to administer this article.

Sec. 66. REPEALER.

(a) Minnesota Statutes 2000, section 296A.16, subdivision 6, is repealed effective the day following final enactment.

(b) Minnesota Statutes 2000, sections 290.095, subdivision 7; 290.23; 290.25; and 290.31, subdivisions 2, 2a, 3, 4, 5, and 19, are repealed effective for tax years beginning after December 31, 2000.

(c) Minnesota Statutes 2000, section 297B.032, is repealed effective the day following final enactment.

(d) Minnesota Statutes 2000, sections 290.06, subdivision 25, and 290A.04, subdivision 2j, are repealed effective for taxable years beginning after December 31, 2001.

(e) Minnesota Rules, parts 8120.0200; 8120.0500; 8120.0700; 8120.0900; 8120.1300; 8120.1600; 8120.2000; 8120.2100; 8120.2200; 8120.2300; 8120.2500; 8120.2700; 8120.2800; 8120.3000; 8120.3200; 8120.4300; 8120.4400; 8120.4500; 8120.4600; 8120.4900; 8120.5000; 8120.5100; and 8120.5300, are repealed effective the day following final enactment.

New language is indicated by underline, deletions by strikeout.

ARTICLE 8

SUSTAINABLE FOREST INCENTIVE ACT

Section 1. Minnesota Statutes 2000, section 88.49, subdivision 5, is amended to read:

Subd. 5. **CANCELLATION.** Upon the failure of the owner faithfully to fulfill and perform such contract or any provision thereof, or any requirement of sections 88.47 to 88.53, or any rule adopted by the commissioner thereunder, the commissioner may cancel the contract in the manner herein provided. The commissioner shall give to the owner, in the manner prescribed in section 88.48, subdivision 4, 60 days' notice of a hearing thereon at which the owner may appear and show cause, if any, why the contract should not be canceled. The commissioner shall thereupon determine whether the contract should be canceled and make an order to that effect. Notice of the commissioner's determination and the making of the order shall be given to the owner in the manner provided in section 88.48, subdivision 4. On determining that the contract should be canceled and no appeal therefrom be taken, the commissioner shall send notice thereof to the auditor of the county and to the town clerk of the town affected and file with the recorder a certified copy of the order, who shall forthwith note the cancellation upon the record thereof, and thereupon the land therein described shall cease to be an auxiliary forest and, together with the timber thereon, become liable to all taxes and assessments that otherwise would have been levied against it had it never been an auxiliary forest from the time of the making of the contract, any provisions of the statutes of limitation to the contrary notwithstanding, less the amount of taxes paid under the provisions of section 88.51, subdivision 1, together with interest on such taxes and assessments at six percent per annum, but without penalties.

The commissioner may in like manner and with like effect cancel the contract upon written application of the owner.

The commissioner shall cancel any contract if the owner has made successful application under sections ~~270.34 to 270.39 inclusive~~ 290C.01 to 290C.11, the ~~Minnesota Tree Growth Tax Law~~ Sustainable Forest Incentive Act, and has paid to the county treasurer the difference between the amount which would have been paid had the land under contract been subject to the ~~Minnesota Tree Growth Tax Law and the Sustainable Forest Incentive Act~~ from the date of the filing of the contract and the amount actually paid under section 88.51, subdivisions 1 and 2. This tax difference must be calculated based on the years the lands would have been taxed under the Tree Growth Tax Law and the Sustainable Forest Incentive Act. The sustainable forest tax difference is net of the incentive payment of section 290C.07. If the amount which would have been paid, had the land under contract been under the ~~Minnesota Tree Growth Tax Law and the Sustainable Forest Incentive Act~~ from the date of the filing of the contract, is less than the amount actually paid under the contract, the cancellation shall be made without further payment by the owner.

When the execution of any contract creating an auxiliary forest shall have been procured through fraud or deception practiced upon the county board or the

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commissioner or any other person or body representing the state, it may be canceled upon suit brought by the attorney general at the direction of the commissioner. This cancellation shall have the same effect as the cancellation of a contract by the commissioner.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 2. Minnesota Statutes 2000, section 88.49, subdivision 9a, is amended to read:

Subd. 9a. **LAND TRADES WITH GOVERNMENTAL UNITS.** Notwithstanding subdivisions 6 and 9, or section 88.491, subdivision 2, if an owner trades land under auxiliary forest contract for land owned by a governmental unit and the owner agrees to use the land received in trade from the governmental unit for the production of forest products, upon resolution of the county board, no taxes and assessments shall be levied against the land traded, except that any current or delinquent annual taxes or yield taxes due on that land while it was under the auxiliary forest provision must be paid prior to the land exchange. The land received from the governmental unit in the land trade automatically qualifies for inclusion in the Tree Growth Tax Law Sustainable Forest Incentive Act.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 3. Minnesota Statutes 2000, section 88.491, subdivision 2, is amended to read:

Subd. 2. **EFFECT OF EXPIRED CONTRACT.** When auxiliary forest contracts expire, or prior to expiration by mutual agreement between the land owner and the appropriate county office, the lands previously covered by an auxiliary forest contract automatically qualify for inclusion ~~in the Tree Growth Tax Law~~ under the provisions of the Sustainable Forest Incentive Act; provided that when such lands are included in the ~~Tree Growth Tax Law Sustainable Forest Incentive Act~~ prior to expiration of the auxiliary forest contract they will be transferred and a tax paid as provided in accordance with the provisions of section 88.49, subdivision 5, upon application and inclusion in the sustainable forest incentive program. The land owner shall pay taxes in an amount equal to the difference between:

(1) the sum of:

(i) the amount which would have been paid from the date of the filing of the contract had the land under contract been subject to the Minnesota Tree Growth Tax Law from the date of the filing of the contract and; plus

(ii) beginning with taxes payable in 2003, the taxes that would have been paid if the land had been enrolled in the sustainable forest incentive program; and

(2) the amount actually paid under section 88.51, subdivisions 1 and 2.

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

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 4. Minnesota Statutes 2000, section 270A.03, subdivision 7, is amended to read:

Subd. 7. **REFUND.** "Refund" means an individual income tax refund or political contribution refund, pursuant to chapter 290, or a property tax credit or refund, pursuant to chapter 290A, or a sustainable forest tax payment to a claimant under chapter 290C.

For purposes of this chapter, lottery prizes, as set forth in section 349A.08, subdivision 8, and amounts granted to persons by the legislature on the recommendation of the joint senate-house of representatives subcommittee on claims shall be treated as refunds.

In the case of a joint property tax refund payable to spouses under chapter 290A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total income determined under section 290A.03, subdivision 3. In the case of a joint income tax refund under chapter 289A, the refund shall be considered as belonging to each spouse in the proportion of the total refund that equals each spouse's proportion of the total taxable income determined under section 290.01, subdivision 29. The commissioner shall remit the entire refund to the claimant agency, which shall, upon the request of the spouse who does not owe the debt, determine the amount of the refund belonging to that spouse and refund the amount to that spouse. For court fines, fees, and surcharges and court-ordered restitution under section 611A.04, subdivision 2, the notice provided by the commissioner of revenue under section 270A.07, subdivision 2, paragraph (b), serves as the appropriate legal notice to the spouse who does not owe the debt.

EFFECTIVE DATE. This section is effective for refunds in 2003 and thereafter.

Sec. 5. **[290C.01] PURPOSE.**

It is the policy of this state to promote sustainable forest resource management on the state's public and private lands. Recognizing that private forests comprise approximately one-half of the state forest land resources, that healthy and robust forest land provides significant benefits to the state of Minnesota, and that ad valorem property taxes represent a significant annual cost that can discourage long-term forest management investments, this chapter, hereafter referred to as the "Sustainable Forest Incentive Act," is enacted to encourage the state's private forest landowners to make a long-term commitment to sustainable forest management.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 6. **[290C.02] DEFINITIONS.**

Subdivision 1. **APPLICATION.** When used in sections 290C.01 to 290C.11, the terms in this section have the meanings given them.

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Subd. 2. APPROVED PLAN WRITERS. “Approved plan writers” are natural resource professionals who are self-employed, employed by private companies or individuals, nonprofit organizations, local units of government, or public agencies, and who are approved by the commissioner of natural resources. Persons determined to be certified foresters by the Society of American Foresters shall be deemed to meet the standards required under this subdivision. The commissioner of natural resources shall issue a unique identification number to each approved planner.

Subd. 3. CLAIMANT. “Claimant” means a person, as that term is defined in section 290.01, subdivision 2, who owns forest land in Minnesota and files an application authorized by the Sustainable Forest Incentive Act. No more than one claimant is entitled to a payment under this chapter with respect to any tract, parcel, or piece of land enrolled under this chapter. When enrolled forest land is owned by two or more persons, the owners must determine between them which person may claim the payments provided under sections 290C.01 to 290C.11.

Subd. 4. COMMISSIONER. “Commissioner” means the commissioner of revenue.

Subd. 5. CURRENT USE VALUE. “Current use value” means the statewide average annual income per acre, multiplied by 90 percent and divided by the capitalization rate determined under subdivision 9. The statewide net annual income shall be a weighted average based on the most recent data as of July 1 of the computation year on stumpage prices and annual tree growth rates and acreage by cover type provided by the department of natural resources and the United States Department of Agriculture Forest Service North Central Research Station.

Subd. 6. FOREST LAND. “Forest land” means land containing a minimum of 20 contiguous acres for which the owner has implemented a forest management plan that was prepared or updated within the past ten years by an approved plan writer. For purposes of this subdivision, acres are considered to be contiguous even if they are separated by a road, waterway, railroad track, or other similar intervening property. At least 50 percent of the contiguous acreage must meet the definition of forest land in section 88.01, subdivision 7. For the purposes of sections 290C.01 to 290C.11, forest land does not include (i) land used for residential or agricultural purposes, (ii) land enrolled in the reinvest in Minnesota program, a state or federal conservation reserve or easement reserve program under sections 103F.501 to 103F.531, the Minnesota agricultural property tax law under section 273.111, or land subject to agricultural land preservation controls or restrictions as defined in section 40A.02 or under the Metropolitan Agricultural Preserves Act under chapter 473H, or (iii) land improved with a structure, pavement, sewer, campsite, or any road, other than a township road, used for purposes not prescribed in the forest management plan.

Subd. 7. FOREST MANAGEMENT PLAN. “Forest management plan” means a written document providing a framework for site-specific healthy, productive, and sustainable forest resources. A forest management plan must include at least the following: (i) owner-specific forest management goals for the property; (ii) a reliable

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field inventory of the individual forest cover types, their age, and density; (iii) a description of the soil type and quality; (iv) an aerial photo and/or map of the vegetation and other natural features of the property clearly indicating the boundaries of the property and of the forest land; (v) the proposed future conditions of the property; (vi) prescriptions to meet proposed future conditions of the property; (vii) a recommended timetable for implementing the prescribed activities; and (viii) a legal description of the parcels encompassing the parcels included in the plan. All management activities prescribed in a plan must be in accordance with the recommended timber harvesting and forest management guidelines. The commissioner of natural resources shall provide a framework for plan content and updating and revising plans.

Subd. 8. TIMBER HARVESTING AND FOREST MANAGEMENT GUIDELINES. "Timber harvesting and forest management guidelines" means guidelines developed under section 89A.05 and adopted by the Minnesota forest resources council in 1998.

Subd. 9. CAPITALIZATION RATE. By July 1 of each year, the commissioner shall determine a statewide capitalization rate for use under this chapter. The rate shall be the average annual effective interest rate for St. Paul on new loans under the Farm Credit Bank system calculated under section 2032A(e)(7)(A) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 7. [290C.03] ELIGIBILITY REQUIREMENTS.

(a) Property may be enrolled in the sustainable forest incentive program under this chapter if all of the following conditions are met:

(1) property consists of at least 20 contiguous acres and at least 50 percent of the land must meet the definition of forest land in section 88.01, subdivision 7, during the enrollment;

(2) a forest management plan for the property must be prepared by an approved plan writer and implemented during the period in which the land is enrolled;

(3) timber harvesting and forest management guidelines must be used in conjunction with any timber harvesting or forest management activities conducted on the land during the period in which the land is enrolled;

(4) the property must be enrolled for a minimum of eight years;

(5) there are no delinquent property taxes on the property; and

(6) claimants enrolling more than 1,920 acres in the sustainable forest incentive program must allow year-round, nonmotorized access to fish and wildlife resources on enrolled land except within one-fourth mile of a permanent dwelling or during periods of high fire hazard as determined by the commissioner of natural resources.

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(b) Claimants required to allow access under paragraph (a), clause (6), do not by that action:

- (1) extend any assurance that the land is safe for any purpose;
- (2) confer upon the person the legal status of an invitee or licensee to whom a duty of care is owed; or
- (3) assume responsibility for or incur liability for any injury to the person or property caused by an act or omission of the person.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 8. [290C.04] APPLICATIONS.

(a) A landowner may apply to enroll forest land for the sustainable forest incentive program under this chapter. The claimant must complete, sign, and submit an application to the commissioner by September 30 in order for the land to become eligible beginning in the next year. The application shall be on a form prescribed by the commissioner and must include the information the commissioner deems necessary. At a minimum, the application must show the following information for the land and the claimant: (i) the claimant's social security number or state or federal business tax registration number and date of birth, (ii) the claimant's address, (iii) the claimant's signature, (iv) the county's parcel identification numbers for the tax parcels that completely contain the claimant's forest land that is sought to be enrolled, (v) the number of acres eligible for enrollment in the program, (vi) the approved plan writer's signature and identification number, and (vii) proof, in a form specified by the commissioner, that the claimant has executed and acknowledged in the manner required by law for a deed, and recorded, a covenant that the land is not and shall not be developed in a manner inconsistent with the requirements and conditions of this chapter. The covenant shall state in writing that the covenant is binding on the claimant and the claimant's successor or assignee, and that it runs with the land for a period of not less than eight years. The commissioner shall specify the form of the covenant and provide copies upon request. The covenant must include a legal description that encompasses all the forest land that the claimant wishes to enroll under this section or the certificate of title number for that land if it is registered land.

(b) In all cases, the commissioner shall notify the claimant within 90 days after receipt of a completed application that either the land has or has not been approved for enrollment. A claimant whose application is denied may appeal the denial as provided in section 290C.11, paragraph (a).

(c) Within 90 days after the denial of an application, or within 90 days after the final resolution of any appeal related to the denial, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded.

(d) The social security numbers collected from individuals under this section are private data as provided in section 13.49. The state or federal business tax registration

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number and date of birth data collected under this section are also private data but may be shared with county assessors for purposes of tax administration and with county treasurers for purposes of the revenue recapture under chapter 270A.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 9. [290C.05] ANNUAL CERTIFICATION.

On or before July 1 of each year, beginning with the year after the claimant has received an approved application, the commissioner shall send each claimant enrolled under the sustainable forest incentive program a certification form. The claimant must sign the certification, attesting that the requirements and conditions for continued enrollment in the program are currently being met, and must return the signed certification form to the commissioner by August 15 of that same year. Failure to return an annual certification form by the due date shall result in removal of the lands from the provisions of the sustainable forest incentive program, and the imposition of any applicable removal penalty. The claimant may appeal the removal and any associated penalty according to the procedures and within the time allowed under this chapter.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 10. [290C.06] CALCULATION OF AVERAGE ESTIMATED MARKET VALUE; TIMBERLAND.

The commissioner shall annually calculate a statewide average estimated market value per acre for class 2b timberland under section 273.13, subdivision 23, paragraph (b).

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 11. [290C.07] CALCULATION OF INCENTIVE PAYMENT.

An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment. The payment shall equal the greater of:

(1) the difference between the property tax that would be paid on the property using the previous year's statewide average total township tax rate and the class rate for class 2b timberland under section 273.13, subdivision 23, paragraph (b), if the property were valued at (i) the average statewide timberland market value per acre calculated under section 290C.06, and (ii) the average statewide timberland current use value per acre calculated under section 290C.02, subdivision 5;

(2) two-thirds of the property tax amount determined by using the previous year's statewide average total township tax rate, the estimated market value per acre as calculated in section 290C.06, and the class rate for 2b timberland under section 273.13, subdivision 23, paragraph (b); or

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(3) \$1.50 per acre for each acre enrolled in the sustainable forest incentive program.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 12. [290C.08] ANNUAL INCENTIVE PAYMENT; APPROPRIATION.

Subdivision 1. ANNUAL PAYMENT. An incentive payment for each acre of enrolled land will be made annually to each claimant in the amount determined under section 290C.07. The incentive payment shall be paid on or before October 1 each year based on the certifications due August 15 of that year. Interest at the annual rate determined under section 270.75 shall be included with any incentive payment not paid by the later of October 1 of the year the certification was due, or 45 days after the completed certification was returned or filed if the commissioner accepts a certification filed after August 15 of the taxes payable year as the resolution of an appeal.

Subd. 2. APPROPRIATION. The amount necessary to make the payments under this section is annually appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 13. [290C.09] REMOVAL FOR PROPERTY TAX DELINQUENCY.

The commissioner shall immediately remove any property enrolled in the sustainable forest incentive program for which taxes are determined to be delinquent as provided in chapter 279 and shall notify the claimant of such action. Lands terminated from the sustainable forest incentive program under this section are not entitled to any payments provided in this chapter and are subject to removal penalties prescribed in section 290C.11. The claimant has 60 days from the receipt of notice from the commissioner under this section to pay the delinquent taxes. If the delinquent taxes are paid within this 60-day period, the lands shall be reinstated in the program as if they had not been withdrawn and without the payment of a penalty.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 14. [290C.10] WITHDRAWAL PROCEDURES.

An approved claimant under the sustainable forest incentive program for a minimum of four years may notify the commissioner of the intent to terminate enrollment. Within 90 days of receipt of notice to terminate enrollment, the commissioner shall inform the claimant in writing, acknowledging receipt of this notice and indicating the effective date of termination from the sustainable forest incentive program. Termination of enrollment in the sustainable forest incentive program occurs on January 1 of the fifth calendar year that begins after receipt by the commissioner of the termination notice. After the commissioner issues an effective date of termination, a claimant wishing to continue the property's enrollment in the sustainable forest incentive program beyond the termination date must apply for enrollment as prescribed

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in section 290C.04. A claimant who withdraws a parcel of land from this program may not reenroll the parcel for a period of three years. Within 90 days after the termination date, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded. The commissioner may allow early withdrawal from the Sustainable Forest Incentive Act without penalty in cases of condemnation for a public purpose notwithstanding the provisions of this section.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 15. **[290C.11] PENALTIES FOR REMOVAL.**

(a) If the commissioner determines that property enrolled in the sustainable forest incentive program is in violation of the conditions for enrollment as specified in section 290C.03, the commissioner shall notify the claimant of the intent to remove all enrolled land from the sustainable forest incentive program. The claimant has 60 days to appeal this determination. The appeal must be made in writing to the commissioner, who shall, within 60 days, notify the claimant as to the outcome of the appeal. Within 60 days after the commissioner denies an appeal, or within 120 days after the commissioner received a written appeal if the commissioner has not made a determination in that time, the owner may appeal to tax court under chapter 271 as if the appeal is from an order of the commissioner.

(b) If the commissioner determines the property is to be removed from the sustainable forest incentive program, the claimant is liable for payment to the commissioner in the amount equal to the payments received under this chapter for the previous four-year period, plus interest. The claimant has 90 days to satisfy the payment for removal of land from the sustainable forest incentive program under this section. If the penalty is not paid within the 90-day period under this paragraph, the commissioner shall certify the amount to the county auditor for collection as a part of the general ad valorem real property taxes on the land in the following taxes payable year.

EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

Sec. 16. **APPROPRIATIONS.**

\$194,000 is appropriated in fiscal year 2003 from the general fund to the commissioner of revenue to administer this article. This is a one-time appropriation. If the commissioner determines that an appropriation is needed for this purpose in fiscal year 2004 and beyond, it must be presented as a change request.

Sec. 17. **REPEALER.**

Minnesota Statutes 2000, sections 270.31; 270.32; 270.33; 270.34; 270.35; 270.36; 270.37; 270.38; and 270.39, are repealed.

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EFFECTIVE DATE. This section is effective for taxes levied in 2002, payable in 2003, and thereafter.

ARTICLE 9

INCOME AND CORPORATE FRANCHISE TAX

Section 1. Minnesota Statutes 2000, section 290.01, is amended by adding a subdivision to read:

Subd. 5b. **INSURANCE COMPANY.** The terms “insurance company,” “life insurance company,” and “insurance company other than life,” have the meanings given in the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2000.

Sec. 2. Minnesota Statutes 2000, section 290.01, subdivision 7, is amended to read:

Subd. 7. **RESIDENT.** The term “resident” means (1) any individual domiciled in Minnesota, except that an individual is not a “resident” for the period of time that the individual is either:

(1) on active duty stationed outside of Minnesota while in the armed forces of the United States or the United Nations; or

(2) a “qualified individual” as defined in section 911(d)(1) of the Internal Revenue Code, if the qualified individual notifies the county within three months of moving out of the country that homestead status be revoked for the Minnesota residence of the qualified individual, and the property is not classified as a homestead while the individual remains a qualified individual; and (2).

“Resident” also means any individual domiciled outside the state who maintains a place of abode in the state and spends in the aggregate more than one-half of the tax year in Minnesota, unless:

(1) the individual or the spouse of the individual is in the armed forces of the United States; or

(2) the individual is covered under the reciprocity provisions in section 290.081.

For purposes of this subdivision, presence within the state for any part of a calendar day constitutes a day spent in the state. Individuals shall keep adequate records to substantiate the days spent outside the state.

The term “abode” means a dwelling maintained by an individual, whether or not owned by the individual and whether or not occupied by the individual, and includes a dwelling place owned or leased by the individual’s spouse.

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

Neither the commissioner nor any court shall consider charitable contributions made by an individual within or without the state in determining if the individual is domiciled in Minnesota.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2000.

Sec. 3. Minnesota Statutes 2000, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. **SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

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

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

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment used purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) contributions made in taxable years beginning after December 31, 1981, and before January 1, 1985, to a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that were included in Minnesota gross income in the taxable year

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for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income, less any amount allowed to be subtracted as a distribution under this subdivision or a predecessor provision in taxable years that began before January 1, 2000. This subtraction applies only for taxable years beginning after December 31, 1999, and before January 1, 2001. If an individual's subtraction under this clause exceeds the individual's taxable income, the excess may be carried forward to taxable years beginning after December 31, 2000, and before January 1, 2002;

(5) income as provided under section 290.0802;

~~(6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;~~

~~(7) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491;~~

~~(8) (7) to the extent not deducted in determining federal taxable income or used to claim the long-term care insurance credit under section 290.0672, the amount paid for health insurance of self-employed individuals as determined under section 162(1) of the Internal Revenue Code, except that the percent limit does not apply. If the individual deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:~~

~~(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or~~

~~(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);~~

~~(9) (8) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;~~

~~(10) (9) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, sections 12601 to 12604;~~

~~(11) (10) to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code over \$500;~~

~~(12) to the extent included in federal taxable income, holocaust victims' settlement payments for any injury incurred as a result of the holocaust, if received by an individual who was persecuted for racial or religious reasons by Nazi Germany or~~

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any other Axis regime or an heir of such a person; and

(13) (11) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code; and

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

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2001, except that the amendment to clause (3) is effective for tax years beginning after December 31, 2000.

Sec. 4. Minnesota Statutes 2000, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.** For corporations, there shall be added to federal taxable income:

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

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

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

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

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

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

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

~~(8) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code;~~

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

~~(10)~~ (9) the amount of percentage depletion deducted under sections 611 through 614 and 291 of the Internal Revenue Code;

~~(11)~~ ~~(10)~~ for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

~~(12)~~ ~~(11)~~ the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g);

~~(13)~~ ~~(12)~~ the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code; and

~~(14)~~ ~~(13)~~ the amount of a partner's pro rata share of net income which does not flow through to the partner because the partnership elected to pay the tax on the income under section 6242(a)(2) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 5. Minnesota Statutes 2000, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. **CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

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

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

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

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

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

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

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

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

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

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

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

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

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

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

(9) the amount included in federal taxable income attributable to the credits provided in Minnesota Statutes 1986, section ~~273.1314~~, subdivision 9, or Minnesota Statutes, section ~~469.171~~, subdivision 6;

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~~(10)~~ (9) amounts included in federal taxable income that are due to refunds of income, excise, or franchise taxes based on net income or related minimum taxes paid by the corporation to Minnesota, another state, a political subdivision of another state, the District of Columbia, or a foreign country or possession of the United States to the extent that the taxes were added to federal taxable income under section 290.01, subdivision 19c, clause (1), in a prior taxable year;

~~(11)~~ (10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;

~~(12)~~ (11) income or gains from the business of mining as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

~~(13)~~ (12) the amount of handicap access expenditures in the taxable year which are not allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

~~(14)~~ (13) the amount of qualified research expenses not allowed for federal income tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that the amount exceeds the amount of the credit allowed under section 290.068;

~~(15)~~ (14) the amount of salary expenses not allowed for federal income tax purposes due to claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

~~(16)~~ (15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code; and

~~(17)~~ (16) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 6. Minnesota Statutes 2000, section 290.01, subdivision 22, is amended to read:

Subd. 22. **TAXABLE NET INCOME.** For tax years beginning after December 31, 1986, the term "taxable net income" means:

(1) for resident individuals the same as net income;

(2) for individuals who were not residents of Minnesota for the entire year, the same as net income except that the tax is imposed only on the Minnesota apportioned share of that income as determined pursuant to section 290.06, subdivision 2c, paragraph (e);

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(3) for all other taxpayers, the part of net income that is allocable to Minnesota by assignment or apportionment under one or more of sections 290.17, 290.191, 290.20, ~~290.35~~, and 290.36.

For tax years beginning before January 1, 1987, the term "taxable net income" means the net income assignable to this state pursuant to sections 290.17 to 290.20. For corporations, taxable net income is then reduced by the deductions contained in section 290.21.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 7. Minnesota Statutes 2000, 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; and
 - (ii) the dividends received deduction under section 290.21, subdivision 4; and
 - (iii) the charitable contribution deduction under section ~~290.21~~, subdivision 3.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 8. Minnesota Statutes 2000, section 290.014, subdivision 5, is amended to read:

Subd. 5. **CORPORATIONS.** Except as provided in section 290.015, corporations are subject to the return filing requirements and to tax as provided in this chapter if the corporation so exercises its franchise as to engage in such contacts with this state as to cause part of the income of the corporation to be:

- (1) allocable to this state under section 290.17, 290.191, 290.20, ~~290.35~~, or 290.36;
- (2) taxed to the corporation under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a beneficiary of an estate with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 662(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the corporation directly from the source from which realized by the estate;
- (3) taxed to the corporation under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable

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under this chapter) in its capacity as a beneficiary or grantor or other person treated as a substantial owner of a trust with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 652(b), 662(b), or 664(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the corporation directly from the source from which realized by the trust; or

(4) taxed to the corporation under the Internal Revenue Code (or not taxed under the Internal Revenue Code by reason of its character but of a character which is taxable under this chapter) in its capacity as a limited or general partner in a partnership with income allocable to this state under section 290.17, 290.191, or 290.20 and the income, taking into account the income character provisions of section 702(b) of the Internal Revenue Code, would be allocable to this state under section 290.17, 290.191, or 290.20 if realized by the corporation directly from the source from which realized by the partnership.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 9. Minnesota Statutes 2000, section 290.05, subdivision 1, is amended to read:

Subdivision 1. **EXEMPT ENTITIES.** 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;

(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; and

(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,~~

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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 on December 31, 1989, exceeded \$1,600,000,000.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 10. Minnesota Statutes 2000, section 290.06, subdivision 22, is amended to read:

Subd. 22. **CREDIT FOR TAXES PAID TO ANOTHER STATE.** (a) A taxpayer who is liable for taxes on or measured by net income to another state or province or territory of Canada, as provided in paragraphs (b) through (f), upon income allocated or apportioned to Minnesota, is entitled to a credit for the tax paid to another state or province or territory of Canada if the tax is actually paid in the taxable year or a subsequent taxable year. A taxpayer who is a resident of this state pursuant to section 290.01, subdivision 7, clause (2), and who is subject to income tax as a resident in the state of the individual's domicile is not allowed this credit unless the state of domicile does not allow a similar credit.

(b) For an individual, estate, or trust, the credit is determined by multiplying the tax payable under this chapter by the ratio derived by dividing the income subject to tax in the other state or province or territory of Canada that is also subject to tax in Minnesota while a resident of Minnesota by the taxpayer's federal adjusted gross income, as defined in section 62 of the Internal Revenue Code, modified by the addition required by section 290.01, subdivision 19a, clause (1), and the subtraction allowed by section 290.01, subdivision 19b, clause (1), to the extent the income is allocated or assigned to Minnesota under sections 290.081 and 290.17.

(c) If the taxpayer is an athletic team that apportions all of its income under section 290.17, subdivision 5, the credit is determined by multiplying the tax payable under this chapter by the ratio derived from dividing the total net income subject to tax in the other state or province or territory of Canada by the taxpayer's Minnesota taxable income.

(d) The credit determined under paragraph (b) or (c) shall not exceed the amount of tax so paid to the other state or province or territory of Canada on the gross income earned within the other state or province or territory of Canada subject to tax under this chapter, nor shall the allowance of the credit reduce the taxes paid under this chapter to an amount less than what would be assessed if such income amount was excluded from taxable net income.

(e) In the case of the tax assessed on a lump sum distribution under section 290.032, the credit allowed under paragraph (a) is the tax assessed by the other state or province or territory of Canada on the lump sum distribution that is also subject to

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tax under section 290.032, and shall not exceed the tax assessed under section 290.032. To the extent the total lump sum distribution defined in section 290.032, subdivision 1, includes lump sum distributions received in prior years or is all or in part an annuity contract, the reduction to the tax on the lump sum distribution allowed under section 290.032, subdivision 2, includes tax paid to another state that is properly apportioned to that distribution.

(f) If a Minnesota resident reported an item of income to Minnesota and is assessed tax in such other state ~~or province or territory of Canada~~ on that same income after the Minnesota statute of limitations has expired, the taxpayer shall receive a credit for that year under paragraph (a), notwithstanding any statute of limitations to the contrary. The claim for the credit must be submitted within one year from the date the taxes were paid to the other state ~~or province or territory of Canada~~. The taxpayer must submit sufficient proof to show entitlement to a credit.

(g) For the purposes of this subdivision, a resident shareholder of a corporation treated as an "S" corporation under section 290.9725, must be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to another state. For the purposes of the preceding sentence, the term "net income tax" means any tax imposed on or measured by a corporation's net income.

(h) For the purposes of this subdivision, a resident partner of an entity taxed as a partnership under the Internal Revenue Code must be considered to have paid a tax imposed on the partner in an amount equal to the partner's pro rata share of any net income tax paid by the partnership to another state. For purposes of the preceding sentence, the term "net income" tax means any tax imposed on or measured by a partnership's net income.

(i) For the purposes of this subdivision, "another state":

(1) includes:

(i) the District of Columbia, but does not include; and

(ii) a province or territory of Canada; but

(2) excludes Puerto Rico or and the several territories organized by Congress.

(j) The limitations on the credit in paragraphs (b), (c), and (d), are imposed on a state by state basis.

(k) For a tax imposed by a province or territory of Canada, the tax for purposes of this subdivision is the excess of the tax over the amount of the foreign tax credit allowed under section 27 of the Internal Revenue Code. In determining the amount of the foreign tax credit allowed, the net income taxes imposed by Canada on the income are deducted first. Any remaining amount of the allowable foreign tax credit reduces the provincial or territorial tax that qualifies for the credit under this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

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

Sec. 11. Minnesota Statutes 2000, section 290.0674, subdivision 1, is amended to read:

Subdivision 1. **CREDIT ALLOWED.** An individual is allowed a credit against the tax imposed by this chapter in an amount equal to 75 percent of the amount paid for education-related expenses for a qualifying child in kindergarten through grade 12. For purposes of this section, "education-related expenses" means:

(1) fees or tuition for instruction by an instructor under section 120A.22, subdivision 10, clause (1), (2), (3), (4), or (5), or by a member of the Minnesota music teachers association, and who is not a lineal ancestor or sibling of the dependent for instruction outside the regular school day or school year, including tutoring, driver's education offered as part of school curriculum, regardless of whether it is taken from a public or private entity or summer camps, in grade or age appropriate curricula that supplement curricula and instruction available during the regular school year, that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the graduation rule under section 120B.02, paragraph (e), clauses (1) to (7), (9), and (10), and that do not include the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship;

(2) expenses for textbooks, including books and other instructional materials and equipment used purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs;

(3) a maximum expense of \$200 per family for personal computer hardware, excluding single purpose processors, and educational software that assists a dependent to improve knowledge of core curriculum areas or to expand knowledge and skills under the graduation rule under section 120B.02 purchased for use in the taxpayer's home and not used in a trade or business regardless of whether the computer is required by the dependent's school; and

(4) the amount paid to others for transportation of a qualifying child attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363.

For purposes of this section, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2001, except that the amendment to clause (2) is effective for tax years beginning after December 31, 2000.

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Sec. 12. [290.0679] ASSIGNMENT OF REFUND.

Subdivision 1. DEFINITIONS. (a) "Qualifying taxpayer" means a resident who has a child in kindergarten through grade 12 in the current tax year and who met the income requirements under section 290.0674, subdivision 2, for receiving the education credit in the tax year preceding the assignment of the taxpayer's refund.

(b) "Education credit" means the credit allowed under section 290.0674.

(c) "Refund" means an individual income tax refund.

(d) "Financial institution" means a state or federally chartered bank, savings bank, savings association, or credit union.

(e) "Qualifying organization" means a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code.

(f) "Assignee" means a financial institution or qualifying organization that is entitled to receive payment of a refund assigned under this section.

Subd. 2. CONDITIONS FOR ASSIGNMENT. A qualifying taxpayer may assign all or part of an anticipated refund for the current and future taxable years to a financial institution or a qualifying organization. A financial institution or qualifying organization accepting assignment must pay the amount secured by the assignment to a third-party vendor. The commissioner of children, families, and learning shall provide a list of categories of products and services that qualify for the education credit to financial institutions and qualifying organizations. A financial institution or qualifying organization that accepts assignments under this section must verify as part of the assignment documentation that the product or service to be provided by the third-party vendor qualifies for the education credit. The amount assigned for the current and future taxable years may not exceed the maximum allowable education credit for the current taxable year. Both the taxpayer and spouse must consent to the assignment of a refund from a joint return.

Subd. 3. CONSENT FOR DISCLOSURE. When the taxpayer applies to the financial institution or the qualifying organization for a loan to be secured by the assignment under subdivision 2, the taxpayer must sign a written consent on a form prescribed by the commissioner. The consent must authorize the commissioner to disclose to the financial institution or qualifying organization the total amount of state taxes owed or revenue recapture claims filed under chapter 270A against the taxpayer, and the total amount of outstanding assignments made by the taxpayer under this section. For a refund from a joint return, the consent must also authorize the disclosure of taxes, revenue recapture claims, and assignments relating to the taxpayer's spouse, and must be signed by the spouse. The financial institution or qualifying organization may request that the taxpayer provide a copy of the taxpayer's previous year's income tax return, if any, and may assist the taxpayer in requesting a copy of the previous year's return from the commissioner.

Subd. 4. CONSUMER DISCLOSURE. (a) A third-party vendor that receives payment of the amount secured by an assignment must comply with the requirements of this subdivision.

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(b) The third-party vendor must disclose to the taxpayer, in plain language:

(1) the cost of each product or service for which the third-party vendor separately charges the taxpayer;

(2) any fees charged to the taxpayer for tax preparation services; and

(3) for qualifying low-income taxpayers, information on the availability of free tax preparation services.

(c) The third-party vendor must provide to the taxpayer executed copies of any documents signed by the taxpayer.

Subd. 5. FILING OF ASSIGNMENT. The commissioner shall prescribe the form of and manner for filing an assignment of a refund under this section.

Subd. 6. EFFECT OF ASSIGNMENT. The taxpayer may not revoke an assignment after it has been filed. The assignee must notify the commissioner if the loan secured by the assignment has been paid in full, in which case the assignment is canceled. An assignment is in effect until the amount assigned is refunded in full to the assignee, or until the assignee cancels the assignment.

Subd. 7. PAYMENT OF REFUND. When a refund assigned under this section is issued by the commissioner, the proceeds of the refund, as defined in subdivision 1, paragraph (c), must be distributed in the following order:

(1) to satisfy any delinquent tax obligations of the taxpayer which are owed to the commissioner;

(2) to claimant agencies to satisfy any revenue recapture claims filed against the taxpayer, in the order of priority of the claims set forth in section 270A.10;

(3) to assignees to satisfy assignments under this section, based on the order in time in which the commissioner received the assignments; and

(4) to the taxpayer.

Subd. 8. LEGAL ACTION. If there is a dispute between the taxpayer and the assignee after the commissioner has remitted the taxpayer's refund to the assignee, the taxpayer's only remedy is to bring an action against the assignee in court to recover the refund. The action must be brought within two years after the commissioner remits the refund to the assignee. The commissioner may not be a party to the proceeding.

Subd. 9. ASSIGNMENTS PRIVATE DATA. Information regarding assignments under this section is classified as private data on individuals.

EFFECTIVE DATE. This section is effective for assignment of refunds filed with the commissioner after December 31, 2001. The time period for filing assignments expires December 31, 2003, but assignments filed on or before that date remain in effect until satisfied or canceled.

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Sec. 13. Minnesota Statutes 2000, section 290.091, subdivision 2, is amended to read:

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:

(i) the Minnesota charitable contribution deduction;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction;

(iv) the impairment-related work expenses of a disabled person; and

(v) holocaust victims' settlement payments to the extent allowed under section 290.01, subdivision 19b;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E); and

(5) 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 the amounts determined under the following:

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income;

(3) 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; and

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(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, ~~clauses~~ clause (4) and (6).

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) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(d) "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.

(e) "Net minimum tax" means the minimum tax imposed by this section.

(f) "Minnesota charitable contribution deduction" means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in Minnesota Statutes 2000, section 290.21, subdivision 3, clauses (a) to (e). When the federal deduction for charitable contributions is limited under section 170(b) of the Internal Revenue Code, the allowable contributions in the year of contribution are deemed to be first contributions to entities described in Minnesota Statutes 2000, section 290.21, subdivision 3, clauses (a) to (e).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 14. Minnesota Statutes 2000, section 290.0921, subdivision 1, is amended to read:

Subdivision 1. **TAX IMPOSED.** 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) 5.8 percent of Minnesota alternative minimum taxable income ~~less the credit allowed under section 290.35, subdivision 3;~~ over

(2) the tax imposed under section 290.06, subdivision 1, without regard to this section.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 15. Minnesota Statutes 2000, section 290.0921, subdivision 2, is amended to read:

Subd. 2. **DEFINITIONS.** (a) For purposes of this section, the following terms have the meanings given them.

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(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) "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.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 16. Minnesota Statutes 2000, section 290.0921, subdivision 6, is amended to read:

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.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 17. Minnesota Statutes 2000, section 290.0922, subdivision 2, is amended to read:

Subd. 2. **EXEMPTIONS.** The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05 ~~other than insurance companies exempt under subdivision 1, paragraph (d);~~

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof; and

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(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) town and farmers' mutual insurance companies; and

(6) cooperatives organized under chapter 308A that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 18. Minnesota Statutes 2000, section 290.093, is amended to read:

290.093 TAX COMPUTATION FOR MUTUAL SAVINGS BANKS CONDUCTING LIFE INSURANCE BUSINESS.

Mutual savings banks as defined in section 594 of the Internal Revenue Code are subject to a tax consisting of the sum of the taxes determined under clauses (1) and (2):

(1) a tax computed on the taxable income determined without regard to any items of gross income or deductions properly allocable to the business of the life insurance department, at the rates and in the manner as if this section did not apply; and

(2) a tax computed on the income of the life insurance department determined without regard to any items of gross income or deductions not properly allocable to the department computed in the manner provided in section 290.35 and at the rate provided in section 290.06 for a corporation not engaged in the business of issuing life insurance contracts.

This section applies only if the life insurance department would, if it were treated as a separate corporation, qualify as a life insurance company under section 816 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 19. Minnesota Statutes 2000, section 290.095, subdivision 2, is amended to read:

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, 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) (10), 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

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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 relating to the carryback of net operating losses, do not apply.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 20. Minnesota Statutes 2000, section 290.17, subdivision 1, is amended to read:

Subdivision 1. **SCOPE OF ALLOCATION RULES.** (a) The income of resident individuals is not subject to allocation outside this state. The allocation rules apply to nonresident individuals, estates, trusts, nonresident partners of partnerships, nonresident shareholders of corporations treated as "S" corporations under section 290.9725, and all corporations not having such an election in effect. If a partnership or corporation would not otherwise be subject to the allocation rules, but conducts a trade or business that is part of a unitary business involving another legal entity that is subject to the allocation rules, the partnership or corporation is subject to the allocation rules.

(b) Expenses, losses, and other deductions (referred to collectively in this paragraph as "deductions") must be allocated along with the item or class of gross income to which they are definitely related for purposes of assignment under this section or apportionment under section 290.191, 290.20, ~~290.35~~, or 290.36. Deductions not definitely related to any item or class of gross income are assigned to the taxpayer's domicile.

(c) In the case of an individual who is a resident for only part of a taxable year, the individual's income, gains, losses, and deductions from the distributive share of a partnership, S corporation, trust, or estate are not subject to allocation outside this state to the extent of the distributive share multiplied by a ratio, the numerator of which is the number of days the individual was a resident of this state during the tax year of the partnership, S corporation, trust, or estate, and the denominator of which is the number of days in the taxable year of the partnership, S corporation, trust, or estate.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 21. Minnesota Statutes 2000, section 290.17, subdivision 4, is amended to read:

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

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determined under ~~section 290.35~~, or income of an investment company determined under section 290.36.

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

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

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

(e) Unity of ownership is not deemed to exist when a corporation is involved unless that corporation is a member of a group of two or more business entities and more than 50 percent of the voting stock of each member of the group is directly or indirectly owned by a common owner or by common owners, either corporate or noncorporate, or by one or more of the member corporations of the group. For this purpose, the term "voting stock" shall include membership interests of mutual insurance holding companies formed under section 60A.077.

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

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

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

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foreign operating corporation shall be its net income adjusted as follows:

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

(2) the subtraction from federal taxable income for payments received from foreign corporations or foreign operating corporations under section 290.01, subdivision 19d, clause ~~(11)~~ (10), shall not be allowed.

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

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

(i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter that are connected with or allocable against dividends, deemed dividends described in paragraph (g), or royalties, fees, or other like income described in section 290.01, subdivision 19d, clause ~~(11)~~ (10), shall not be disallowed.

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

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 22. Minnesota Statutes 2000, section 290.191, subdivision 2, is amended to read:

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Subd. 2. APPORTIONMENT FORMULA OF GENERAL APPLICATION.

Except for those trades or businesses required to use a different formula under subdivision 3 or section ~~290.35~~ or 290.36, and for those trades or businesses that receive permission to use some other method under section 290.20 or under subdivision 4, a trade or business required to apportion its net income must apportion its income to this state on the basis of the percentage obtained by taking the sum of:

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

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

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

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 23. Minnesota Statutes 2000, 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 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 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, 1989; 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 and the dividend is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as amended through December 31, 1989, or is deducted under an election under section 243(b) of the Internal Revenue Code.

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(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 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.

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.

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.

(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.

(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) 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.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

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Sec. 24. Minnesota Statutes 2000, section 290.9725, is amended to read:

290.9725 S CORPORATION.

For purposes of this chapter, the term "S corporation" means any corporation having a valid election in effect for the taxable year under section 1362 of the Internal Revenue Code. An S corporation shall not be subject to the taxes imposed by this chapter, except:

(1) the taxes imposed under sections 290.0922, 290.92, 290.9727, 290.9728, and 290.9729; and

(2) the tax under sections 290.06, subdivision 1, and 290.0921 apply to a financial institution to which either section 585 or 593 of the Internal Revenue Code applies or that has a wholly owned subsidiary as described in section ~~1361(b)(3)(B)~~ of the Internal Revenue Code which is a financial institution under section 585 or 593 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 25. Minnesota Statutes 2000, section 297I.20, is amended to read:

297I.20 GUARANTY ASSOCIATION ASSESSMENT OFFSET.

(a) An insurance company may offset against its premium tax liability to this state any amount paid for assessments made for insolvencies which occur after July 31, 1994, under sections 60C.01 to 60C.22; and any amount paid for assessments made after July 31, 1994, under Minnesota Statutes 1992, sections 61B.01 to 61B.16, or under sections 61B.18 to 61B.32 as follows:

(1) Each such assessment shall give rise to an amount of offset equal to 20 percent of the amount of the assessment for each of the five calendar years following the year in which the assessment was paid.

(2) The amount of offset initially determined for each taxable year is the sum of the amounts determined under clause (1) for that taxable year.

(b)(1) Each year the commissioner shall compare total guaranty association assessments levied over the preceding five calendar years to the sum of all premium tax and corporate franchise tax revenues collected from insurance companies, without reduction for any guaranty association assessment offset in the preceding calendar year, referred to in this subdivision as "preceding year insurance tax revenues."

(2) If total guaranty association assessments levied over the preceding five years exceed the preceding year insurance tax revenues, insurance companies must be allowed only a proportionate part of the premium tax offset calculated under paragraph (a) for the current calendar year.

(3) The proportionate part of the premium tax offset allowed in the current calendar year is determined by multiplying the amount calculated under paragraph (a)

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by a fraction. The numerator of the fraction equals the preceding year insurance tax revenues, and its denominator equals total guaranty association assessments levied over the preceding five-year period.

(4) The proportionate part of the premium tax offset that is not allowed must be carried forward to subsequent tax years and added to the amount of premium tax offset calculated under paragraph (a) prior to application of the limitation imposed by this paragraph.

(5) Any amount carried forward from prior years must be allowed before allowance of the offset for the current year calculated under paragraph (a).

(6) The premium tax offset limitation must be calculated separately for (i) insurance companies subject to assessment under sections 60C.01 to 60C.22, and (ii) insurance companies subject to assessment under Minnesota Statutes 1992, sections 61B.01 to 61B.16, or 61B.18 to 61B.32.

(7) When the premium tax offset is limited by this provision, the commissioner shall notify affected insurance companies on a timely basis for purposes of completing premium and corporate franchise tax returns.

(8) The guaranty associations created under sections 60C.01 to 60C.22, Minnesota Statutes 1992, sections 61B.01 to 61B.16, and 61B.18 to 61B.32, shall provide the commissioner with the necessary information on guaranty association assessments.

(c)(1) If the offset determined by the application of paragraphs (a) and (b) exceeds the ~~greater of the~~ insurance company's premium tax liability under this section ~~or its corporate franchise tax liability under chapter 290~~ prior to allowance of the credit for premium taxes, then the insurance company may carry forward the excess, referred to in this subdivision as the "carryforward credit" to subsequent taxable years.

(2) The carryforward credit is allowed as an offset against premium tax liability for the first succeeding year to the extent that the premium tax liability for that year exceeds the amount of the allowable offset for the year determined under paragraphs (a) and (b).

(3) The carryforward credit must be reduced, but not below zero, by the ~~greater of the~~ amount of the carryforward credit allowed as an offset against the premium tax under this paragraph ~~or the amount of the carryforward credit allowed as an offset against the insurance company's corporate franchise tax liability under section 290.35, subdivision 6, paragraph (d).~~ The remainder, if any, of the carryforward credit must be carried forward to succeeding taxable years until the entire carryforward credit has been credited against the insurance company's liability for premium tax under this chapter and ~~corporate franchise tax under chapter 290~~ if applicable for that taxable year.

(d) When an insurer has offset against taxes its payment of an assessment of the Minnesota life and health guaranty association, and the association pays the insurer a refund with respect to the assessment under Minnesota Statutes 1992, section 61B.07,

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subdivision 6, or 61B.24, subdivision 6, then the refund reduces the insurer's carryforward credit under paragraph (c). If the refund exceeds the amount of the carryforward credit, the excess amount must be repaid to the state by the insurers to the extent of the offset in the manner the commissioner requires.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 26. Minnesota Statutes 2000, section 298.01, subdivision 3b, is amended to read:

Subd. 3b. **DEDUCTIONS.** (a) For purposes of determining taxable income under subdivision 3, the deductions from gross income include only those expenses necessary to convert raw ores to marketable quality. Such expenses include costs associated with refinement but do not include expenses such as transportation, stockpiling, marketing, or marine insurance that are incurred after marketable ores are produced, unless the expenses are included in gross income.

(b) The provisions of section 290.01, subdivisions 19c, clauses ~~(7)~~ (6) and ~~(11)~~ (10), and 19d, clauses (7) and ~~(12)~~ (11), are not used to determine taxable income.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 27. Minnesota Statutes 2000, section 298.01, subdivision 4c, is amended to read:

Subd. 4c. **SPECIAL DEDUCTIONS.** (a) For purposes of determining taxable income under subdivision 4, the following modifications are allowed:

(1) the provisions of section 290.01, subdivisions 19c, clauses ~~(7)~~ (6) and ~~(11)~~ (10), and 19d, clauses (7) and ~~(12)~~ (11), are not used to determine taxable income; and

(2) for assets placed in service before January 1, 1990, the deduction for depreciation will be the same amount allowed under chapter 290, except that after an asset has been fully depreciated for federal income tax purposes any remaining depreciable basis is allowed as a deduction using the straight-line method over the following number of years:

- (i) three-year property, one year;
- (ii) five- and seven-year property, two years;
- (iii) ten-year property, five years; and
- (iv) all other property, seven years.

No deduction is allowed if an asset is fully depreciated for occupation tax purposes before January 1990.

(b) For purposes of determining the deduction allowed under paragraph (a), clause (2), the remaining depreciable basis of property placed in service before January 1, 1990, is calculated as follows:

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(1) the adjusted basis of the property on December 31, 1989, which was used to calculate the hypothetical corporate franchise tax under Minnesota Statutes 1988, section 298.40, including salvage value; less

(2) deductions for depreciation allowed under section 290.01, subdivision 19e.

(c) The basis for determining gain or loss on sale or disposition of assets placed in service before January 1, 1990, is the basis determined under paragraph (b), less the deductions allowed under paragraph (a), clause (2).

(d) The amount of net operating loss incurred in a taxable year beginning before January 1, 1990, that may be carried over to a taxable year beginning after December 31, 1989, is the amount of net operating loss carryover determined in the calculation of the hypothetical corporate franchise tax under Minnesota Statutes 1988, sections 298.40 and 298.402.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 28. Minnesota Statutes 2000, section 469.1732, subdivision 1, is amended to read:

Subdivision 1. **AUTHORITY.** A business that conducts business activity within a border city development zone designated under section 469.1731 may qualify for the property tax exemption under section 272.0212; ~~the corporate franchise tax credit under subdivision 2;~~ and the sales tax exemption under section 469.1734, subdivision 6.

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

Sec. 29. **APPROPRIATION; TAXPAYER ASSISTANCE.**

(a) \$200,000 is appropriated for fiscal year 2002 from the general fund to the commissioner of revenue to make grants to one or more nonprofit organizations, qualifying under section 501(c)(3) of the Internal Revenue Code of 1986, to coordinate, facilitate, encourage, and aid in the provision of taxpayer assistance services. This appropriation is available for fiscal years 2002 and 2003 and does not become a part of the base.

(b) For purposes of this section, "taxpayer assistance services" means accounting and tax preparation services provided by volunteers to low-income and disadvantaged Minnesota residents to help them file federal and state income tax returns and Minnesota property tax refund claims and to provide personal representation before the department of revenue and Internal Revenue Service.

Sec. 30. **REPEALER.**

(a) Minnesota Statutes 2000, section 290.0673, is repealed effective for tax years beginning after December 31, 2001.

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(b) Minnesota Statutes 2000, sections 290.06, subdivision 26; 290.095, subdivision 1a; 290.21, subdivision 3; 290.35; and 290.9726, subdivision 7, are repealed effective for tax years beginning after December 31, 2000.

(c) Minnesota Statutes 2000, sections 469.1732, subdivision 2; and 469.1734, subdivision 4, are repealed effective the day following final enactment.

ARTICLE 10

FEDERAL UPDATE

Section 1. Minnesota Statutes 2000, section 289A.02, subdivision 7, is amended to read:

Subd. 7. **INTERNAL REVENUE CODE.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 1999~~ June 15, 2001.

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

Sec. 2. Minnesota Statutes 2000, section 290.01, subdivision 6b, is amended to read:

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

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

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

(3) either (i) the average of the percentages of its property and payrolls assigned to locations inside the United States and the District of Columbia, excluding the commonwealth of Puerto Rico and possessions of the United States, as determined under section 290.191 or 290.20, is 20 percent or less; or (ii) it has in effect a valid election under section 936 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2001.

Sec. 3. Minnesota Statutes 2000, section 290.01, subdivision 19, is amended to read:

Subd. 19. **NET INCOME.** The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable

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income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

The provisions of sections 1113(a), 1117, 1206(a), 1313(a), 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612, 1616, 1617, 1704(l), and 1704(m) of the Small Business Job Protection Act, Public Law Number 104-188, the provisions of Public Law Number 104-117, the provisions of sections 313(a) and (b)(1), 602(a), 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013, 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b) and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and 1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of section 6010 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, and the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, and the provisions of section 318 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1996, shall be in effect for taxable years beginning after December 31, 1996.

The provisions of sections 202(a) and (b), 221(a), 225, 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306, 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528, 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e) of the Taxpayer Relief Act of

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1997, Public Law Number 105-34, the provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002, and 7003 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, and the provisions of section 3001 of the Miscellaneous Trade and Technical Corrections Act of 1999, Public Law Number 106-36, and the provisions of section 316 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1997, shall be in effect for taxable years beginning after December 31, 1997.

The provisions of sections 5002, 6009, 6011, and 7001 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law Number 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law Number 105-369, and the provisions of sections 532, 534, 536, 537, and 538 of the Ticket to Work and Work Incentives Improvement Act of 1999, Public Law Number 106-170, the provisions of the Installment Tax Correction Act of 2000, Public Law Number 106-573, and the provisions of section 309 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1998, shall be in effect for taxable years beginning after December 31, 1998.

The provisions of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000, Public Law Number 106-519, shall become effective at the time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1999, shall be in effect for taxable years beginning after December 31, 1999. The provisions of sections 306 and 401 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, and the provision of section 632(b)(2)(A) of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law Number 107-16, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 2000, shall be in effect for taxable years beginning after December 31, 2000. The provisions of sections 659a and 671 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law Number 107-16, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through June 15, 2001, shall be in effect for taxable years beginning after December 31, 2001.

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Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19g mean the code in effect for purposes of determining net income for the applicable year.

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

Sec. 4. Minnesota Statutes 2000, section 290.01, subdivision 19c, is amended to read:

Subd. 19c. **CORPORATIONS; ADDITIONS TO FEDERAL TAXABLE INCOME.** For corporations, there shall be added to federal taxable income:

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

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

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

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

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

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

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

(8) the amount of any charitable contributions deducted for federal income tax purposes under section 170 of the Internal Revenue Code;

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

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

(11) for certified pollution control facilities placed in service in a taxable year beginning before December 31, 1986, and for which amortization deductions were elected under section 169 of the Internal Revenue Code of 1954, as amended through

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December 31, 1985, the amount of the amortization deduction allowed in computing federal taxable income for those facilities;

(12) the amount of any deemed dividend from a foreign operating corporation determined pursuant to section 290.17, subdivision 4, paragraph (g);

(13) the amount of any environmental tax paid under section 59(a) of the Internal Revenue Code; and

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

(15) the amount of net income excluded under section 114 of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 5. Minnesota Statutes 2000, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. **CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.** For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

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

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

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

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

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

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

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

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

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

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

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

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

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

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

(9) the amount included in federal taxable income attributable to the credits provided in Minnesota Statutes 1986, section 273.1314, subdivision 9, or Minnesota Statutes, section 469.171, subdivision 6;

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

(11) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same

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unitary business as the receiving corporation;

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

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

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

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

(16) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code; and

(17) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code; and

(18) for a corporation whose foreign sales corporation, as defined in section 922 of the Internal Revenue Code, constituted a foreign operating corporation during the taxable years ending during calendar year 1992 and a return was filed by August 15, 1996, claiming the deduction under this subdivision for income received from the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of income excluded under section 114 of the Internal Revenue Code, provided the income is not income of a foreign operating company.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2000.

Sec. 6. Minnesota Statutes 2000, section 290.01, subdivision 31, is amended to read:

Subd. 31. **INTERNAL REVENUE CODE.** Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 1999~~ June 15, 2001.

EFFECTIVE DATE. This section is effective at the same time and in the same manner as the federal changes made by the FSC Repeal and Extraterritorial Income Exclusion Act of 2000, Public Law Number 106-519, and the Consolidated Appropriation Act of 2001, Public Law Number 106-554, becomes effective.

Sec. 7. Minnesota Statutes 2000, section 290.0671, subdivision 1, is amended to read:

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Subdivision 1. **CREDIT ALLOWED.** (a) An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals 1.9125 percent of the first \$4,460 of earned income. The credit is reduced by 1.9125 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$5,570, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 8.5 percent of the first \$6,680 of earned income and 8.5 percent of earned income over \$11,650 but less than \$12,990. The credit is reduced by 5.73 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$14,560, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ten percent of the first \$9,390 of earned income and 20 percent of earned income over \$14,350 but less than \$16,230. The credit is reduced by 10.3 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$17,280, but in no case is the credit less than zero.

(e) For a nonresident or part-year resident, the credit must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income.

(g) For tax years beginning after December 31, 2001, and before December 31, 2004, the \$5,770 in paragraph (b) is increased to \$6,770, the \$15,080 in paragraph (c) is increased to \$16,080, and the \$17,890 in paragraph (d) is increased to \$18,890 for married taxpayers filing joint returns.

(h) For tax years beginning after December 31, 2004, and before December 31, 2007, the \$5,770 in paragraph (b) is increased to \$7,770, the \$15,080 in paragraph (c) is increased to \$17,080, and the \$17,890 in paragraph (d) is increased to \$19,890 for married taxpayers filing joint returns.

(i) For tax years beginning after December 31, 2007, and before December 31, 2010, the \$5,770 in paragraph (b) is increased to \$8,770, the \$15,080 in paragraph (c) is increased to \$18,080 and the \$17,890 in paragraph (d) is increased to \$20,890 for married taxpayers filing joint returns.

(j) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

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EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2001.

Sec. 8. Minnesota Statutes 2000, section 290.0671, subdivision 1a, is amended to read:

Subd. 1a. **DEFINITIONS.** For purposes of this section, the terms “qualifying child,” “earned income,” and “modified adjusted gross income” have the meanings given in section 32(c) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2001.

Sec. 9. Minnesota Statutes 2000, section 290A.03, subdivision 15, is amended to read:

Subd. 15. **INTERNAL REVENUE CODE.** “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended through December 31, 1999 June 15, 2001.

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

Sec. 10. Minnesota Statutes 2000, section 291.005, subdivision 1, is amended to read:

Subdivision 1. Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) “Federal gross estate” means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) “Minnesota gross estate” means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) “Personal representative” means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) “Resident decedent” means an individual whose domicile at the time of death was in Minnesota.

(5) “Nonresident decedent” means an individual whose domicile at the time of death was not in Minnesota.

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(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, ~~1999~~ 2000.

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

ARTICLE 11

CIVIL AND CRIMINAL PENALTIES

Section 1. Minnesota Statutes 2000, section 289A.55, subdivision 9, is amended to read:

Subd. 9. **INTEREST ON PENALTIES.** (a) A penalty imposed under section 289A.60, subdivision 1, 2, ~~3~~, 2a, 4, 5, 6, or 21 bears interest from the date the return or payment was required to be filed or paid, including any extensions, to the date of payment of the penalty.

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

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2000, and for estate tax returns due after January 1, 2002.

Sec. 2. Minnesota Statutes 2000, section 289A.60, subdivision 1, is amended to read:

Subdivision 1. **PENALTY FOR FAILURE TO PAY TAX.** (a) ~~If a tax other than a withholding or sales or use tax is not paid within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is three percent of the tax not paid on or before the date specified for payment of the 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 a corporate franchise, fiduciary income, mining company, estate, partnership, S corporation, or nonresident entertainer tax is not paid within the time specified for payment, a penalty of six percent is added to the unpaid tax, except that if a corporation or~~

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mining company meets the requirements of section 289A.19, subdivision 2, the penalty is not imposed.

(b) For the taxes listed in paragraph (a), in addition to the penalty in that paragraph, whether imposed or not, if a return or amended return is filed after the due date, without regard to extensions, and any tax reported as remaining due is not remitted with the return or amended return, a penalty of five percent of the tax not paid is added to the tax. If the commissioner issues an order assessing additional tax for a tax listed in paragraph (a), and the tax is not paid within 60 days after the mailing of the order or, if appealed, within 60 days after final resolution of the appeal, a penalty of five percent of the unpaid tax is added to the tax.

(c) If an individual files a state individual income tax return and pays all of the state individual income tax with the filing of a return within six months of the date the return is due and the amount paid by the due date of the return is at least 90 percent of the amount of tax due, as shown on the return, the individual is presumed to have reasonable cause for the late payment. If an individual income tax is not paid within the time specified for payment, a penalty of four percent is added to the unpaid tax. There is a presumption of reasonable cause for the late payment if the individual: (i) pays by the due date of the return at least 90 percent of the amount of tax, after credits other than withholding and estimated payments, shown owing on the return; (ii) files the return within six months after the due date; and (iii) pays the remaining balance of the reported tax when the return is filed.

(d) If the commissioner issues an order assessing additional individual income tax, and the tax is not paid within 60 days after the mailing of the order or, if appealed, within 60 days after final resolution of the appeal, a penalty of four percent of the unpaid tax is added to the tax.

(b) (e) If a withholding or sales or use tax is not paid within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is five percent of the tax not paid on or before the date specified for payment of the tax if the failure is for not more than 30 days, with an additional penalty of 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 15 percent in the aggregate.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2000, and for estate tax returns due after January 1, 2002.

Sec. 3. Minnesota Statutes 2000, section 289A.60, subdivision 2, is amended to read:

Subd. 2. **PENALTY FOR FAILURE TO MAKE AND FILE RETURN.** If a taxpayer fails to make and file a return other than an income tax return of an individual, a withholding return, or sales or use tax 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 including any

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extensions 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 an individual income tax return within six months after the date prescribed for filing of the return, a penalty of ten percent of the amount of tax not paid by the end of that six-month period is added to the tax.

If a taxpayer fails to file a withholding or sales or use tax return within the time prescribed, including an extension, a penalty of five percent of the amount of tax not timely paid by the end of that period is added to the tax.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2000, and for estate tax returns due after January 1, 2002.

Sec. 4. Minnesota Statutes 2000, section 289A.60, is amended by adding a subdivision to read:

Subd. 2a. PENALTIES FOR EXTENDED DELINQUENCY. (a) If an individual income tax is not paid within 180 days after the date of filing of a return or, in the case of taxes assessed by the commissioner, within 180 days after the assessment date or, if appealed, within 180 days after final resolution of the appeal, an extended delinquency penalty of five percent of the tax remaining unpaid is added to the amount due.

(b) If a corporate franchise, fiduciary income, mining company, estate, partnership, S corporation, or nonresident entertainer tax return is not filed within 30 days after written demand for the filing of a delinquent return, an extended delinquency penalty of five percent of the tax not paid prior to the demand is added to the tax, or in the case of an individual income tax return, a minimum penalty of \$100 or the five percent penalty is imposed, whichever amount is greater.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2000, and for estate tax returns due after January 1, 2002.

Sec. 5. Minnesota Statutes 2000, section 289A.60, subdivision 7, is amended to read:

Subd. 7. PENALTY FOR FRIVOLOUS RETURN. If an individual a taxpayer files what purports to be a tax return required by chapter 290 or a claim for refund but which does not contain information on which the substantial correctness of the assessment purported return or claim for refund may be judged or contains information that on its face shows that the assessment purported return or claim for refund is substantially incorrect and the conduct is due to a position that is frivolous or a desire that appears on the purported return or claim for refund to delay or impede the administration of Minnesota tax laws, then the individual shall pay a penalty of \$500. In a proceeding involving the issue of whether or not a person is liable for this penalty, the burden of proof is on the commissioner.

New language is indicated by underline, deletions by strikeout:

EFFECTIVE DATE. This section is effective for returns or claims for refunds filed on or after the day following final enactment.

Sec. 6. Minnesota Statutes 2000, section 297F.20, subdivision 3, is amended to read:

Subd. 3. **FALSE OR FRAUDULENT RETURNS; PENALTIES.** (a) A person who files with the commissioner a return, report, or other document, or who maintains or provides invoices subject to review by the commissioner under this chapter, 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, invoice, or other document that is fraudulent or false concerning a material matter, whether or not the falsity or fraud is committed with the knowledge or consent of the person authorized or required to present the return, report, invoice, or other document, is guilty of a felony.

EFFECTIVE DATE. This section is effective for crimes occurring on or after August 1, 2001.

Sec. 7. **APPROPRIATION.**

\$545,000 in fiscal year 2003 is appropriated from the general fund to the commissioner of revenue to implement sections 2 to 4. \$520,000 of the appropriation is for a one-time expenditure related to system programming costs.

EFFECTIVE DATE. This section is effective July 1, 2001.

Sec. 8. **REPEALER.**

Minnesota Statutes 2000, section 289A.60, subdivision 3, is repealed.

EFFECTIVE DATE. This section is effective for tax years beginning after December 31, 2000, and for estate tax returns due after January 1, 2002.

ARTICLE 12

SALES AND USE TAXES

Section 1. Minnesota Statutes 2000, section 289A.20, subdivision 4, is amended to read:

Subd. 4. **SALES AND USE TAX.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f), except that use taxes due on an annual use tax return as

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provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) For a fiscal year ending before July 1, 2002, a vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

(1) Two business days before June 30 of the year, the vendor must remit 62 percent of the estimated June liability to the commissioner.

(2) On or before August 14 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities on returns due for periods beginning in the subsequent calendar year by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the 14th day of the month following the month in which the taxable event occurred, or on or before the 14th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for 62 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 14. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(d) If the vendor required to remit by electronic funds transfer as provided in paragraph (c) is unable due to reasonable cause to determine the actual sales and use tax due on or before the due date for payment, the vendor may remit an estimate of the tax owed using one of the following options:

(1) 100 percent of the tax reported on the previous month's sales and use tax return;

(2) 100 percent of the tax reported on the sales and use tax return for the same month in the previous calendar year; or

(3) 95 percent of the actual tax due.

Any additional amount of tax that is not remitted on or before the due date for payment, must be remitted with the return. If a vendor fails to remit the actual liability or does not remit using one of the estimate options by the due date for payment, the vendor must remit actual liability as provided in paragraph (c) in all subsequent periods. This paragraph does not apply to the June sales and use tax liability.

Sec. 2. Minnesota Statutes 2000, section 289A.31, subdivision 7, is amended to read:

Subd. 7. **SALES AND USE TAX.** (a) The sales and use tax required to be collected by the retailer under chapter 297A constitutes a debt owed by the retailer to

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Minnesota, and the sums collected must be held as a special fund in trust for the state of Minnesota.

A retailer who does not maintain a place of business within this state as defined by section 297A.21, subdivision 1, shall not be indebted to Minnesota for amounts of tax that it was required to collect but did not collect unless the retailer knew or had been advised by the commissioner of its obligation to collect the tax.

(b) The use tax required to be paid by a purchaser is a debt owed by the purchaser to Minnesota.

(c) The tax imposed by chapter 297A, and interest and penalties, is a personal debt of the individual required to file a return from the time the liability arises, irrespective of when the time for payment of that liability occurs. The debt is, in the case of the executor or administrator of the estate of a decedent and in the case of a fiduciary, that of the individual in an official or fiduciary capacity unless the individual has voluntarily distributed the assets held in that capacity without reserving sufficient assets to pay the tax, interest, and penalties, in which case the individual is personally liable for the deficiency.

(d) Liability for payment of sales and use taxes includes any responsible person or entity described in the personal liability provisions of section 270.101.

(e) Any amounts collected, even if erroneously or illegally collected, from a purchaser under a representation that they are taxes imposed under chapter 297A are state funds from the time of collection and must be reported on a return filed with the commissioner. ~~The amounts collected are not subject to refund unless the seller submits written evidence to the commissioner that the tax and any interest earned on the tax has been or will be refunded or credited to the purchaser by the seller.~~

(f) The tax imposed under chapter 297A on sales of tickets to the premises of or events sponsored by the state agricultural society and conducted on the state fairgrounds during the period of the annual state fair may be retained by the state agricultural society if the funds are used and matched as required under section 37.13, subdivision 2.

EFFECTIVE DATE. This section is effective for amounts collected after June 30, 2001.

Sec. 3. Minnesota Statutes 2000, section 289A.50, subdivision 2, is amended to read:

Subd. 2. **REFUND OF SALES TAX TO VENDORS; LIMITATION.** If a vendor has collected from a purchaser and remitted to the state a tax on a transaction that is not subject to the tax imposed by chapter 297A, the tax is refundable to the vendor only if and to the extent that it the tax and any interest earned on the tax is credited to amounts due to the vendor by the purchaser or returned to the purchaser by the vendor. In addition to the requirements of subdivision 1, a claim for refund under this subdivision must state in writing that the tax and interest earned on the tax has been

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or will be refunded or credited to the purchaser by the vendor.

EFFECTIVE DATE. This section is effective for claims for refunds after June 30, 2001.

Sec. 4. [295.60] SPECIAL FUR CLOTHING TAX.

Subdivision 1. IMPOSITION. If clothing made of fur is not subject to the sales tax under chapter 297A, a tax is imposed on each furrier equal to 6.5 percent of gross revenues from retail sales in Minnesota of clothing made from fur.

Subd. 2. DEFINITIONS. (a) For purposes of this section, the following terms have the meanings given.

(b) "Commissioner" means the commissioner of revenue.

(c) "Furrier" means a retailer that sells clothing made of fur.

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

(e) "Retail sale" has the meaning given in section 297A.61, subdivision 4.

Subd. 3. PAYMENT. (a) Each furrier shall make estimated payments of the taxes for the calendar year in quarterly installments to the commissioner by April 15, July 15, October 15, and January 15 of the following calendar year.

(b) Estimated tax payments are not required if:

(1) the tax for the current calendar year is less than \$500; or

(2) the tax for the previous calendar year is less than \$500, if the taxpayer had a tax liability and was doing business the entire year.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270.75, from the due date of the payment until paid or until the due date of the annual return, whichever comes first. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) 90 percent of one-quarter of the tax for the calendar year or (2) one-quarter of the total tax for the previous calendar year if the taxpayer had a tax liability and was doing business the entire year.

Subd. 4. ELECTRONIC FUNDS TRANSFER PAYMENTS. A taxpayer with an aggregate tax liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities by electronic means.

Subd. 5. ANNUAL RETURN. The taxpayer must file an annual return reconciling the estimated payments by March 15 of the following calendar year.

Subd. 6. FORM OF RETURNS. The estimated payments and annual return must contain the information and be in the form prescribed by the commissioner.

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Subd. 7. APPLICATION OF OTHER CHAPTERS. Unless specifically provided otherwise by this section, the enforcement, interest, and penalty provisions under chapter 294, appeal provisions in sections 289A.43 and 289A.65, criminal penalties in section 289A.63, refunds provisions in section 289A.50, and collection and rulemaking provisions under chapter 270, apply to a liability for the taxes imposed under this section.

Subd. 8. INTEREST ON OVERPAYMENTS. Interest must be paid on an overpayment refunded or credited to the taxpayer from the date of payment of the tax until the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the due date of the return or the date of actual payment of the tax, whichever is later.

Subd. 9. DEPOSIT OF REVENUES. The commissioner shall deposit all revenues, including penalties and interest, derived from the tax imposed by this section in the general fund.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2001.

Sec. 5. Minnesota Statutes 2000, section 297A.01, subdivision 5, is amended to read:

Subd. 5. "Storage" includes any keeping or retention in Minnesota for any purpose except sale in the regular course of business or subsequent use solely outside Minnesota of tangible personal property.

EFFECTIVE DATE; INSTRUCTIONS TO REVISOR. (a) This section is effective for storage, use, or consumption occurring after June 30, 2001, but refunds, based on claims that meet the requirements of all other applicable provisions of law, shall be issued for and tax not imposed on tangible personal property stored in Minnesota after June 30, 1997, and before July 1, 2001, if (1) the property was kept or retained in a public warehouse or in a common carrier's or for-hire carrier's storage facility, (2) the property was shipped or brought into Minnesota by common carrier or for-hire carrier for the purpose of subsequently being transported outside Minnesota, and (3) the property is thereafter used solely outside Minnesota or in the course of interstate commerce.

(b) In the next edition of Minnesota Statutes, the revisor shall codify the amendment to this section in Minnesota Statutes, section 297A.61, subdivision 5.

Sec. 6. Minnesota Statutes 2000, section 297A.25, subdivision 28, is amended to read:

Subd. 28. **WASTE PROCESSING EQUIPMENT.** The gross receipts from the sale of and storage, use, or consumption of equipment used for processing solid or hazardous waste at a resource recovery facility, as defined in section 115A.03, subdivision 28, are exempt, including pollution control equipment at a resource recovery facility that burns refuse-derived fuel or mixed municipal solid waste as its

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primary fuel. An electric generation facility that processes and utilizes waste tires as its primary fuel is a resource recovery facility for the purposes of this section.

EFFECTIVE DATE; INSTRUCTION TO REVISOR. This section is effective for purchases and sales made after the date of final enactment. In the next edition of Minnesota Statutes, the revisor of statutes shall codify the amendment to this section in section 297A.68, subdivision 24.

Sec. 7. Minnesota Statutes 2000, section 297A.61, subdivision 2, is amended to read:

Subd. 2. **PERSON.** (a) “Person” includes any individual, and any or group of and any combination of individuals, groups, or individuals and groups acting as a unit, and the plural as well as the singular number.

(b) Person includes a firm, partnership, joint venture, limited liability company, association, cooperative, social club, fraternal organization, municipal or private corporation whether or not organized for profit, estates, trusts, business trusts, estate, trust, business trust, receiver, trustee, syndicate, the United States, and a state and its political subdivisions.

(c) Person includes, but is not limited to, directors and officers of corporations, governors and managers of a limited liability company, or members of partnerships who, either individually or jointly with others, have the control, supervision, or responsibility of filing returns and making payment of the amount of tax imposed by this chapter.

(d) Person also includes any agent or consignee of any individual or organization enumerated listed in this subdivision.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 8. Minnesota Statutes 2000, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **SALE AND PURCHASE.** (a) “Sale” and “purchase” include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

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(c) Sale and purchase include 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.

(d) Sale and purchase include the furnishing, preparing, or serving for a consideration of food or drinks. Notwithstanding section 297A.67, subdivision 2, taxable food or drinks include includes, but are is not limited to, the following:

(1) ~~prepared food or drinks sold by the retailer for immediate consumption on the retailer's premises. Food and drinks sold within a building or grounds that require an admission charge for entrance are presumed to be sold for consumption on the premises;~~

(2) food or drinks prepared by the retailer for immediate consumption either on or off the retailer's premises. For purposes of this subdivision, "food or drinks prepared for immediate consumption" means any food product upon which an act of preparation including, but not limited to, cooking, mixing, sandwich making, blending, heating, or pouring has been performed by the retailer so the food product may be immediately consumed by the purchaser;

(3) ice cream, ice milk, frozen yogurt products, or frozen novelties sold in single or individual servings including, but not limited to, cones, sundaes, and snow cones;

(4) (2) soft drinks and other beverages, including all carbonated and noncarbonated beverages or drinks sold in liquid form, but not including beverages or drinks which contain milk or milk products, beverages or drinks containing 15 or more percent fruit juice, and noncarbonated and noneffervescent bottled water sold in individual containers of one-half gallon or more in size;

(5) gum, (3) candy, and candy products; and

(6) ice;

(7) (4) all food sold ~~from~~ through vending machines;

(8) all food for immediate consumption sold from concession stands and vehicles;

(9) party trays;

(10) all meals and single servings of packaged snack food sold in restaurants and bars; and

(11) bakery products that are:

(i) prepared by the retailer for consumption on the retailer's premises;

(ii) sold at a place that charges admission;

(iii) sold from vending machines; or

(iv) sold in single or individual servings from concession stands, vehicles, bars, and restaurants.

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

For purposes of this paragraph, "single or individual servings" does not include products when sold in bulk containers or bulk packaging.

For purposes of this paragraph, "premises" means the total space and facilities, including buildings, grounds, and parking lots that are made available or that are available for use by the retailer or customer for the purpose of sale or consumption of prepared food and drinks. The premises of a caterer is the place where the catered food or drinks are served.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state or local exchange telephone service, intrastate toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state. Telephone service includes (1) paging services, and (2) private communication service, as defined in United States Code, title 26, section 4252(d), except for private communication service purchased by an agent acting on behalf of the state lottery. Telephone service does not include services purchased with a prepaid telephone calling card. The furnishing for a consideration of access to telephone services by a hotel to its guests is a sale. The furnishing for a consideration of items listed in this paragraph by a municipal corporation is a sale.

(f) A sale and a purchase includes the transfer for a consideration of computer software.

(g) A sale and a purchase includes the furnishing for a consideration of taxable services as defined in subdivision 16. the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp and the granting of any similar license to use real property other than the renting or leasing of it for a continuous period of 30 days or more;

(3) parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

(i) 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

(ii) use of the sports and athletic facility is not made available to the general public on the same basis as it is made available to members.

Granting of membership means 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

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equipment; swimming pools; and other similar athletic or sports facilities; and

(5) services as provided in this clause:

(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) detective, security, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota department of corrections;

(v) pet grooming services;

(vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub, and stump removal; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) the furnishing of lodging, board, and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

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. Services performed by a partnership or association for another partnership or association are not taxable 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 members of an affiliated group under United States Code, title 26, section 1504, and that are eligible to file a consolidated tax return for federal income tax purposes.

New language is indicated by underline, deletions by strikeout.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, including cable television services and direct satellite services. Telecommunications services are taxed to the extent allowed under federal law if those services:

(1) either (i) originate and terminate in this state; or (ii) originate in this state and terminate outside the state and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state; or (iii) originate outside this state and terminate in this state and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state; or

(2) are rendered by providing a private communications service for which the customer has one or more locations within Minnesota connected to the service and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state.

All charges for mobile telecommunications services, as defined in United States Code, title 4, section 124, are deemed to be provided by the customer's home service provider and sourced to the customer's place of primary use and are subject to tax based upon the customer's place of primary use in accordance with the Mobile Telecommunications Sourcing Act, United States Code, title 4, sections 116 to 126. All other definitions and provisions of the Mobile Telecommunications Sourcing Act as provided in United States Code, title 4, are hereby adopted.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001, except that paragraph (d) is effective for sales and purchases occurring after December 31, 2001, and paragraph (i) and the amendments to paragraph (e) are effective for sales and purchases made after July 31, 2001.

Sec. 9. Minnesota Statutes 2000, section 297A.61, subdivision 4, is amended to read:

Subd. 4. **RETAIL SALE.** (a) A "retail sale" means a any sale, lease, or rental for any purpose other than resale in the regular course of business, sublease, or subrent.

(b) A sale of property used by the owner only by leasing it to others or by holding it in an effort to lease it, and put to no use by the owner other than resale after the lease or effort to lease, is a sale of property for resale.

(c) A sale of master computer software that is purchased and used to make copies for sale or lease is a sale of property for resale.

(d) A sale of building materials, supplies, and equipment to owners, contractors, subcontractors, or builders for the erection of buildings or the alteration, repair, or

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improvement of real property is a retail sale in whatever quantity sold, whether the sale is for purposes of resale in the form of real property or otherwise.

(e) A sale of carpeting, linoleum, or similar floor covering to a person who provides for installation of the floor covering is a retail sale and not a sale for resale since a sale of floor covering which includes installation is a contract for the improvement of real property.

(f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides for installation of the items is a retail sale and not a sale for resale since a sale of shrubbery, plants, sod, trees, and similar items that includes installation is a contract for the improvement of real property.

(g) A sale of tangible personal property that is awarded as prizes is a retail sale and is not considered a sale of property for resale.

(h) A sale of tangible personal property utilized or employed in the furnishing or providing of services under subdivision ~~46 3~~, paragraph ~~(b)~~ (g), clause (1), including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(i) A sale of tangible personal property used in conducting lawful gambling under chapter 349 or the state lottery under chapter 349A, including, but not limited to, property given as promotional items, is a retail sale and is not considered a sale of property for resale.

(j) A sale of machines, equipment, or devices that are used to furnish, provide, or dispense goods or services, including, but not limited to, coin-operated devices, is a retail sale and is not considered a sale of property for resale.

(k) In the case of a lease, a retail sale occurs when an obligation to make a lease payment becomes due under the terms of the agreement or the trade practices of the lessor.

(l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of title or possession of the tangible personal property.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001, except that paragraph (a) is effective January 1, 2002.

Sec. 10. Minnesota Statutes 2000, section 297A.61, subdivision 6, is amended to read:

Subd. 6. **USE.** (a) "Use" includes the exercise of a right or power incident to the ownership of any interest in tangible personal property, or ~~taxable~~ services, purchased from a retailer, other than the sale of that property in the regular course of business.

(b) Use includes the consumption of printed materials in the creation of nontaxable advertising that is distributed, either directly or indirectly, within Minnesota.

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

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 11. Minnesota Statutes 2000, section 297A.61, subdivision 7, is amended to read:

Subd. 7. **SALES PRICE.** (a) “Sales price” means the total consideration for a retail sale, valued in money, whether paid in money or by barter or exchange, the measure subject to sales tax, and means the total amount of consideration, including cash, credit, property, and services, for which personal property or services are sold, leased, or rented, valued in money, whether received in money or otherwise, without any deduction for the following:

(1) the seller’s cost of the property sold;

(2) the cost of materials used, labor or service cost, interest, losses, all costs of transportation to the seller, all taxes imposed on the seller, and any other expenses of the seller;

(3) charges by the seller for any services necessary to complete the sale, other than delivery and installation charges;

(4) delivery charges;

(5) installation charges; and

(6) the value of exempt property given to the purchaser when taxable and exempt personal property have been bundled together and sold by the seller as a single product or piece of merchandise.

(b) Sales price includes:

(1) the cost of the property sold, cost of materials used, labor or service cost, interest, or discount allowed after the sale is consummated;

(2) the cost of transportation incurred prior to the time of sale;

(3) any amount for which credit is given by the seller to the purchaser;

(4) charges for services that are part of a sale; or

(5) any other expense whatsoever.

(e) (b) Sales price does not include the following:

(1) an amount allowed as credit for tangible personal property taken in trade for resale discounts, including cash, terms, or coupons that are not reimbursed by a third party and that are allowed by the seller and taken by a purchaser on a sale;

(2) charges of up to 15 percent in lieu of tips if the charges are separately stated interest, financing, and carrying charges from credit extended on the sale of personal property or services, if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser; and

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(3) interest, financing, or carrying charges if the charges are separately stated; any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

(4) charges for labor or services used in installing or applying the property sold if the charges are separately stated;

(5) transportation charges if the transportation occurs after the retail sale of the property if the charges are separately stated;

(6) cash discounts allowed and taken on sales or the amount refunded either in cash or in credit for property returned by purchasers;

(7) the rental motor vehicle tax imposed under section 297A.64; or

(8) the amount of any tax imposed by the United States on communications services under United States Code, title 26, section 4251(a).

(d) Notwithstanding paragraph (e), "sales price," for purposes of sales of ready-mixed concrete sold from a ready-mixed concrete truck, includes any transportation, delivery, or other service charges, and no deduction is allowed for those charges, whether or not the charges are separately stated.

EFFECTIVE DATE. This section is effective January 1, 2002.

Sec. 12. Minnesota Statutes 2000, section 297A.61, subdivision 9, is amended to read:

Subd. 9. **RETAILER AND SELLER.** "Retailer" and "seller" means every any person engaged in making retail sales, leases, or rentals of personal property or services.

EFFECTIVE DATE. This section is effective January 1, 2002.

Sec. 13. Minnesota Statutes 2000, section 297A.61, subdivision 10, is amended to read:

Subd. 10. **TANGIBLE PERSONAL PROPERTY.** (a) "Tangible personal property" means corporeal personal property of any kind, including property that is to become real property as a result of incorporation, attachment, or installation following its acquisition.

(b) Tangible personal property includes, but is not limited to:

(1) computer software, whether contained on tape, discs, cards, or other devices; and

(2) prepaid telephone calling cards.

(c) Tangible personal property does not include:

(1) large ponderous machinery and equipment used in a business or production activity which at common law would be considered to be real property;

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- (2) property which is subject to an ad valorem property tax;
- (3) property described in section 272.02, subdivision 9, clauses (a) to (d); and
- (4) property described in section 272.03, subdivision 2, clauses (3) and (5).

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 14. Minnesota Statutes 2000, section 297A.61, subdivision 12, is amended to read:

Subd. 12. **FARM MACHINERY.** (a) "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the production for sale, but not including the processing, of livestock, dairy animals, dairy products, poultry and poultry products, fruits, vegetables, trees and shrubs, plants, forage, grains, and bees and apiary products.

(b) Farm machinery includes:

(1) machinery for the preparation, seeding, or cultivation of soil for growing agricultural crops and sod, for the harvesting and threshing of agricultural products, or for the harvesting or mowing of sod;

(2) barn cleaners, milking systems, grain dryers, ~~automatic~~ feeding systems including stationary feed bunks, and similar installations, whether or not the equipment is installed by the seller and becomes part of the real property;

(3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers, and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, whether or not the equipment is installed by the seller and becomes part of the real property;

(4) logging equipment, including chain saws used for commercial logging;

(5) fencing used for the containment of farmed cervidae, as defined in section 17.451, subdivision 2;

(6) primary and backup generator units used to generate electricity for the purpose of operating farm machinery, as defined in this subdivision, or providing light or space heating necessary for the production of livestock, dairy animals, dairy products, or poultry and poultry products;

(7) aquaculture production equipment as defined in subdivision 13; and

(8) equipment used for maple syrup harvesting.

(c) Farm machinery does not include:

(1) repair or replacement parts;

(2) tools, shop equipment, grain bins, ~~feed bunks~~, fencing material except fencing material covered by paragraph (b), clause (5), communication equipment, and other farm supplies;

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(3) motor vehicles taxed under chapter 297B;

(4) snowmobiles or snow blowers; or

(5) lawn mowers except those used in the production of sod for sale, or garden-type tractors or garden tillers.

EFFECTIVE DATE. This section is effective for sales and purchases made after July 31, 2001.

Sec. 15. Minnesota Statutes 2000, section 297A.61, subdivision 14, is amended to read:

Subd. 14. **LEASING; LEASE.** "Leasing" includes all transfers of possession or the use of tangible personal property by the lessee for a consideration, if title remains with the lessor at the end of the lease. ~~For purposes of this chapter,~~ A lease of tangible personal property is a series of sales transactions that impose upon the lessee multiple payment obligations. "Leasing" does not include a transaction defined under subdivision 15.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 16. Minnesota Statutes 2000, section 297A.61, subdivision 17, is amended to read:

Subd. 17. **COMPUTER SOFTWARE.** "Computer software" means a computer program, either in the form of written procedures or ~~in the form of storage media on which,~~ or in which, the program is recorded contained on tapes, discs, cards, or another device, or any required documentation or manuals designed to facilitate the use of the computer program. For purposes of this subdivision:

(1) "Storage media" includes punched cards, tapes, discs, diskettes, or drums on which computer programs may be embodied or stored;

(2) "Computer" does not include tape-controlled automatic drilling, milling, or other manufacturing machinery or equipment; and

~~(3)~~ (2) "Computer program" means information and directions that dictate the function performed by data processing equipment. It includes the complete plan for the solution of a problem, such as the complete sequence of automatic data processing equipment instructions necessary to solve a problem and includes both systems and application programs and subdivisions, such as assemblers, compilers, routines, generators, and utility programs. Computer program includes a "canned" or prewritten computer program that is held or existing for general or repeated sale or lease, even if the prewritten or "canned" program was initially developed on a custom basis or for in-house use.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

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

Sec. 17. Minnesota Statutes 2000, section 297A.61, subdivision 19, is amended to read:

Subd. 19. **COMMON FOR-HIRE CARRIER.** “Common For-hire carrier” means a person engaged in transportation for hire of tangible personal property by motor vehicle, if the person:

(1) has a certificate or permit or has completed a registration process that authorizes for-hire transportation of property from the United States Department of Transportation, the transportation regulation board, or the department of transportation;

(2) is transporting commodities defined as “exempt” in for-hire transportation; or

(3) transports tangible personal property pursuant to a contract with a person described in clause (1) or (2).

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 18. Minnesota Statutes 2000, section 297A.61, subdivision 22, is amended to read:

Subd. 22. **INTERNAL REVENUE CODE.** Unless specifically provided otherwise, “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended through December 31, 1999 2000.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 19. Minnesota Statutes 2000, section 297A.61, subdivision 23, is amended to read:

Subd. 23. **UNITED STATES CODE.** Unless specifically provided otherwise, “United States Code” means the United States Code as amended through December 31, 1999 2000.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 20. Minnesota Statutes 2000, section 297A.61, is amended by adding a subdivision to read:

Subd. 24. **TELECOMMUNICATIONS SERVICES.** (a) “Telecommunications services” means the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals to a point, or between or among points, by or through any electronic, satellite, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission, conveyance, or routing.

(b) Telecommunications services includes the furnishing for consideration of access to telephone services by a hotel to its guests.

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

(c) Telecommunications services do not include:

- (1) services purchased with a prepaid telephone calling card;
- (2) private communication service purchased by an agent acting on behalf of the state lottery;
- (3) information services; and
- (4) purchases of telecommunications when the purchaser uses the purchased services as a component part of or integrates such service into another telecommunications service that is sold by the purchaser in the normal course of business.

(d) For purposes of this subdivision, "information services" means the offering of the capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information.

EFFECTIVE DATE. This section is effective for sales and purchases occurring after July 31, 2001.

Sec. 21. Minnesota Statutes 2000, section 297A.61, is amended by adding a subdivision to read:

Subd. 25. CABLE TELEVISION SERVICE. "Cable television service" means the transmission of video, audio, or other programming service to purchasers, and the subscriber interaction, if any, required for the selection or use of the programming service, regardless of whether the programming is transmitted over facilities owned or operated by the cable service provider or over facilities owned or operated by one or more dealers of communications services. The term includes point-to-multipoint distribution services by which programming is transmitted or broadcast by microwave or other equipment directly to the subscriber's premises. The term includes basic, extended, premium, pay-per-view, digital, and music services.

EFFECTIVE DATE. This section is effective for sales and purchases occurring after July 31, 2001.

Sec. 22. Minnesota Statutes 2000, section 297A.61, is amended by adding a subdivision to read:

Subd. 26. PRIVATE COMMUNICATION SERVICE. "Private communication service" means a communication service furnished to a subscriber which entitles the subscriber to:

- (1) exclusive or priority use of any communication channel or group of channels;
- (2) the use of an intercommunication system for the subscriber's stations, or regardless of whether the channel, group of channels, or intercommunication system may be connected through switching;
- (3) the switching capacity, extension lines and stations, or other associated services that are provided in connection with, and are necessary or unique to the use of, channels or systems described in clause (1); or

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(4) any combination of tunneling, encryption, authentication, and access control technologies and services used to carry traffic over the Internet, a managed Internet provider network or provider's backbone.

EFFECTIVE DATE. This section is effective for sales and purchases occurring after July 31, 2001.

Sec. 23. Minnesota Statutes 2000, section 297A.61, is amended by adding a subdivision to read:

Subd. 27. DIRECT SATELLITE SERVICE. "Direct satellite service" means programming transmitted or broadcast by satellite directly to the subscriber's premises without the use of ground receiving or distribution equipment, except at the subscriber's premises or in the uplink process to the satellite.

EFFECTIVE DATE. This section is effective for sales and purchases occurring after July 31, 2001.

Sec. 24. Minnesota Statutes 2000, section 297A.61, is amended by adding a subdivision to read:

Subd. 28. PURCHASE PRICE. "Purchase price" means the measure subject to the use tax and has the same meaning as "sales price."

EFFECTIVE DATE. This section is effective January 1, 2002.

Sec. 25. Minnesota Statutes 2000, section 297A.61, is amended by adding a subdivision to read:

Subd. 29. STATE. Unless specifically provided otherwise, "state" means any state of the United States and the District of Columbia.

EFFECTIVE DATE. This section is effective January 1, 2002.

Sec. 26. Minnesota Statutes 2000, section 297A.61, is amended by adding a subdivision to read:

Subd. 30. DELIVERY CHARGES. "Delivery charges" means charges by the seller for preparation and delivery to a location designated by the purchaser of personal property or services including, but not limited to, transportation, shipping, postage, handling, crating, and packing.

EFFECTIVE DATE. This section is effective January 1, 2002.

Sec. 27. Minnesota Statutes 2000, section 297A.61, is amended by adding a subdivision to read:

Subd. 31. PREPARED FOOD. "Prepared food" means (i) food sold in a heated state or heated by the seller; (ii) two or more food ingredients mixed or combined by the seller for sale as a single item; or (iii) food sold with eating utensils provided by the seller, including plates, knives, forks, spoons, glasses, cups, napkins, or straws.

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

Prepared food does not include food that is sliced, repackaged, or pasteurized by the seller.

EFFECTIVE DATE. This section is effective January 1, 2002.

Sec. 28. Minnesota Statutes 2000, section 297A.61, is amended by adding a subdivision to read:

Subd. 32. SOFT DRINKS. "Soft drinks" means nonalcoholic beverages that contain natural or artificial sweeteners. Soft drinks do not include beverages that contain milk or milk products; soy, rice, or similar milk substitutes; or greater than 50 percent vegetable or fruit juice by volume.

EFFECTIVE DATE. This section is effective January 1, 2002.

Sec. 29. Minnesota Statutes 2000, section 297A.61, is amended by adding a subdivision to read:

Subd. 33. CANDY. "Candy" means a preparation of sugar, honey, or other natural or artificial sweeteners in combination with chocolate, fruits, nuts, or other ingredients or flavorings in the form of bars, drops, or pieces. Candy does not include any preparation containing flour and must require no refrigeration.

EFFECTIVE DATE. This section is effective January 1, 2002.

Sec. 30. Minnesota Statutes 2000, section 297A.61, is amended by adding a subdivision to read:

Subd. 34. FOOD SOLD THROUGH VENDING MACHINES. "Food sold through vending machines" means food dispensed from a machine or other mechanical device that accepts payment.

EFFECTIVE DATE. This section is effective January 1, 2002.

Sec. 31. Minnesota Statutes 2000, section 297A.64, subdivision 3, is amended to read:

Subd. 3. ADMINISTRATION. The retailer shall report and pay the tax imposed in subdivision 1 to the commissioner of revenue with the taxes imposed in this chapter. The tax imposed in subdivision 1 and the fee imposed in subdivision 2 are is subject to the same interest, penalty, and other provisions provided for sales and use taxes under chapter 289A and this chapter. The commissioner has the same powers to assess and collect the tax and fee that are given the commissioner in chapters 270 and 289A and this chapter to assess and collect sales and use tax.

EFFECTIVE DATE. This section is effective for leases entered into after December 31, 2005.

Sec. 32. Minnesota Statutes 2000, section 297A.64, subdivision 4, is amended to read:

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

Subd. 4. **EXEMPTIONS.** (a) ~~The tax and the fee imposed by this section do~~ does not apply to a lease or rental of (1) a vehicle to be used by the lessee to provide a licensed taxi service; (2) a hearse or limousine used in connection with a burial or funeral service; or (3) a van designed or adapted primarily for transporting property rather than passengers.

(b) The lessor may elect not to charge the fee imposed in subdivision 2 if in the previous calendar year the lessor had no more than 20 vehicles available for lease that would have been subject to tax under this section, or no more than \$50,000 in gross receipts that would have been subject to tax under this section.

EFFECTIVE DATE. This section is effective for leases entered into after December 31, 2005.

Sec. 33. Minnesota Statutes 2000, section 297A.66, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** (a) "Retailer maintaining a place of business in this state," or a similar term, means a retailer:

(1) having or maintaining within this state, directly or by a subsidiary, an office, place of distribution, sales or sample room or place, warehouse, or other place of business; or

(2) having a representative, agent, salesperson, canvasser, or solicitor operating in this state under the authority of the retailer or its subsidiary, for any purpose, including the repairing, selling, delivering, installing, or soliciting of orders for the retailer's goods or services, or the leasing of tangible personal property located in this state, whether the place of business or agent, representative, salesperson, canvasser, or solicitor is located in the state permanently or temporarily, or whether or not the retailer or subsidiary is authorized to do business in this state.

(b) "Destination of a sale" means the location to which the retailer makes delivery of the property sold, or causes the property to be delivered, to the purchaser of the property, or to the agent or designee of the purchaser. The delivery may be made by any means, including the United States Postal Service, a ~~common carrier~~, or a ~~contract for-hire carrier~~.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 34. Minnesota Statutes 2000, section 297A.66, subdivision 3, is amended to read:

Subd. 3. **RETAILER NOT MAINTAINING A PLACE OF BUSINESS IN THIS STATE.** (a) To the extent allowed by the United States Constitution and the laws of the United States, a retailer making retail sales from outside this state to a destination within this state and not maintaining a place of business in this state shall collect sales and use taxes and remit them to the commissioner under section 297A.77,

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if the retailer engages in the regular or systematic soliciting of sales from potential customers in this state by:

(1) distribution, by mail or otherwise, of catalogs, periodicals, advertising flyers, or other written solicitations of business to customers in this state;

(2) display of advertisements on billboards or other outdoor advertising in this state;

(3) advertisements in newspapers published in this state;

(4) advertisements in trade journals or other periodicals the circulation of which is primarily within this state;

(5) advertisements in a Minnesota edition of a national or regional publication or a limited regional edition in which this state is included as part of a broader regional or national publication which are not placed in other geographically defined editions of the same issue of the same publication;

(6) advertisements in regional or national publications in an edition which is not by its contents geographically targeted to Minnesota but which is sold over the counter in Minnesota or by subscription to Minnesota residents;

(7) advertisements broadcast on a radio or television station located in Minnesota;
or

(8) any other solicitation by telegraphy, telephone, computer database, cable, optic, microwave, or other communication system.

This paragraph (a) must be construed without regard to the state from which distribution of the materials originated or in which they were prepared.

(b) The location within or without this state of independent vendors independent of the retailer that provide products or services to the retailer in connection with its solicitation of customers within this state, including such products and services as creation of copy, printing, distribution, and recording, is not considered in determining whether the retailer is required to collect tax.

(c) A retailer not maintaining a place of business in this state is presumed, subject to rebuttal, to be engaged in regular solicitation within this state if it engages in any of the activities in paragraph (a) and:

(1) makes 100 or more retail sales from outside this state to destinations in this state during a period of 12 consecutive months; or

(2) makes ten or more retail sales totaling more than \$100,000 from outside this state to destinations in this state during a period of 12 consecutive months.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

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

Sec. 35. **[297A.668] SOURCING OF SALE; SITUS IN THIS STATE.**

Subdivision 1. SOURCING RULES. (a) The following provisions apply regardless of the characterization of a product as tangible personal property, a digital good, or a service; but do not apply to telecommunications services, or the sales of motor vehicles, watercraft, aircraft, modular homes, manufactured homes, or mobile homes. These provisions only apply to determine a seller's obligation to pay or collect and remit a sales or use tax with respect to the seller's sale of a product. These provisions do not affect the obligation of a seller as purchaser to remit tax on the use of the product.

(b) When the product is received by the purchaser at a business location of the seller, the sale is sourced to that business location.

(c) When the product is not received by the purchaser at a business location of the seller, the sale is sourced to the location where receipt by the purchaser or the donee designated by the purchaser occurs, including the location indicated by instructions for delivery to the purchasers or the purchaser's donee, known to the seller.

(d) When paragraphs (b) and (c) do not apply, the sale is sourced to the location indicated by an address for the purchaser that is available from the business records of the seller that are maintained in the ordinary course of the seller's business, when use of this address does not constitute bad faith.

(e) When paragraphs (b), (c), and (d) do not apply, the sale is sourced to the location indicated by an address for the purchaser obtained during the consummation of the sale, including the address of a purchaser's payment instrument if no other address is available, when use of this address does not constitute bad faith.

(f) When paragraphs (b), (c), (d), and (e) do not apply, including the circumstance where the seller is without sufficient information to apply the previous paragraphs, then the location is determined by the address from which tangible personal property was shipped, from which the digital good was first available for transmission by the seller, or from which the service was provided.

Subd. 2. MULTIPLE POINTS OF USE. (a) Notwithstanding the provisions of subdivision 1, a business purchaser that is not a holder of a direct pay permit that knows at the time of its purchase of a digital good or service that the digital good or service will be concurrently available for use in more than one taxing jurisdiction shall deliver to the seller in conjunction with its purchase a multiple points of use exemption certificate disclosing this fact.

(b) Upon receipt of the multiple points of use exemption certificate, the seller is relieved of the obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to collect, pay, or remit the applicable tax on a direct pay basis.

(c) A purchaser delivering the multiple points of use exemption certificate may use any reasonable, but consistent and uniform, method of apportionment that is supported by the purchaser's business records as they exist at the time of the consummation of the sale.

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

(d) The multiple points of use exemption certificate remains in effect for all future sales by the seller to the purchaser until it is revoked in writing.

(e) A holder of a direct pay permit is not required to deliver a multiple points or use exemption certificate to the seller. A direct pay permit holder shall follow the provisions of paragraph (c) in apportioning the tax due on a digital good or a service that will be concurrently available for use in more than one taxing jurisdiction.

Subd. 3. DEFINITION OF TERMS. For purposes of this section, the terms "receive" and "receipt" mean taking possession of tangible personal property, making first use of services, or taking possession of making first use of digital goods, whichever occurs first. The terms receive and receipt do not include possession by a carrier for hire on behalf of the purchaser.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2001.

Sec. 36. Minnesota Statutes 2000, section 297A.67, subdivision 2, is amended to read:

Subd. 2. FOOD PRODUCTS AND FOOD INGREDIENTS. Food products including, but not limited to, cereal and cereal products, butter, cheese, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products, coffee and coffee substitutes, tea, and cocoa and cocoa products and food ingredients are exempt. For purposes of this subdivision, "food" and "food ingredients" mean substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. Food and food ingredients do not include candy, soft drinks, food sold through vending machines, and prepared foods. Food and food ingredients do not include alcoholic beverages, dietary supplements, and tobacco. For purposes of this subdivision, "alcoholic beverages" means beverages that are suitable for human consumption and contain one-half of one percent or more of alcohol by volume. For purposes of this subdivision, "tobacco" means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco. For purposes of this subdivision, "dietary supplements" means any product, other than tobacco, intended to supplement the diet that:

- (1) contains one or more of the following dietary ingredients:
 - (i) a vitamin;
 - (ii) a mineral;
 - (iii) an herb or other botanical;
 - (iv) an amino acid;
 - (v) a dietary substance for use by humans to supplement the diet by increasing the total dietary intake; and

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(vi) a concentrate, metabolite, constituent, extract, or combination of any ingredient described in items (i) to (v);

(2) is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such form, is not represented as conventional food and is not represented for use as a sole item of a meal or of the diet; and

(3) is required to be labeled as a dietary supplement, identifiable by the supplement facts box found on the label and as required pursuant to Code of Federal Regulations, title 21, section 101.36.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2001.

Sec. 37. Minnesota Statutes 2000, section 297A.67, subdivision 8, is amended to read:

Subd. 8. **CLOTHING.** (a) Clothing and wearing apparel, including sewing materials to be directly incorporated into wearing apparel, are exempt. For purposes of this subdivision, elothing and wearing apparel do not include the following:

(1) articles designed primarily for use while engaging in a specific sport or recreational activity that are not also worn for general use;

(2) articles designed primarily to provide safety or protection against injury while the user is engaged in industrial or general job activities;

(3) all articles commonly or commercially known as jewelry including, but not limited to, watches;

(4) nonprescription optical glasses of any sort;

(5) articles made entirely of fur on the hide or pelt, or partially of such fur if the value of the fur is more than three times the value of the next most valuable component material;

(6) perfume, lotions, creams, dyes, or other substances that are applied to the skin or the hair; and

(7) luggage, bags, purses, wallets, or cases of any sort. "clothing" means all human wearing apparel suitable for general use.

(b) Clothing includes, but is not limited to, aprons, household and shop; athletic supporters; baby receiving blankets; bathing suits and caps; beach capes and coats; belts and suspenders; boots; coats and jackets; costumes; children and adult diapers, including disposable; ear muffs; footlets; formal wear; garters and garter belts; girdles; gloves and mittens for general use; hats and caps; hosiery; insoles for shoes; lab coats; neckties; overshoes; pantyhose; rainwear; rubber pants; sandals; scarves; shoes and shoe laces; slippers; sneakers; socks and stockings; steel-toed boots; underwear; uniforms, athletic and nonathletic; and wedding apparel.

(c) Clothing does not include the following:

New language is indicated by underline, deletions by strikeout.

- (1) belt buckles sold separately;
- (2) costume masks sold separately;
- (3) patches and emblems sold separately;
- (4) sewing equipment and supplies, including but not limited to, knitting needles, patterns, pins, scissors, sewing machines, sewing needles, tape measures, and thimbles;
- (5) sewing materials that become part of clothing, including but not limited to, buttons, fabric, lace, thread, yarn, and zippers;
- (6) clothing accessories or equipment;
- (7) sports or recreational equipment; and
- (8) protective equipment.

Clothing also does not include apparel made from fur if a uniform definition of "apparel made from fur" is developed by the member states of the Streamlined Sales and Use Tax Agreement.

For purposes of this subdivision, "clothing accessories or equipment" means incidental items worn on the person or in conjunction with clothing. Clothing accessories include, but are not limited to, briefcases; cosmetics; hair notions, including barrettes, hair bows, and hairnets; handbags; handkerchiefs; jewelry; nonprescription sunglasses; umbrellas; wallets; watches; and wigs and hairpieces. "Sports or recreational equipment" means items designed for human use and worn in conjunction with an athletic or recreational activity that are not suitable for general use. Sports and recreational equipment includes, but is not limited to, ballet and tap shoes; cleated or spiked athletic shoes; baseball, bowling, boxing, hockey, and golf gloves; goggles; hand and elbow guards; life preservers and vests; mouth guards; roller and ice skates; shin guards; shoulder pads; ski boots; waders; and wetsuits and fins. "Protective equipment" means items for human wear and designed as protection of the wearer against injury or disease or as protection against damage or injury of other persons or property but not suitable for general use. Protective equipment includes, but is not limited to, breathing masks; clean room apparel and equipment; ear and hearing protectors; face shields; finger guards; hard hats; helmets; paint or dust respirators; protective gloves; safety glasses and goggles; safety belts; tool belts; and welders gloves and masks.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2001.

Sec. 38. Minnesota Statutes 2000, section 297A.67, subdivision 23, is amended to read:

Subd. 23. **OCCASIONAL SALES.** Isolated and occasional sales in Minnesota not made in the normal course of business, and of selling that kind of property or service are exempt. The storage, use, or consumption of property or services resulting from such sales, are acquired as a result of such a sale is exempt. This exemption does

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not apply to sales of tangible personal property primarily used in a trade or business.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 39. Minnesota Statutes 2000, section 297A.67, subdivision 24, is amended to read:

Subd. 24. **CONSTITUTIONAL PROHIBITIONS.** The gross receipts from The sale of and the storage, use, or other consumption in Minnesota of tangible personal property, tickets, or admissions, electricity, gas, or local exchange telephone service or services, that the state of Minnesota is prohibited from taxing under the Constitution or laws of the United States or under the Constitution of Minnesota, are exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 40. Minnesota Statutes 2000, section 297A.67, subdivision 25, is amended to read:

Subd. 25. **MAINTENANCE OF CEMETERY GROUNDS.** Lawn care and related services used in the maintenance of cemetery grounds are exempt. For purposes of this subdivision, "lawn care and related services" means the services listed in section 297A.61, subdivision 16 3, paragraph (g), clause (6) (5), item (vi), and "cemetery" means a cemetery for human burial.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 41. Minnesota Statutes 2000, section 297A.67, is amended by adding a subdivision to read:

Subd. 26. **TRADE ALLOWANCE.** The amount allowed as a credit against the sales price for tangible personal property taken in trade for resale is exempt.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2001.

Sec. 42. Minnesota Statutes 2000, section 297A.67, is amended by adding a subdivision to read:

Subd. 27. **SEWING MATERIALS.** Sewing materials are exempt. For purposes of this subdivision "sewing materials" mean fabric, thread, zippers, interfacing, buttons, trim, and other items that are usually directly incorporated into the construction of clothing, regardless of whether it is actually used for making clothing. It does not include batting, foam, or fabric specifically manufactured for arts and craft projects, or other materials for craft projects.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2001.

New language is indicated by underline, deletions by strikeout.

Sec. 43. Minnesota Statutes 2000, section 297A.67, is amended by adding a subdivision to read:

Subd. 28. AMBULANCE SUPPLIES, PARTS, AND EQUIPMENT. The following sales to or use by an ambulance service licensed under section 144E.10 are exempt:

- (1) supplies and equipment used to provide medical care; and
- (2) repair and replacement parts for ambulances.

EFFECTIVE DATE. This section is effective for sales and purchases made after July 31, 2001.

Sec. 44. Minnesota Statutes 2000, section 297A.67, is amended by adding a subdivision to read:

Subd. 29. ENERGY EFFICIENT PRODUCTS. (a) A residential lighting fixture or a compact fluorescent bulb is exempt if it has an energy star label.

(b) The following products are exempt if they have an energyguide label that indicates that the product meets or exceeds the standards listed below:

- (1) an electric heat pump hot water heater with an energy factor of at least 1.9;
- (2) a natural gas water heater with an energy factor of at least 0.62; and
- (3) a natural gas furnace with an annual fuel utilization efficiency greater than 92 percent.

(c) A photovoltaic device is exempt. For purposes of this subdivision, "photovoltaic device" means a solid-state electrical device, such as a solar module, that converts light directly into direct current electricity of voltage-current characteristics that are a function of the characteristics of the light source and the materials in and design of the device. A "solar module" is a photovoltaic device that produces a specified power output under defined test conditions, usually composed of groups of solar cells connected in series, in parallel, or in series-parallel combinations.

(d) For purposes of this subdivision, "energy star label" means the label granted to certain products that meet United States Environmental Protection Agency and United States Department of Energy criteria for energy efficiency. For purposes of this subdivision, "energyguide label" means the label that the United State Federal Trade Commissioner requires manufacturers to apply to certain appliances under United States Code, title 16, part 305.

EFFECTIVE DATE. This section is effective for sales and purchases made after July 31, 2001, and before August 1, 2005.

Sec. 45. Minnesota Statutes 2000, section 297A.68, subdivision 2, is amended to read:

New language is indicated by underline, deletions by strikeout.

Subd. 2. **MATERIALS CONSUMED IN INDUSTRIAL PRODUCTION.** (a) Materials stored, used, or consumed in industrial production of personal property intended to be sold ultimately at retail are exempt, whether or not the item so used becomes an ingredient or constituent part of the property produced. Materials that qualify for this exemption include, but are not limited to, the following:

(1) chemicals, including chemicals used for cleaning food processing machinery and equipment;

(2) materials, including chemicals, fuels, and electricity purchased by persons engaged in industrial production to treat waste generated as a result of the production process;

(3) fuels, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt only if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular industrial product;

(4) petroleum products and lubricants;

(5) packaging materials, including returnable containers used in packaging food and beverage products;

(6) accessory tools, equipment, and other items that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product; and

(7) the following materials, tools, and equipment used in metalcasting: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, degassing lances, and base blocks.

(b) This exemption does not include:

(1) machinery, equipment, implements, tools, accessories, appliances, contrivances and furniture and fixtures, except those listed in paragraph (a), clause (6); and

(2) petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state.

(c) Industrial production includes, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products (whether vegetable or animal), commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Industrial production does not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

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

Sec. 46. Minnesota Statutes 2000, section 297A.68, subdivision 3, is amended to read:

Subd. 3. **MATERIALS USED IN PROVIDING CERTAIN TAXABLE SERVICES.** (a) Materials stored, used, or consumed in providing a taxable service listed in section 297A.61, subdivision ~~4~~ 3, paragraph (g), clause (5), intended to be sold ultimately at retail are exempt.

(b) This exemption includes, but is not limited to:

(1) chemicals, lubricants, packaging materials, seeds, trees, fertilizers, and herbicides, if these items are used or consumed in providing the taxable service;

(2) chemicals used to treat waste generated as a result of providing the taxable service;

(3) accessory tools, equipment, and other items that are separate detachable units used in providing the service and that have an ordinary useful life of less than 12 months; and

(4) fuel, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt only if (i) it is in excess of average climate control or lighting, and (ii) it is necessary to produce that particular taxable service.

(c) This exemption does not include machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture, and fixtures used in providing the taxable service.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 47. Minnesota Statutes 2000, section 297A.68, subdivision 5, is amended to read:

Subd. 5. **CAPITAL EQUIPMENT.** (a) Capital equipment is exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

“Capital equipment” means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail.

Capital equipment means if the machinery and equipment is essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used to electronically transmit results retrieved by a customer of an online computerized data retrieval system.

(b) Capital equipment includes, but is not limited to:

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

(1) machinery and equipment used to operate, control, or regulate the production equipment;

(2) machinery and equipment used for research and development, design, quality control, and testing activities;

(3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;

(4) materials and supplies used to construct and install machinery or equipment;

(5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;

(6) materials used for foundations that support machinery or equipment;

(7) materials used to construct and install special purpose buildings used in the production process; and

(8) ready-mixed concrete trucks in which the ready-mixed concrete is mixed as part of the delivery process.

(c) Capital equipment does not include the following:

(1) motor vehicles taxed under chapter 297B;

(2) machinery or equipment used to receive or store raw materials;

(3) building materials, except for materials included in paragraph (b), clauses (6) and (7);

(4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;

(5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;

(6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property; or

(7) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

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

(2) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(3) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(4) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(5) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(6) "Mining" means the extraction of minerals, ores, stone, or peat.

(7) "Refining" means the process of converting a natural resource to a product, including the treatment of water to be sold at retail.

(8) "Integrated production process" means a process beginning with the removal of raw materials from inventory through the completion of the product, including packaging of the product.

(9) "Online data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(10) (9) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 48. Minnesota Statutes 2000, section 297A.68, subdivision 11, is amended to read:

Subd. 11. **ADVERTISING MATERIALS.** Material Materials designed to advertise and promote the sale of merchandise or services is are exempt if the material is purchased and stored for the purpose of subsequently shipping or otherwise transferring outside the state by the purchaser for later these materials are mailed or transferred to a person outside the state for use solely outside the state of Minnesota. Mailing and reply envelopes and cards used exclusively in connection with these advertising and promotional materials are included in this exemption. The exemption applies regardless of where the mailing occurs. The storage of these materials in the state for the purpose of subsequently shipping or otherwise transferring the material out of state is also exempt if the other conditions in this subdivision are met.

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

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 49. Minnesota Statutes 2000, section 297A.68, subdivision 13, is amended to read:

Subd. 13. **OUTSTATE TRANSPORT OR DELIVERY.** (a) Tangible personal property is exempt if the ~~property, without intermediate use, is~~ all of the following conditions are met:

(1) the property, without intermediate use, is shipped or transported outside Minnesota by the purchaser or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property that is transported or shipped outside Minnesota; and

(2) the property is used in a trade or business outside Minnesota after being shipped or transported outside of Minnesota, and is not returned to Minnesota, except in the course of interstate commerce; and

(3) the property is either (i) not subject to tax in the state or country to which it is transported for storage or use, or (ii) to be used in other states or countries as part of a maintenance contract.

(b) For purposes of this subdivision, storage or processing, fabricating, manufacturing, attaching to, or incorporating into other property is not intermediate use.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 50. Minnesota Statutes 2000, section 297A.68, subdivision 14, is amended to read:

Subd. 14. ~~TEMPORARY STORAGE PROPERTY IN TRANSIT.~~ Tangible personal property is exempt if all of the following conditions are met:

(1) it is shipped or brought into Minnesota by a common for-hire carrier;

(2) without ~~intermediate~~ use, it is kept in a public warehouse;

(3) it is kept for the purpose of being later transported outside Minnesota; and

(4) after storage, it is used solely outside Minnesota, except in the course of interstate commerce.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 51. Minnesota Statutes 2000, section 297A.68, subdivision 18, is amended to read:

Subd. 18. **CUSTOM COMPUTER SOFTWARE.** The design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program is exempt. "Custom computer program"

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means a computer program prepared to the special order of the customer, either in the form of written procedures or in the form of storage media on which, or in which, the program is recorded contained on tapes, discs, cards, or another device, or any required documentation or manuals designed to facilitate the use of the custom computer program transferred. It includes those services represented by separately stated charges for modifications to an existing prewritten program that are prepared to the special order of the customer. It does not include a "canned" or prewritten computer program that is held or existing for general or repeated sale or lease, even if the prewritten or "canned" program was initially developed on a custom basis or for in-house use. Modification to an existing prewritten program to meet the customer's needs is custom computer programming only to the extent of the modification.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 52. Minnesota Statutes 2000, section 297A.68, subdivision 19, is amended to read:

Subd. 19. **PETROLEUM PRODUCTS.** The following petroleum products are exempt:

(1) products upon which a tax has been imposed and paid under chapter 296A, and for which no refund has been or will be allowed because the buyer used the fuel for nonhighway use;

(2) products that are used in the improvement of agricultural land by constructing, maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment, and other erosion control structures;

(3) products purchased by a transit system receiving financial assistance under section 174.24, 256B.0625, subdivision 17, or 473.384;

(4) products purchased by an ambulance service licensed under chapter 144E;

(5) products used in a passenger snowmobile, as defined in section 296A.01, subdivision 39, for off-highway business use as part of the operations of a resort as provided under section 296A.16, subdivision 2, clause (2); or

(5) (6) products purchased by a state or a political subdivision of a state for use in motor vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b).

EFFECTIVE DATE. This section is effective for sales and purchases made after July 31, 2001.

Sec. 53. Minnesota Statutes 2000, section 297A.68, subdivision 25, is amended to read:

Subd. 25. **OCCASIONAL SALES SALE OF PROPERTY USED IN A TRADE OR BUSINESS.** (a) Isolated or occasional sales of The sale of tangible personal property in Minnesota primarily used in a trade or business is exempt if the

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

sale is not made in the normal course of business of selling that kind of property are exempt. The storage, use, or consumption of property acquired as a result of such a sale is exempt.

(b) This exemption applies to a sale of tangible personal property primarily used in a trade or business only and if one of the following conditions is satisfied:

(1) the sale occurs in a transaction subject to or described in section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, or 1033 of the Internal Revenue Code;

(2) the sale is between members of a controlled group as defined in section 1563(a) of the Internal Revenue Code;

(3) the sale is a sale of farm machinery;

(4) the sale is a farm auction sale;

(5) the sale is a sale of substantially all of the assets of a trade or business; or

(6) the total amount of gross receipts from the sale of trade or business property made during the calendar month of the sale and the preceding 11 calendar months does not exceed \$1,000.

The use, storage, distribution, or consumption of tangible personal property acquired as a result of a sale exempt under this subdivision is also exempt.

(e) (b) For purposes of this subdivision, the following terms have the meanings given.

(1) A "farm auction" is a public auction conducted by a licensed auctioneer if substantially all of the property sold consists of property used in the trade or business of farming and property not used primarily in a trade or business.

(2) "Trade or business" includes the assets of a separate division, branch, or identifiable segment of a trade or business if, before the sale, the income and expenses attributable to the separate division, branch, or identifiable segment could be separately ascertained from the books of account or record (the lease or rental of an identifiable segment does not qualify for the exemption).

(3) A "sale of substantially all of the assets of a trade or business" must occur as a single transaction or a series of related transactions within the 12-month period beginning on the date of the first sale of assets intended to qualify for the exemption provided in paragraph (b) (a), clause (5).

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 54. Minnesota Statutes 2000, section 297A.68, is amended by adding a subdivision to read:

Subd. 35. TELECOMMUNICATIONS EQUIPMENT. (a) Telecommunications machinery and equipment purchased or leased for use directly by a telecommu-

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nications service provider primarily in the provision of telecommunications services that are ultimately to be sold at retail are exempt, regardless of whether purchased by the owner, a contractor, or a subcontractor.

(b) For purposes of this subdivision, "telecommunications machinery and equipment" includes, but is not limited to:

(1) machinery, equipment, and fixtures utilized in receiving, initiating, amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring telecommunications services, such as computers, transformers, amplifiers, routers, bridges, repeaters, multiplexers, and other items performing comparable functions;

(2) machinery, equipment, and fixtures used in the transportation of telecommunications services, radio transmitters and receivers, satellite equipment, microwave equipment, and other transporting media, but not wire, cable, fiber, poles, or conduit;

(3) ancillary machinery, equipment, and fixtures that regulate, control, protect, or enable the machinery in clauses (1) and (2) to accomplish its intended function, such as auxiliary power supply, test equipment, towers, heating, ventilating and air conditioning equipment necessary to the operation of the telecommunications equipment; and software necessary to the operation of the telecommunications equipment; and

(4) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to qualified machinery or equipment.

(c) For purposes of this subdivision, "telecommunications services" means telecommunications services as defined in section 297A.61, subdivision 24, paragraph (a), only.

EFFECTIVE DATE. This section is effective for purchases and lease payments, including payments made on existing leases, made after July 31, 2001.

Sec. 55. Minnesota Statutes 2000, section 297A.69, subdivision 2, is amended to read:

Subd. 2. MATERIALS CONSUMED IN AGRICULTURAL PRODUCTION.

(a) Materials stored, used, or consumed in agricultural production of personal property intended to be sold ultimately at retail are exempt, whether or not the item becomes an ingredient or constituent part of the property produced. Materials that qualify for this exemption include, but are not limited to, the following:

(1) feeds, seeds, trees, fertilizers, and herbicides, including when purchased for use by farmers in a federal or state farm or conservation program;

(2) materials sold to a veterinarian to be used or consumed in the care, medication, and treatment of agricultural production animals and horses;

(3) chemicals, including chemicals used for cleaning food processing machinery and equipment;

New language is indicated by underline, deletions by strikeout.

(4) materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural production to treat waste generated as a result of the production process;

(5) fuels, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt only if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular agricultural product;

(6) petroleum products and lubricants;

(7) packaging materials, including returnable containers used in packaging food and beverage products; and

(8) accessory tools and equipment that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product.

Machinery, equipment, implements, tools, accessories, appliances, contrivances, and furniture and fixtures, except those listed in this clause are not included within this exemption.

(b) For purposes of this subdivision, "agricultural production" includes, but is not limited to, horticulture, floriculture, maple syrup harvesting, and the raising of pets, fur-bearing animals, research animals, horses, farmed cervidae as defined in section 17.451, subdivision 2, llamas as defined in section 17.455, subdivision 2, and ratitae as defined in section 17.453, subdivision 3.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 56. Minnesota Statutes 2000, section 297A.70, subdivision 1, is amended to read:

Subdivision 1. **SCOPE.** (a) To the extent provided in this section, the gross receipts from sales of items to or by, and storage, distribution, use, or consumption of items by the organizations listed in this section are specifically exempted from the taxes imposed by this chapter.

(b) Notwithstanding any law to the contrary enacted before 1992, only sales to governments and political subdivisions listed in this section are exempt from the taxes imposed by this chapter.

(c) "Sales" includes purchases under an installment contract or lease purchase agreement under section 465.71.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 57. Minnesota Statutes 2000, section 297A.70, subdivision 2, is amended to read:

New language is indicated by underline, deletions by strikeout.

Subd. 2. **SALES TO GOVERNMENT.** (a) All sales, except those listed in paragraph (b), to the following governments and political subdivisions, or to the listed agencies or instrumentalities of governments and political subdivisions, are exempt:

(1) the United States and its agencies and instrumentalities;

(2) school districts, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich Minnesota center for arts education, and an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools;

(3) hospitals and nursing homes owned and operated by political subdivisions of the state;

(4) the metropolitan council, for its purchases of materials, supplies, and equipment to equip operations provided for in section 473.4051.

(4) ~~(5)~~ other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state; and

~~(5)~~ (6) sales to public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the legislative reference library.

(b) This exemption does not apply to the sales of the following products and services:

(1) 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;

(2) 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;

(3) 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; or

(4) meals and lodging as defined under section 297A.61, subdivisions subdivision 3, ~~paragraph paragraphs~~ (d), and ~~16~~ (g), ~~paragraph~~ (e) clause (2), except for meals and lodging purchased directly by the United States or its agencies or instrumentalities.

(c) As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, and any instrumentality of a school district, as defined in section 471.59.

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

EFFECTIVE DATE. This section is effective for sales and purchases made after July 31, 2001, except that the amendments to paragraph (b), clause (4), are effective for sales and purchases made after June 30, 2001.

Sec. 58. Minnesota Statutes 2000, section 297A.70, subdivision 3, is amended to read:

Subd. 3. **SALES OF CERTAIN GOODS AND SERVICES TO GOVERNMENT.** (a) The following sales to or use by the specified governments and political subdivisions of the state are exempt:

(1) ~~supplies and equipment used to provide medical care in the operation of an ambulance service owned and operated by a political subdivision of the state;~~

(2) repair and replacement parts for emergency rescue vehicles, fire trucks, and fire apparatus to a political subdivision;

(3) ~~(2)~~ machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10;

(4) ~~(3)~~ chore and homemaking services to a political subdivision of the state to be provided to elderly or disabled individuals;

(5) ~~(4)~~ telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund;

(6) ~~(5)~~ firefighter personal protective equipment as defined in paragraph (b), if purchased or authorized by and for the use of an organized fire department, fire protection district, or fire company regularly charged with the responsibility of providing fire protection to the state or a political subdivision;

(7) ~~(6)~~ bullet-resistant body armor that provides the wearer with ballistic and trauma protection, if purchased by a law enforcement agency of the state or a political subdivision of the state, or a licensed peace officer, as defined in section 626.84, subdivision 1;

(8) ~~(7)~~ motor vehicles purchased or leased by political subdivisions of the state if the vehicles are exempt from registration under section 168.012, subdivision 1, paragraph (b), or exempt from taxation under section 473.448 or exempt from the motor vehicle sales tax under section 297B.03, clause (12);

(9) ~~(8)~~ equipment designed to process, dewater, and recycle biosolids for wastewater treatment facilities of political subdivisions, and materials incidental to installation of that equipment; and materials used to construct buildings to house the equipment, if the materials are purchased after June 30, 1998, and before July 1, 2001; and

(10) ~~(9)~~ sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases by a town of motor vehicles exempt from tax under section 297B.03, clause (10).

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

(b) For purposes of this subdivision, "firefighters personal protective equipment" means helmets, including face shields, chin straps, and neck liners; bunker coats and pants, including pant suspenders; boots; gloves; head covers or hoods; wildfire jackets; protective coveralls; goggles; self-contained breathing apparatus; canister filter masks; personal alert safety systems; spanner belts; optical or thermal imaging search devices; and all safety equipment required by the Occupational Safety and Health Administration.

EFFECTIVE DATE. This section is effective for sales and purchases made after July 31, 2001.

Sec. 59. Minnesota Statutes 2000, section 297A.70, subdivision 4, is amended to read:

Subd. 4. **SALES TO NONPROFIT GROUPS.** (a) All sales, except those listed in paragraph (b), to the following "nonprofit organizations" are exempt:

(1) an entity a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes if the item purchased is used in the performance of charitable, religious, or educational functions; and

(2) any senior citizen group or association of groups that:

(i) in general limits membership to persons who are either age 55 or older, or physically disabled; and

(ii) 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; and.

(3) an entity organized and operated exclusively to maintain

For purposes of this subdivision, charitable purpose includes the maintenance of a cemetery owned by a religious organization.

(b) This exemption does not apply to the following sales:

(1) 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;

(2) construction materials purchased by tax-exempt entities or their contractors to be used in constructing buildings or facilities that will not be used principally by the tax-exempt entities; and

(3) meals and lodging as defined under section 297A.61, subdivisions subdivision 3, paragraph paragraphs (d); and 46 (g), paragraph (e) clause (2); and

(4) leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except as provided in paragraph (c).

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(c) This exemption applies to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, only if the vehicle is:

(1) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(2) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 60. Minnesota Statutes 2000, section 297A.70, subdivision 7, is amended to read:

Subd. 7. **HOSPITALS AND OUTPATIENT SURGICAL CENTERS.** (a) Sales, except for those listed in paragraph (c), to a hospital are exempt, if the items purchased are used in providing hospital services. For purposes of this subdivision, "hospital" means a hospital organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction, and "hospital services" are services authorized or required to be performed by a "hospital" under chapter 144.

(b) Sales, except for those listed in paragraph (c), to an outpatient surgical center are exempt, if the items purchased are used in providing outpatient surgical services. For purposes of this subdivision, "outpatient surgical center" means an outpatient surgical center organized and operated for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means: (1) services authorized or required to be performed by an outpatient surgical center under chapter 144 ~~or under the applicable licensure law of any other jurisdiction~~; and (2) urgent care. For purposes of this subdivision, "urgent care" means health services furnished to a person whose medical condition is sufficiently acute to require treatment unavailable through, or inappropriate to be provided by, a clinic or physician's office, but not so acute as to require treatment in a hospital emergency room.

(c) This exemption does not apply to the following products and services:

(1) purchases made by a clinic, physician's office, or any other medical facility not operating as a hospital or outpatient surgical center, even though the clinic, office, or facility may be owned and operated by a hospital or outpatient surgical center;

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(2) sales under section 297A.61, subdivisions 3, paragraph (d), and 16, paragraph (c);

(3) building and construction materials used in constructing buildings or facilities that will not be used principally by the hospital or outpatient surgical center;

(4) 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 hospital or outpatient surgical center; or

(5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 5.

(d) A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 61. Minnesota Statutes 2000, section 297A.70, subdivision 8, is amended to read:

Subd. 8. **REGIONWIDE PUBLIC SAFETY RADIO COMMUNICATION SYSTEM; PRODUCTS AND SERVICES.** Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio communication system established under sections 473.891 to 473.905, are exempt. For purposes of this subdivision, backbone system is defined in section 473.891, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption occurring before August 1, 2003, in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 62. Minnesota Statutes 2000, section 297A.70, subdivision 10, is amended to read:

Subd. 10. **NONPROFIT TICKETS OR ADMISSIONS.** ~~(a) Tickets or admissions to the premises of or events sponsored by an organization that provides an event are exempt if all the gross receipts are recorded as such, in accordance with generally accepted accounting principles, on the books of one or more organizations that provide an opportunity for citizens of the state to participate in the creation, performance, or appreciation of the arts are exempt if the, and provided that each organization is either:~~

(1) a tax-exempt organization within the meaning of Minnesota Statutes 1980, section 290.05, subdivision 1, clause (i), or described in section 501(c)(3) of the Internal Revenue Code in which voluntary contributions make up at least the following percent of the organization's annual revenue in its most recently completed 12-month

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fiscal year, or in the current year if the organization has not completed a 12-month fiscal year:

(i) for a fiscal year completed in calendar year 2000, three percent;

(ii) for a fiscal year completed in calendar year 2001, four percent; and

(iii) for a fiscal year completed in calendar year 2002 or thereafter, five percent;

or

(2) a municipal board that promotes cultural and arts activities. The exemption provided with respect to a municipal board applies only to tickets and admissions to events sponsored by the board.

The exemption only applies if the entire proceeds, after reasonable expenses, are used solely to provide opportunities for citizens of the state to participate in the creation, performance, or appreciation of the arts.

(b) Tickets or admissions to the premises of the Minnesota zoological garden are exempt, provided that the exemption under this paragraph does not apply to tickets or admissions to performances or events held on the premises unless the performance or event is sponsored and conducted exclusively by the Minnesota zoological board or employees of the Minnesota zoological garden.

EFFECTIVE DATE. This section, paragraph (a), is effective for tickets and admissions to events held after July 31, 2001, but does not apply to events for which sales of tickets or admissions were made prior to August 1, 2001. This section, paragraph (b), is effective for sales made after July 31, 2001.

Sec. 63. Minnesota Statutes 2000, section 297A.70, subdivision 13, is amended to read:

Subd. 13. **FUNDRAISING SALES BY OR FOR NONPROFIT GROUPS.** (a) The following sales by the specified organizations for fundraising purposes are exempt, subject to the limitations listed in paragraph (b):

(1) all sales made by an organization that exists solely for the purpose of providing educational or social activities for young people primarily age 18 and under;

(2) all sales made by an organization that is a senior citizen group or association of groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii) no part of its net earnings inures to the benefit of any private shareholders;

(3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; and

(4) sales of gum, candy, and candy products sold for fundraising purposes by a nonprofit organization that provides educational and social activities primarily for young people age 18 years of age and under.

New language is indicated by underline, deletions by strikeout.

(b) The exemptions listed in paragraph (a) are limited in the following manner:

(1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross annual receipts of the organization from fundraising do not exceed \$10,000; and

(2) the exemption under paragraph (a), clause (1), does not apply if the sales are derived from admission charges or from activities for which the money must be deposited with the school district treasurer under section 123B.49, subdivision 2, or be recorded in the same manner as other revenues or expenditures of the school district under section 123B.49, subdivision 4.

(c) Sales of tangible personal property are exempt if the entire proceeds, less the necessary expenses for obtaining the property, will be contributed to a registered combined charitable organization described in section 309.501, to be used exclusively for charitable, religious, or educational purposes, and the registered combined charitable organization has given its written permission for the sale. Sales that occur over a period of more than 24 days per year are not exempt under this paragraph.

(d) For purposes of this subdivision, a club, association, or other organization of elementary or secondary school students organized for the purpose of carrying on sports, educational, or other extracurricular activities is a separate organization from the school district or school for purposes of applying the \$10,000 limit.

EFFECTIVE DATE. This section is effective for sales and purchases made after July 31, 2001.

Sec. 64. Minnesota Statutes 2000, section 297A.70, subdivision 14, is amended to read:

Subd. 14. FUNDRAISING EVENTS SPONSORED BY NONPROFIT GROUPS. (a) Sales of tangible personal property at, and admission charges for fundraising events sponsored by, a nonprofit organization are exempt if the entire proceeds, less the necessary expenses for the event, will be used solely and exclusively for charitable, religious, or educational purposes. Exempt sales include the sale of food, meals, and drinks, and taxable services at the fundraising event.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, religious, or educational purposes;

(3) it does not apply unless the organization keeps a separate accounting record, including receipts and disbursements from each fundraising event that documents all deductions from gross receipts with receipts and other records;

(4) it does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation;

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- (5) all gross receipts are taxable if fundraising events exceed 24 days per year; and
- (6) it does not apply to fundraising events conducted on premises leased for more than five days but less than 30 days.

(c) For purposes of this subdivision, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 65. Minnesota Statutes 2000, section 297A.71, subdivision 6, is amended to read:

Subd. 6. **BUSINESS INCUBATOR AND INDUSTRIAL PARK.** Building materials and supplies for construction of a facility that includes a business incubator and industrial park are exempt if the facility:

(1) is owned and operated by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code;

(2) is used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development and job creation in the area served by the organization, and emphasizes development of businesses that manufacture products from materials found in the waste stream, or manufacture alternative energy and conservation systems, or make use of emerging environmental technologies;

(3) includes in its structure systems of material and energy exchanges that use waste products from one industrial process as sources of energy and material for other processes; and

(4) makes use of solar and wind energy technology and incorporates salvaged materials in its construction.

A limited liability company also qualifies for exemption under this subdivision if (1) it consists of a sole member that would qualify for the exemption, and (2) the items purchased qualify for the exemption.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 66. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 24. **CONSTRUCTION MATERIALS AND EQUIPMENT; AGRICULTURAL PROCESSING MATERIALS.** Materials and supplies used or consumed in, and machinery and equipment incorporated into the construction, improvement, or

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expansion of a soybean oilseed processing facility are exempt if:

(1) the facility is owned and operated by a cooperative organized under chapter 308A; and

(2) the facility is located in a county that has a population of less than 21,000 according to the most recent decennial census.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001, and before July 1, 2004.

Sec. 67. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 25. POULTRY LITTER AND OTHER BIOMASS GENERATION FACILITY CONSTRUCTION MATERIALS AND EQUIPMENT. Materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of a facility using biomass to generate electricity are exempt if:

(1) the facility is designed to utilize poultry litter biomass or other biomass as established in section 216B.2424, as a primary fuel source; and

(2) the facility generates power that will be sold under a contract approved by the public utilities commission in accordance with the biomass mandate imposed under section 216B.2424.

EFFECTIVE DATE. This section is effective for purchases and sales made after June 30, 2001, and before January 1, 2003.

Sec. 68. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 26. DISASTER RELIEF; CONSTRUCTION MATERIALS; YELLOW MEDICINE COUNTY FACILITY. Materials and supplies used or consumed in, and fixtures, furnishings, and equipment incorporated into, the construction, improvement, or expansion of the Yellow Medicine county law enforcement and family service center are exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied and then refunded in the manner prescribed for refunds in section 297A.75.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2000, and before January 1, 2003.

Sec. 69. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 27. CONSTRUCTION MATERIALS AND EQUIPMENT; WASTE TIRES COGENERATION ELECTRIC GENERATING FACILITY. Materials and supplies used or consumed in, and equipment incorporated into, the construction,

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

improvement, or expansion of a facility using waste tires to generate electricity are exempt if:

- (1) the facility utilizes waste tires as a primary fuel in generating electricity;
- (2) the facility is a cogeneration facility; and
- (3) the installed capacity of the facility is 1 to 25 megawatts.

EFFECTIVE DATE. This section is effective for purchases and sales made on or after June 1, 2001, and before January 1, 2004.

Sec. 70. Minnesota Statutes 2000, section 297A.71, is amended by adding a subdivision to read:

Subd. 28. CONSTRUCTION MATERIALS FOR QUALIFIED LOW-INCOME HOUSING PROJECTS. (a) Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of qualified low-income housing projects are exempt from the tax imposed under this chapter if the owner of the qualified low-income housing project is:

(1) the public housing agency or housing and redevelopment authority of a political subdivision;

(2) an entity exercising the powers of a housing and redevelopment authority within a political subdivision;

(3) a limited partnership in which the sole general partner is an authority under clause (1) or an entity under clause (2); or

(4) a nonprofit corporation subject to the provisions of chapter 317A, and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended.

This exemption applies regardless of whether the purchases are made by the owner of the facility or a contractor.

(b) For purposes of this exemption, "qualified low-income housing project" means:

(1) a housing or mixed use project in which at least 20 percent of the residential units are qualifying low-income rental housing units as defined in section 273.126;

(2) a federally assisted low-income housing project financed by a mortgage insured or held by the United States Department of Housing and Urban Development under United States Code, title 12, section 1701s, 17151(d)(3), 17151(d)(4), or 1715z-1; United States Code, title 42, section 1437f; the Native American Housing Assistance and Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar successor federal low-income housing program;

(3) a qualified low-income housing project as defined in United States Code, title 26, section 42(g), meeting all of the requirements for a low-income housing credit

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under section 42 of the Internal Revenue Code regardless of whether the project actually applies for or receives a low-income housing credit; or

(4) a project that will be operated in compliance with Internal Revenue Service revenue procedure 96-32.

EFFECTIVE DATE. This section is effective for sales and purchases occurring after July 31, 2001.

Sec. 71. Minnesota Statutes 2000, section 297A.72, subdivision 1, is amended to read:

Subdivision 1. **DUTY OF RETAILER.** ~~As~~ A fully completed exemption certificate conclusively relieves the retailer from collecting and remitting the tax only if taken in good faith from the purchaser at the time of sale.

EFFECTIVE DATE. This section is effective for sales and purchases occurring after December 31, 2001.

Sec. 72. Minnesota Statutes 2000, section 297A.75, is amended to read:

297A.75 REFUND; APPROPRIATION.

Subdivision 1. **TAX COLLECTED.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

- (1) capital equipment exempt under section 297A.68, subdivision 5;
- (2) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;
- (3) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;
- (4) building materials for correctional facilities under section 297A.71, subdivision 3;
- (5) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11; and
- (6) chair lifts, ramps, elevators, and associated building materials exempt under section 297A.71, subdivision 12;
- (7) building materials for the Long Lake Conservation Center exempt under section 297A.71, subdivision 17; and
- (8) materials, supplies, fixtures, furnishings, and equipment for a county law enforcement and family service center under section 297A.71, subdivision 26.

Subd. 2. **REFUND; ELIGIBLE PERSONS.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the

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exempt items must be paid to the applicant. Only the following persons may apply for the refund:

- (1) for subdivision 1, clauses (1) to (3), the applicant must be the purchaser;
- (2) for subdivision 1, ~~clause~~ clauses (4), (7), and (8), the applicant must be the governmental subdivision;
- (3) for subdivision 1, clause (5), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21; and
- (4) for subdivision 1, clause (6), the applicant must be the owner of the homestead property.

Subd. 3. **APPLICATION.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clause (4), (5), ~~or (6), (7), or (8)~~, the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

Subd. 4. **INTEREST.** Interest must be paid on the refund at the rate in section 270.76 from the date the refund claim is filed for taxes paid under subdivision 1, clauses (1) to (3), and (5), and from 60 days after the date the refund claim is filed with the commissioner for claims filed under subdivision 1, clauses (4) ~~and~~, (6), (7), and (8).

Subd. 5. **APPROPRIATION.** The amount required to make the refunds is annually appropriated to the commissioner.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 73. Minnesota Statutes 2000, section 297A.77, subdivision 1, is amended to read:

Subdivision 1. **COLLECTION OF TAX AT TIME OF SALE.** The tax must be stated and charged separately from the sales price ~~or charge for service~~ insofar as practicable and must be collected by the seller from the purchaser.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 74. Minnesota Statutes 2000, section 297A.80, is amended to read:

297A.80 TAXES IN OTHER STATES; OFFSET AGAINST USE TAX.

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

If an article of tangible personal property or an item listed in section 297A.63 has already been taxed by another state and any subdivision thereof for its sale, storage, use, or other consumption in an amount less than the tax imposed by this chapter, then as to the person who paid the tax in the other state or any subdivision thereof, section 297A.63 applies only at a rate measured by the difference between the rate imposed under section 297A.62 and the rate by which the previous tax was computed. If the tax imposed in the other state or any subdivision thereof is equal to or greater than the tax imposed in this state, then no tax is due from that person under section 297A.63. The credit shall be applied first against the amount of any use tax due the state, and any unused portion of the credit shall then be applied against any use tax due a subdivision.

EFFECTIVE DATE. This section is effective for sales and purchases occurring after December 31, 2001.

Sec. 75. Minnesota Statutes 2000, section 297A.86, subdivision 1, is amended to read:

Subdivision 1. **NOTICE OF REVOCATION; HEARINGS.** (a) If: (1) a person fails to comply with this chapter or the sales and use tax provisions of chapter 289A or the rules adopted under either chapter related to sales tax, or (2) any retailer purchases for resale from an unlicensed seller more than 20,000 cigarettes or \$500 or more worth of tobacco products, without reasonable cause, the commissioner may give the person 30 days' notice in writing, specifying the violations, and stating that based on the violations the commissioner intends to revoke the person's permit. The notice must also advise the person of the right to contest the revocation under this subdivision. It must also explain the general procedures for a contested case hearing under chapter 14. The notice may be served personally or by mail in the manner prescribed for service of an order of assessment.

(b) If the person does not request a hearing within 30 days after the date of the notice of intent, the commissioner may serve a notice of revocation of permit upon the person, and the permit is revoked. If a hearing is timely requested, and held, the permit is revoked after the commissioner serves an order of revocation of permit under section 14.62, subdivision 1.

EFFECTIVE DATE. This section is effective for violations occurring on or after August 1, 2001.

Sec. 76. Minnesota Statutes 2000, section 297A.89, subdivision 1, is amended to read:

Subdivision 1. **COMMISSIONER MAY PERMIT.** The commissioner may permit purchasers to pay taxes imposed by this chapter directly to the commissioner. Any taxes paid by purchasers under this section are considered use taxes, except for local sales taxes when no corresponding local use tax is imposed.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

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

Sec. 77. Minnesota Statutes 2000, section 297A.90, subdivision 1, is amended to read:

Subdivision 1. **REGISTRATION; RECORDS.** (a) A person who is engaged in interstate for-hire transportation of tangible personal property or passengers by motor vehicle may, under rules prescribed by the commissioner, register as a retailer and pay the taxes imposed by this chapter in accordance with this section. Any taxes paid under this section are use taxes, ~~except local sales taxes when no corresponding local use tax is imposed.~~

(b) As used in this section, "person" means:

(1) one who possesses a certificate or permit or has completed a registration process that authorizes for-hire transportation of property or passengers from the United States Department of Transportation, the transportation regulation board, or the department of transportation;

(2) one who transports commodities defined as "exempt" in for-hire transportation in interstate commerce; or

(3) one who transports tangible personal property in interstate commerce, pursuant to contracts with persons described in clause (1) or (2).

Persons qualifying under clause (2) or (3) must maintain on a current basis the same type of mileage records that are required by persons specified in clause (1) by the United States Department of Transportation.

(c) Persons who in the course of their business are transporting solely their own goods in interstate commerce may also register as retailers under rules prescribed by the commissioner and pay the taxes imposed by this chapter in accordance with this section.

EFFECTIVE DATE. This section is effective for taxes paid after June 30, 2001.

Sec. 78. Minnesota Statutes 2000, section 297A.91, subdivision 1, is amended to read:

Subdivision 1. **SEIZURE OF PROPERTY USED IN ILLEGAL TRANSPORT.** (a) If the retailer does not have a sales or use tax permit and has been engaging in transporting personal property into the state without payment of the tax, the commissioner of revenue or the commissioner's agents may seize in the name of the state any truck, automobile, or means of transportation not owned or operated by a ~~common~~ for-hire carrier, used in the illegal importation and transportation of any tangible personal property by a retailer or the retailer's agent or employee. The commissioner may demand the forfeiture and sale of the truck, automobile, or other means of transportation together with the property being transported illegally, unless the owner establishes to the satisfaction of the commissioner or the court that the owner had no notice or knowledge or reason to believe that the vehicle was used or intended to be used in any such violation.

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

(b) Within two days after the seizure, the person making the seizure shall deliver an inventory of the vehicle and property seized to the person from whom the seizure was made, if known, and to any person known or believed to have any right, title, interest, or lien on the vehicle or property. The person making the seizure shall also file a copy of the inventory with the commissioner.

EFFECTIVE DATE. This section is effective for seizures made after June 30, 2001.

Sec. 79. Minnesota Statutes 2000, section 297A.92, subdivision 2, is amended to read:

Subd. 2. **AUCTIONS OF SECURITY.** The commissioner may sell property deposited as security at public auction if necessary to recover the amount required to be collected, including any interest and penalties. Notice of the sale must be served upon the person who deposited the security. It must be served personally, or by mail as prescribed for the service of a notice of a deficiency an order of assessment under section 289A.37, subdivision 5. After a sale any surplus above the amount due not required as security under this section must be returned to the person who deposited the security.

EFFECTIVE DATE. This section is effective for auctions held after June 30, 2001.

Sec. 80. Minnesota Statutes 2000, section 297A.94, as amended by Laws 2001, chapter 185, section 33, is amended to read:

297A.94 DEPOSIT OF REVENUES.

(a) Except as provided in this section, the commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed by this chapter in the state treasury and credit them to the general fund.

(b) The commissioner shall deposit taxes in the Minnesota agricultural and economic account in the special revenue fund if:

(1) the taxes are derived from sales and use of property and services purchased for the construction and operation of an agricultural resource project; and

(2) the purchase was made on or after the date on which a conditional commitment was made for a loan guaranty for the project under section 41A.04, subdivision 3.

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 must 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) The commissioner shall deposit the revenues, including interest and penalties, derived from the taxes imposed on sales and purchases included in section 297A.61,

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

subdivision 16, paragraphs (b) and (f) 3, paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

(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 to the general fund.

(d) The commissioner shall deposit the revenues, including interest and penalties, collected under section 297A.64, subdivision 5, in the state treasury and credit them to the general fund. By July 15 of each year the commissioner shall transfer to the highway user tax distribution fund an amount equal to the excess fees collected under section 297A.64, subdivision 5, for the previous calendar year.

(e) For fiscal year 2001, 97 percent, and for fiscal year 2002 and thereafter, 87 percent of the revenues, including interest and penalties, transmitted to the commissioner under section 297A.65, must be deposited by the commissioner in the state treasury as follows:

(1) 50 percent of the receipts must be deposited in the heritage enhancement account in the game and fish fund, and may be spent only on activities that improve, enhance, or protect fish and wildlife resources, including conservation, restoration, and enhancement of land, water, and other natural resources of the state;

(2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only for state parks and trails;

(3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may be spent only on metropolitan park and trail grants;

(4) three percent of the receipts must be deposited in the natural resources fund, and may be spent only on local trail grants; and

(5) two percent of the receipts must be deposited in the natural resources fund, and may be spent only for the Minnesota zoological garden, the Como park zoo and conservatory, and the Duluth zoo.

(f) The revenue dedicated under paragraph (e) may not be used as a substitute for traditional sources of funding for the purposes specified, but the dedicated revenue shall supplement traditional sources of funding for those purposes. Land acquired with money deposited in the game and fish fund under paragraph (e) must be open to public hunting and fishing during the open season, except that in aquatic management areas or on lands where angling easements have been acquired, fishing may be prohibited during certain times of the year and hunting may be prohibited. At least 87 percent of the money deposited in the game and fish fund for improvement, enhancement, or protection of fish and wildlife resources under paragraph (e) must be allocated for field operations.

EFFECTIVE DATE. This section is effective for revenues deposited after June 30, 2001.

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

Sec. 81. Minnesota Statutes 2000, section 297A.99, subdivision 7, is amended to read:

Subd. 7. **EXEMPTIONS.** (a) All goods or services that are otherwise exempt from taxation under this chapter are exempt from a political subdivision's tax.

(b) The gross receipts from the sale of tangible personal property that meets the requirement of section 297A.68, subdivision ~~13~~ or 14 15, are exempt, except the qualification test applies based on the boundaries of the political subdivision instead of the state of Minnesota.

(c) All mobile transportation equipment, and parts and accessories attached to or to be attached to the equipment are exempt, if purchased by a holder of a motor carrier direct pay permit under section 297A.90.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2001.

Sec. 82. Minnesota Statutes 2000, section 297A.99, subdivision 9, is amended to read:

Subd. 9. **ENFORCEMENT; COLLECTION; AND ADMINISTRATION.** (a) The commissioner of revenue shall collect the taxes subject to this section. The commissioner may collect the tax with the state sales and use tax. All taxes under this section are subject to the same penalties, interest, and enforcement provisions as apply to the state sales and use tax.

(b) A request for a refund of state sales tax paid in excess of the amount of tax legally due includes a request for a refund of the political subdivision taxes paid on the goods or services. The commissioner shall refund to the taxpayer the full amount of the political subdivision taxes paid on exempt sales or use.

(c) ~~A political subdivision that is collecting and administering its own sales and use tax before January 1, 1998, may elect to be exempt from this subdivision and subdivision 11.~~

EFFECTIVE DATE. This section is effective January 1, 2003.

Sec. 83. Minnesota Statutes 2000, section 297A.99, subdivision 11, is amended to read:

Subd. 11. **REVENUES; COST OF COLLECTION.** The commissioner shall remit the proceeds of the tax, less refunds and a proportionate share of the cost of collection, at least quarterly, to the political subdivision. The commissioner shall deduct from the proceeds remitted an amount that equals

(1) the direct and indirect costs of the department to administer, audit, and collect the political subdivision's tax, plus

(2) the political subdivision's proportionate share of the indirect cost of administering all taxes under this section, plus

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(3) the cost of constructing and maintaining a zip code or geo-code data base necessary for local sales tax collections under the Streamlined Sales and Use Tax Agreement in section 297A.995.

The initial cost of constructing a data base under clause (3) shall be distributed among the cities with a local sales tax based on each city's population. The commissioner shall develop a method for distributing the cost of maintaining the data base among the cities with a local sales tax based on the number of boundary changes for each city.

EFFECTIVE DATE. This section is effective for payments to political subdivisions made after June 30, 2001, for costs incurred after June 30, 2001.

Sec. 84. [297A.995] UNIFORM SALES AND USE TAX ADMINISTRATION ACT.

Subdivision 1. TITLE. This section may be cited as the Uniform Sales and Use Tax Administration Act.

Subd. 2. DEFINITIONS. As used in this section:

(a) "Agreement" means the Streamlined Sales and Use Tax Agreement.

(b) "Certified automated system" means software certified jointly by the states that are signatories to the agreement to calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the appropriate state, and maintain a record of the transaction.

(c) "Certified service provider" means an agent certified jointly by the states that are signatories to the agreement to perform all of the seller's sales tax functions.

Subd. 3. LEGISLATIVE FINDING. The legislature finds that this state should enter into an agreement with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce.

Subd. 4. AUTHORITY TO ENTER AGREEMENT. The commissioner of revenue is authorized and directed to enter into the agreement with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and for all types of commerce. In furtherance of the agreement, the commissioner is authorized to act jointly with other states that are members of the agreement to establish standards for certification of a certified service provider and certified automated system and establish performance standards for multistate sellers.

The commissioner is further authorized to take other actions reasonably required to implement the provisions set forth in this article. Other actions authorized by this section include, but are not limited to, the adoption of rules and regulations and the joint procurement, with other member states, of goods and services in furtherance of the cooperative agreement.

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

The commissioner or the commissioner's designee is authorized to represent this state before the other states that are signatories to the agreement.

Subd. 5. RELATIONSHIP TO STATE LAW. No provision of the agreement authorized by this bill in whole or part invalidates or amends any provision of the law of this state. Adoption of the agreement by this state does not amend or modify any law of this state. Implementation of any condition of the agreement in this state, whether adopted before, at, or after membership of this state in the agreement, must be by the action of this state.

Subd. 6. AGREEMENT REQUIREMENTS. The commissioner of revenue shall not enter into the agreement unless the agreement requires each state to abide by the following requirements:

(a) UNIFORM STATE RATE. The agreement must set restrictions to achieve more uniform state rates through the following:

(1) limiting the number of state rates;

(2) eliminating maximums on the amount of state tax that is due on a transaction;
and

(3) eliminating thresholds on the application of state tax.

(b) UNIFORM STANDARDS. The agreement must establish uniform standards for the following:

(1) the sourcing of transactions to taxing jurisdictions;

(2) the administration of exempt sales;

(3) the allowances a seller can take for bad debts; and

(4) sales and use tax returns and remittances.

(c) UNIFORM DEFINITIONS. The agreement must require states to develop and adopt uniform definitions of sales and use tax terms. The definitions must enable a state to preserve its ability to make policy choices not inconsistent with the uniform definitions.

(d) CENTRAL REGISTRATION. The agreement must provide a central, electronic registration system that allows a seller to register to collect and remit sales and use taxes for all signatory states.

(e) NO NEXUS ATTRIBUTION. The agreement must provide that registration with the central registration system and the collection of sales and use taxes in the signatory states will not be used as a factor in determining whether the seller has nexus with a state for any tax.

(f) LOCAL SALES AND USE TAXES. The agreement must provide for reduction of the burdens of complying with local sales and use taxes through the following:

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

- (1) restricting and eliminating variances between the state and local tax bases;
- (2) requiring states to administer any sales and use taxes levied by local jurisdictions within the state so that sellers collecting and remitting these taxes will not have to register or file returns with, remit funds to, or be subject to independent audits from local taxing jurisdictions;
- (3) restricting the frequency of changes in the local sales and use tax rates and setting effective dates for the application of local jurisdictional boundary changes to local sales and use taxes; and
- (4) providing notice of changes in local sales and use tax rates and of changes in the boundaries of local taxing jurisdictions.
- (g) **MONETARY ALLOWANCES.** The agreement must outline any monetary allowances that are to be provided by the states to sellers or certified service providers.
- (h) **STATE COMPLIANCE.** The agreement must require each state to certify compliance with the terms of the agreement prior to joining and to maintain compliance, under the laws of the member state, with all provisions of the agreement while a member.
- (i) **CONSUMER PRIVACY.** The agreement must require each state to adopt a uniform policy for certified service providers that protects the privacy of consumers and maintains the confidentiality of tax information.
- (j) **ADVISORY COUNCILS.** The agreement must provide for the appointment of an advisory council of private sector representatives and an advisory council of nonmember state representatives to consult with in the administration of the agreement.

Subd. 7. COOPERATING SOVEREIGNS. The agreement authorized by this bill is an accord among individual cooperating sovereigns in furtherance of their governmental functions. The agreement provides a mechanism among the member states to establish and maintain a cooperative, simplified system for the application and administration of sales and use taxes under the duly adopted law of each member state.

Subd. 8. LIMITED BINDING AND BENEFICIAL EFFECT. (a) The agreement authorized by this bill binds and inures only to the benefit of this state and the other member states. No person, other than a member state, is an intended beneficiary of the agreement. Any benefit to a person other than a state is established by the law of this state and the other member states and not by the terms of the agreement.

(b) Consistent with paragraph (a), no person shall have any cause of action or defense under the agreement or by virtue of this state's approval of the agreement. No person may challenge, in any action brought under any provision of law, any action or inaction by any department, agency, or other instrumentality of this state, or any political subdivision of this state, on the ground that the action or inaction is inconsistent with the agreement.

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

(c) No law of this state, or its application, may be declared invalid as to any person or circumstance on the ground that the provision or application is inconsistent with the agreement.

Subd. 9. SELLER AND THIRD-PARTY LIABILITY. (a) A certified service provider is the agent of a seller, with whom the certified service provider has contracted, for the collection and remittance of sales and use taxes. As the seller's agent, the certified service provider is liable for sales and use tax due each member state on all sales transactions it processes for the seller except as set out in this section.

A seller that contracts with a certified service provider is not liable to the state for sales or use tax due on transactions processed by the certified service provider unless the seller misrepresented the type of items it sells or committed fraud. In the absence of probable cause to believe that the seller has committed fraud or made a material misrepresentation, the seller is not subject to audit on the transactions processed by the certified service provider. A seller is subject to audit for transactions not processed by the certified service provider. The member states acting jointly may perform a system check of the seller and review the seller's procedures to determine if the certified service provider's system is functioning properly and the extent to which the seller's transactions are being processed by the certified service provider.

(b) A person that provides a certified automated system is responsible for the proper functioning of that system and is liable to the state for underpayments of tax attributable to errors in the functioning of the certified automated system. A seller that uses a certified automated system remains responsible and is liable to the state for reporting and remitting tax.

(c) A seller that has a proprietary system for determining the amount of tax due on transactions and has signed an agreement establishing a performance standard for that system is liable for the failure of the system to meet the performance standard.

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

Sec. 85. Minnesota Statutes 2000, section 297B.03, is amended to read:

297B.03 EXEMPTIONS.

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.25, subdivision 18;

(2) purchase or use of any motor vehicle by any person who was a resident of another state at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota;

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

(3) purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.211;

(4) purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code of 1986, as amended through December 31, 1999;

(5) purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota based private or for hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce;

(6) purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs;

(7) purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144E.10;

(8) purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

(9) purchase of a ready-mixed concrete truck;

(10) purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks;

(11) purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, but only if the vehicle is:

(i) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose;

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405.

EFFECTIVE DATE. This section is effective for sales made after July 31, 2001.

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

Sec. 86. [297F.185] REVOCATION OF SALES AND USE TAX PERMITS.

If a retailer purchases for resale from an unlicensed seller more than 20,000 cigarettes or \$500 or more worth of tobacco products, the commissioner may revoke the person's sales and use tax permit as provided in section 297A.86.

EFFECTIVE DATE. This section is effective for violations occurring on or after August 1, 2001.

Sec. 87. Laws 1986, chapter 396, section 5, is amended to read:

Sec. 5. LIQUOR, LODGING, AND RESTAURANT TAXES.

The city may, by resolution, levy in addition to taxes authorized by other law:

(1) a sales tax of not more than three percent on the gross receipts on retail on-sales of intoxicating liquor and fermented malt beverages described in section 473.592 occurring in the downtown taxing area, provided that this tax may not be imposed if sales of intoxicating liquor and fermented malt beverages are exempt from taxation under chapter 297A;

(2) a sales tax of not more than three percent on the gross receipts from the furnishing for consideration of lodging described in section 473.592 by a hotel or motel which has more than 50 rooms available for lodging; the tax imposed under this clause shall be at a rate that, when added to the sum of the rate of the sales tax imposed under Minnesota Statutes, chapter 297A, the rate of the sales tax imposed under section 4, and the rate of any other taxes on lodging in the city of Minneapolis, equals ~~12~~ 13 percent; and

(3) a sales tax of not more than three percent on the gross receipts on all sales of food primarily for consumption on or off the premises by restaurants and places of refreshment as defined by resolution of the city that occur within the downtown taxing area.

These taxes shall be applied solely to pay costs of collection and to pay or secure the payment of any principal of, premium and interest on any bonds or any costs referred to in section 4, subdivision 3. The commissioner of revenue may enter into appropriate agreements with the city to provide for the collection of these taxes by the state on behalf of the city. The commissioner may charge the city a reasonable fee for its collection from the proceeds of any taxes. These taxes shall be subject to the same interest penalties and enforcement provisions as the taxes imposed under section 473.592.

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

Sec. 88. Laws 1999, chapter 243, article 4, section 19, is amended to read:

Sec. 19. EFFECTIVE DATES.

Sections 1, 2, 5, 7, 9, and 11 are effective for sales and purchases made after June 30, 1999.

Section 3 is effective for amended returns and refund claims filed on or after July 1, 1999.

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

Section 4 is effective the day following final enactment and applies retroactively to all open tax years and to assessments and appeals under Minnesota Statutes, sections 289A.38 and 289A.65, for which the time limits have not expired on the date of final enactment of this act. The provisions of Minnesota Statutes, section 289A.50, apply to refunds claimed under section 4. Refunds claimed under section 4 must be filed by the later of December 31, 1999, or the time limit under Minnesota Statutes, section 289A.40, subdivision 1.

Section 6 is effective retroactively for sales and purchases made after June 30, 1998.

Section 8 is effective for purchases and sales made after the date of final enactment.

Section 10 is effective for purchases made after the date of final enactment and before July 1, ~~2001~~ 2003.

Section 12 is effective the day after final enactment. Section 12, paragraphs (a) to (c), apply to all local sales taxes enacted after July 1, 1999. Section 12, paragraph (d), applies to all local sales taxes in effect at the time of, or imposed after the day of, the enactment of this section.

Section 13 is effective the day following final enactment.

EFFECTIVE DATE. This section is effective the day after final enactment.

Sec. 89. Laws 2000, chapter 490, article 8, section 17, the effective date, is amended to read:

EFFECTIVE DATE. This section is effective for sales and purchases made after January 1, 2000, and before December 31, ~~2000~~ 2001.

EFFECTIVE DATE. This section is effective the day following final enactment and applies retroactively to sales and purchases made on or after December 31, 2000.

Sec. 90. **PLAN FOR REPLACEMENT OF REVENUES RAISED BY CURRENT TAXES ON ALCOHOL.**

The commissioner of revenue, in consultation with interested parties from the alcohol beverage industry, shall prepare a plan to replace the current higher sales tax on liquor and beer under Minnesota Statutes, section 297A.62, subdivision 2, and the liquor tax under Minnesota Statutes, chapter 297G, with a single tax on liquor. The commissioner shall report the plan to the legislature by January 1, 2003. The plan should include recommendations for tax rates, tax base, and tax administration, and should be structured so that the revenue raised is equivalent to the revenue lost from the repeal of the current taxes. The plan should also, to the extent practical, mirror the current incidence of the tax as it relates to different types of liquor, and whether the liquor is consumed on-site or off-site.

EFFECTIVE DATE. This section is effective the day after final enactment.

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

Sec. 91. PLAN FOR REPLACEMENT OF REVENUES RAISED BY TAXES ON SHORT-TERM MOTOR VEHICLE RENTAL.

The commissioner of revenue, in consultation with interested parties from the industry, shall prepare a plan to replace the current sales tax on short-term motor vehicle rentals under Minnesota Statutes, section 297A.64, with a single tax or fee on motor vehicle rentals. The commissioner shall report the plan to the legislature by January 1, 2003. The plan should include recommendations for tax rates, tax base, and tax administration, and should be structured so that the state revenue raised is equivalent to the state revenue lost from the repeal of the current taxes.

EFFECTIVE DATE. This section is effective the day after final enactment.

Sec. 92. DIRECTIONS TO COMMISSIONER OF REVENUE.

The commissioner of revenue shall request that the member states of the Streamlined Sales and Use Tax Agreement adopt at their earliest convenience a uniform definition of clothing made from fur.

Sec. 93. INSTRUCTIONS TO REVISOR.

(a) In the next edition of Minnesota Statutes, the revisor of statutes shall put the definitions in section 297A.68, subdivision 5, paragraph (d), in alphabetical order and correct any references to the reordered definitions.

(b) In the next edition of Minnesota Statutes, the revisor of statutes shall renumber section 297A.68, subdivision 27, as 297A.67, subdivision 26, and correct any references to the renumbered section.

Sec. 94. APPROPRIATIONS.

\$1,701,500 is appropriated in fiscal year 2002 from the general fund to the commissioner of revenue to administer this article. \$1,125,000 is appropriated in fiscal year 2003 from the general fund to the commissioner of revenue to administer this article. These are one-time appropriations. If the commissioner determines that an appropriation is needed for this purpose in fiscal year 2004 and beyond, it must be presented as a change request.

Sec. 95. REPEALER.

(a) Minnesota Statutes 2000, sections 297A.61, subdivision 16; 297A.68, subdivision 21; and 297A.71, subdivisions 2 and 16, are repealed effective for sales and purchases occurring after June 30, 2001, except that the repeal of section 297A.61, subdivision 16, paragraph (d), is effective for sales and purchases occurring after July 31, 2001.

(b) Minnesota Statutes 2000, sections 297A.62, subdivision 2, and 297A.64, subdivision 1, are repealed effective for sales and purchases made after December 31, 2005.

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

(c) Minnesota Statutes 2000, section 297A.71, subdivision 15, is repealed effective for sales and purchases made after June 30, 2002.

(d) Minnesota Statutes 2000, section 289A.60, subdivision 15, is repealed effective for liabilities after January 1, 2003.

ARTICLE 13

SPECIAL TAXES

Section 1. Minnesota Statutes 2000, section 69.021, subdivision 5, is amended to read:

Subd. 5. **CALCULATION OF STATE AID.** (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 7, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount shall be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

The total amount for apportionment in respect to fire state aid must not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations; and

(2) one percent of the premiums reported by town and farmers' mutual insurance companies and mutual property and casualty companies with total assets of \$5,000,000 or less.

(b) The total amount for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report, plus the payment amounts received under section 60A.152 since the last aid apportionment, and reduced by the amount required to pay the costs and expenses of the state auditor for audits or exams of police relief associations. The total amount for apportionment in respect to the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report after subtracting the amount required to pay the state auditor's cost and expenses of the audits or exams of the police relief associations.

(c) The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid

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using the same premiums as a basis for comparison.

(d) The amount for apportionment in respect to peace officer state aid under paragraph (b) must be further reduced by \$1,779,000 in fiscal year 1999, \$2,077,000 in fiscal year 2000, and \$2,404,000 in fiscal year 2001. These reductions in this paragraph cancel to the general fund.

(e) The amount for apportionment of police state aid under paragraph (b) is annually increased by an amount equal to the revenues under the tax on automobile risk self-insurance under Minnesota Statutes 2000, section 297I.05, subdivision 8, that were collected in fiscal year 2001. An amount sufficient to pay this increase is annually appropriated from the general fund.

EFFECTIVE DATE. This section is effective beginning with fiscal year 2002.

Sec. 2. Minnesota Statutes 2000, section 168.013, subdivision 1a, is amended to read:

Subd. 1a. **PASSENGER AUTOMOBILE; HEARSE.** (a) On passenger automobiles as defined in section 168.011, subdivision 7, and hearses, except as otherwise provided, the tax shall be \$10 plus an additional tax equal to 1.25 percent of the base value.

(b) Subject to the classification provisions herein, "base value" means the manufacturer's suggested retail price of the vehicle including destination charge using list price information published by the manufacturer or determined by the registrar if no suggested retail price exists, and shall not include the cost of each accessory or item of optional equipment separately added to the vehicle and the suggested retail price.

(c) If the manufacturer's list price information contains a single vehicle identification number followed by various descriptions and suggested retail prices, the registrar shall select from those listings only the lowest price for determining base value.

(d) If unable to determine the base value because the vehicle is specially constructed, or for any other reason, the registrar may establish such value upon the cost price to the purchaser or owner as evidenced by a certificate of cost but not including Minnesota sales or use tax or any local sales or other local tax.

(e) The registrar shall classify every vehicle in its proper base value class as follows:

FROM	TO
\$ 0	\$199.99
200	399.99

and thereafter a series of classes successively set in brackets having a spread of \$200 consisting of such number of classes as will permit classification of all vehicles.

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(f) The base value for purposes of this section shall be the middle point between the extremes of its class.

(g) The registrar shall establish the base value, when new, of every passenger automobile and hearse registered prior to the effective date of Extra Session Laws 1971, chapter 31, using list price information published by the manufacturer or any nationally recognized firm or association compiling such data for the automotive industry. If unable to ascertain the base value of any registered vehicle in the foregoing manner, the registrar may use any other available source or method. The tax on all previously registered vehicles shall be computed upon the base value thus determined taking into account the depreciation provisions of paragraph (h).

(h) ~~Except as provided in paragraph (i),~~ The annual additional tax computed upon the base value as provided herein, during the first and second years of vehicle life shall be computed upon 100 percent of the base value; for the third and fourth years, 90 percent of such value; for the fifth and sixth years, 75 percent of such value; for the seventh year, 60 percent of such value; for the eighth year, 40 percent of such value; for the ninth year, 30 percent of such value; for the tenth year, ten percent of such value; for the 11th and each succeeding year, the sum of \$25.

In no event shall the annual additional tax be less than \$25. The total tax under this subdivision shall not exceed \$189 for the first renewal period and shall not exceed \$99 for subsequent renewal periods. The total tax under this subdivision on any vehicle filing its initial registration in Minnesota in the second year of vehicle life shall not exceed \$189 and shall not exceed \$99 for subsequent renewal periods. The total tax under this subdivision on any vehicle filing its initial registration in Minnesota in the third or subsequent year of vehicle life shall not exceed \$99 and shall not exceed \$99 in any subsequent renewal period.

~~(i) The annual additional tax under paragraph (h) on a motor vehicle on which the first annual tax was paid before January 1, 1990, must not exceed the tax that was paid on that vehicle the year before. As used in sections 168.013, subdivision 1a and 168.017, the following terms have the meanings given: "initial registration" means the 12 consecutive month calendar period from the day of first registration of a vehicle in Minnesota; and "renewal periods" means the 12 consecutive calendar month periods following the initial registration period.~~

EFFECTIVE DATE. This section is effective for first registrations in Minnesota occurring on or after August 1, 2001, and for renewals of registrations that have been assigned expiration dates of September 2001 or later.

Sec. 3. Minnesota Statutes 2000, section 168.017, subdivision 3, is amended to read:

Subd. 3. **EXCEPTIONS.** (a) The registrar shall register all vehicles subject to registration under the monthly series system for a period of 12 consecutive calendar months, unless:

- (1) the application is an original rather than renewal application; or

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(2) the applicant is a licensed motor vehicle lessor under section 168.27, in which case the applicant may apply for original initial or renewed registration of a vehicle for a period of four or more months, the month of expiration to be designated by the applicant at the time of registration. However, to qualify for this exemption, the applicant must present the application to the registrar at St. Paul, or at deputy registrar offices as the registrar may designate.

(b) In any instance except that of a licensed motor vehicle lessor, the registrar shall not approve registering the vehicle subject to the application for a period of less than three months, except when the registrar determines that to do otherwise will help to equalize the registration and renewal work load of the department.

EFFECTIVE DATE. This section is effective for first registrations in Minnesota occurring on or after August 1, 2001, and for renewals of registrations that have been assigned expiration dates of September 2001 or later.

Sec. 4. Minnesota Statutes 2000, section 239.101, subdivision 3, is amended to read:

Subd. 3. **PETROLEUM INSPECTION FEE.** A person who owns petroleum products held in storage at a pipeline terminal, river terminal, or refinery shall pay a petroleum inspection fee of 85 cents for every 1,000 gallons sold or withdrawn from the terminal or refinery storage. An inspection fee is imposed on petroleum products when received by the first licensed distributor, and on petroleum products received and held for sale or use by any person when the petroleum products have not previously been received by a licensed distributor. The petroleum inspection fee is 85 cents for every 1,000 gallons received. The commissioner of revenue shall collect the fee. The revenue from the fee must first be applied to cover the amounts appropriated for petroleum product quality inspection expenses, for the inspection and testing of petroleum product measuring equipment, and for petroleum supply monitoring under chapter 216C.

The commissioner of revenue shall credit a person for inspection fees previously paid in error or for any material exported or sold for export from the state upon filing of a report as prescribed by the commissioner of revenue. The commissioner of revenue may collect the inspection fee along with any taxes due under chapter 296A.

EFFECTIVE DATE. This section is effective for petroleum products received on or after August 1, 2001.

Sec. 5. Minnesota Statutes 2000, section 296A.07, subdivision 4, is amended to read:

Subd. 4. ~~TRANSIT SYSTEM EXEMPT EXEMPTIONS.~~ The provisions of subdivision 1 do not apply to gasoline purchased by:

- (1) a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384; or
- (2) an ambulance service licensed under chapter 144E.

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EFFECTIVE DATE. This section is effective for sales and purchases made after July 31, 2001.

Sec. 6. Minnesota Statutes 2000, section 296A.08, subdivision 3, is amended to read:

Subd. 3. **TRANSIT SYSTEM EXEMPT EXEMPTIONS.** The provisions of subdivisions 1 and 2 do not apply to special fuel or alternative fuels purchased by:

(1) a transit system or transit provider receiving financial assistance or reimbursement under section 174.24, 256B.0625, subdivision 17, or 473.384; or

(2) an ambulance service licensed under chapter 144E.

EFFECTIVE DATE. This section is effective for sales and purchases made after July 31, 2001.

Sec. 7. Minnesota Statutes 2000, section 296A.15, subdivision 1, is amended to read:

Subdivision 1. **MONTHLY GASOLINE REPORT; SHRINKAGE ALLOWANCE.** (a) Except as provided in paragraph (e), on or before the 23rd day of each month, every person who is required to pay a gasoline tax shall file with the commissioner a report, in the form and manner prescribed by the commissioner, showing the number of gallons of petroleum products received by the reporter during the preceding calendar month, and other information the commissioner may require. A written report is deemed to have been filed as required in this subdivision if postmarked on or before the 23rd day of the month in which the tax is payable.

(b) The number of gallons of gasoline must be reported in United States standard liquid gallons, 231 cubic inches, except that the commissioner may upon written application and for cause shown permit the distributor to report the number of gallons of gasoline as corrected to a temperature of 60-degrees Fahrenheit. If the application is granted, all gasoline covered in the application and allowed by the commissioner must continue to be reported by the distributor on the adjusted basis for a period of one year from the date of the granting of the application. The number of gallons of petroleum products other than gasoline must be reported as originally invoiced. Each report must show separately the number of gallons of aviation gasoline received by the reporter during each calendar month.

(c) Each report must also include the amount of gasoline tax on gasoline received by the reporter during the preceding month. In computing the tax a deduction of three 2.5 percent of the quantity of gasoline received by a distributor shall be made for evaporation and loss. At the time of reporting, the reporter shall submit satisfactory evidence that one-third of the ~~three~~ 2.5 percent deduction has been credited or paid to dealers on quantities sold to them.

(d) Each report shall contain a confession of judgment for the amount of the tax shown due to the extent not timely paid.

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(e) Under certain circumstances and with the approval of the commissioner, taxpayers may be allowed to file reports annually.

EFFECTIVE DATE. This section is effective for reports due on or after August 1, 2001.

Sec. 8. Minnesota Statutes 2000, section 297H.04, is amended by adding a subdivision to read:

Subd. 4. **DISPOSAL WITH MIXED WASTE; RATE.** Nonmixed municipal solid waste that is separately collected or processed, but is disposed of within the permitted boundaries of a land disposal facility that is also actively accepting and disposing of mixed municipal solid waste, shall be taxed at the rate for mixed municipal solid waste, unless the facility owner and operator can demonstrate a physical separation between the mixed municipal solid waste disposal area and nonmixed municipal solid waste disposal area, such that any air or liquid emissions being collected from the disposal areas are collected separately.

EFFECTIVE DATE. This section is effective for waste disposed of after July 31, 2001.

Sec. 9. Minnesota Statutes 2000, section 297H.06, is amended by adding a subdivision to read:

Subd. 3. **CONSTRUCTION DEBRIS IN A DISASTER AREA.** The tax is not imposed on construction debris generated from repair and demolition activities caused by a disaster occurring in a presidentially declared disaster area, provided that the construction debris is disposed of in a waste management facility designated by the commissioner of the pollution control agency. To be exempt, the debris must be disposed of within 18 months following the presidential declaration.

EFFECTIVE DATE. This section is effective for disaster areas declarations made after April 15, 2001.

Sec. 10. Minnesota Statutes 2000, section 297I.40, subdivision 1, is amended to read:

Subdivision 1. **REQUIREMENT TO PAY.** On or before April 15, June 15, September 15, and December 15 of each year 15 of the current year, every taxpayer subject to tax under section 297I.05, subdivisions 1 to 6, and 12, paragraphs (a), clauses (1) to (5), (b), and (e), must pay to the commissioner an installment equal to ~~one-third~~ one-fourth of the insurer's total estimated tax for the current year.

EFFECTIVE DATE. This section is effective for payments required to be made after December 31, 2001.

Sec. 11. Minnesota Statutes 2000, section 297I.40, subdivision 2, is amended to read:

Subd. 2. **AMOUNT OF REQUIRED INSTALLMENT.** The amount of any required installment is ~~one-third~~ one-fourth of the lesser of

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- (1) 80 percent of the tax imposed for the current year, or
- (2) 100 percent of the tax paid for the previous year.

EFFECTIVE DATE. This section is effective for payments required to be made after December 31, 2001.

Sec. 12. Minnesota Statutes 2000, section 297I.40, subdivision 7, is amended to read:

Subd. 7. **APRIL MARCH ESTIMATED PAYMENT.** A taxpayer who claims a refund of an overpayment on an original return may elect to have all or any portion of the overpayment applied as a credit to the ~~April 1~~ March 15 estimated tax payment for the year following the year of the return. The credit is considered applied on ~~April 1~~ March 15. Notwithstanding section 297I.80, the amount credited does not bear interest.

EFFECTIVE DATE. This section is effective for payments required to be made after December 31, 2001.

Sec. 13. Minnesota Statutes 2000, section 349.19, subdivision 2a, is amended to read:

Subd. 2a. **TAX REFUND OR CREDIT.** (a) Each organization that receives a refund or credit under section 297E.02, subdivision 4, paragraph (d), must within four business days of receiving a refund under that paragraph deposit the refund in the organization's gambling account.

(b) ~~In addition, each organization must annually calculate 5.26 percent of the sum of the amount of tax it paid under:~~

(1) ~~section 297E.02, subdivision 4, on gross receipts, less prizes paid, after August 1, 1998; and~~

(2) ~~section 297E.02, subdivision 6, on combined receipts received after August 1, 1998.~~

(c) ~~The calculated amount must be reported to the board on a form prescribed by the board by March 20 of the year after the calendar year for which the calculated amount is made. The calculated amount must be filed as part of the organization's report of expenditure of profits from lawful gambling required under section 349.19, subdivision 5.~~

(d) ~~The organization may expend the tax refund or credit issued under section 297E.02, subdivision 4, paragraph (d), plus the amount calculated under paragraph (b), only for lawful purposes, other than lawful purposes described in section 349.12, subdivision 25, paragraph (a), clauses (8), (9), and (12). Amounts subject to this paragraph must be spent for qualifying lawful purposes no later than one year after the refund or credit is received or the tax savings calculated under paragraph (b).~~

EFFECTIVE DATE. This section is effective July 1, 2001.

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Sec. 14. APPROPRIATION.

\$140,000 for fiscal year 2002 is appropriated from the highway user tax distribution fund to the commissioner of revenue for systems modifications associated with petroleum tax reform.

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

Sec. 15. REPEALER.

Minnesota Statutes 2000, sections 297I.05, subdivision 8; and 297I.30, subdivision 3, are repealed effective for calendar years beginning after December 31, 1999.

ARTICLE 14**MINNESOTACARE TAXES**

Section 1. Minnesota Statutes 2000, section 256L.02, subdivision 3, is amended to read:

Subd. 3. **FINANCIAL MANAGEMENT.** (a) The commissioner shall manage spending for the MinnesotaCare program in a manner that maintains a minimum reserve ~~in accordance with section 16A.76.~~ As part of each state revenue and expenditure forecast, the commissioner must make an assessment of the expected expenditures for the covered services for the remainder of the current biennium and for the following biennium. The estimated expenditure, including the reserve requirements described in section 16A.76, shall be compared to an estimate of the revenues that will be available in the health care access fund. Based on this comparison, and after consulting with the chairs of the house ways and means committee and the senate finance committee, and the legislative commission on health care access, the commissioner shall, as necessary, make the adjustments specified in paragraph (b) to ensure that expenditures remain within the limits of available revenues for the remainder of the current biennium and for the following biennium. The commissioner shall not hire additional staff using appropriations from the health care access fund until the commissioner of finance makes a determination that the adjustments implemented under paragraph (b) are sufficient to allow MinnesotaCare expenditures to remain within the limits of available revenues for the remainder of the current biennium and for the following biennium.

(b) The adjustments the commissioner shall use must be implemented in this order: first, stop enrollment of single adults and households without children; second, upon 45 days' notice, stop coverage of single adults and households without children already enrolled in the MinnesotaCare program; third, upon 90 days' notice, decrease the premium subsidy amounts by ten percent for families with gross annual income above 200 percent of the federal poverty guidelines; fourth, upon 90 days' notice, decrease the premium subsidy amounts by ten percent for families with gross annual income at or below 200 percent; and fifth, require applicants to be uninsured for at least

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six months prior to eligibility in the MinnesotaCare program. If these measures are insufficient to limit the expenditures to the estimated amount of revenue, the commissioner shall further limit enrollment or decrease premium subsidies.

Sec. 2. Minnesota Statutes 2000, section 295.50, subdivision 3, is amended to read:

Subd. 3. **GROSS REVENUES.** "Gross revenues" are total amounts received in money or otherwise by:

- (1) a hospital for patient services;
- (2) a surgical center for patient services;

(3) a health care provider, other than a staff model health carrier, for patient services;

(4) a wholesale drug distributor for sale or distribution of legend drugs that are delivered in Minnesota by the wholesale drug distributor, by common carrier, or by mail, unless the legend drugs are delivered to another wholesale drug distributor who sells legend drugs exclusively at wholesale. Legend drugs do not include nutritional products as defined in Minnesota Rules, part 9505.0325; and

(5) a staff model health plan company as gross premiums for enrollees, copayments, deductibles, coinsurance, and fees for patient services covered under its contracts with groups and enrollees.

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

Sec. 3. Minnesota Statutes 2000, section 295.50, subdivision 4, is amended to read:

Subd. 4. **HEALTH CARE PROVIDER.** (a) "Health care provider" means:

(1) a person whose health care occupation is regulated or required to be regulated by the state of Minnesota furnishing any or all of the following goods or services directly to a patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, laboratory, diagnostic or therapeutic services;

(2) a person who provides goods and services not listed in clause (1) that qualify for reimbursement under the medical assistance program provided under chapter 256B;

(3) a staff model health plan company;

(4) an ambulance service required to be licensed; or

(5) a person who sells or repairs hearing aids and related equipment or prescription eyewear.

(b) Health care provider does not include:

(1) hospitals; medical supplies distributors, except as specified under paragraph (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other

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jurisdiction; pharmacies; surgical centers; bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed; supervised living facilities for persons with mental retardation or related conditions, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900; residential care homes licensed under chapter 144B; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services; adult foster homes as defined in Minnesota Rules, part 9555.5105; day training and habilitation services for adults with mental retardation and related conditions as defined in section 252.41, subdivision 3; and boarding care homes, as defined in Minnesota Rules, part 4655.0100; and adult day care centers as defined in Minnesota Rules, part 9555.9600;

(2) home health agencies as defined in Minnesota Rules, part 9505.0175, subpart 15; a person providing personal care services and supervision of personal care services as defined in Minnesota Rules, part 9505.0335; a person providing private duty nursing services as defined in Minnesota Rules, part 9505.0360; and home care providers required to be licensed under chapter 144A;

(3) a person who employs health care providers solely for the purpose of providing patient services to its employees; and

(4) an educational institution that employs health care providers solely for the purpose of providing patient services to its students if the institution does not receive fee for service payments or payments for extended coverage.

EFFECTIVE DATE. This section is effective for gross revenues received on or after January 1, 2002.

Sec. 4. Minnesota Statutes 2000, section 295.50, subdivision 15, is amended to read:

Subd. 15. **LEGEND DRUG.** "Legend drug" means a legend drug as defined in section 151.01, subdivision 17 that is required by federal law to bear one of the following statements: "Caution: Federal law prohibits dispensing without prescription" or "Rx only".

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

Sec. 5. Minnesota Statutes 2000, section 295.52, subdivision 4, is amended to read:

Subd. 4. **USE TAX; PRESCRIPTION DRUGS.** (a) A person that receives prescription drugs for resale or use in Minnesota, other than from a wholesale drug distributor that ~~paid the~~ is subject to tax under subdivision 3, is subject to a tax equal to the price paid to the wholesale drug distributor multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received or delivered in Minnesota by the person.

(b) A person that receives prescription drugs for use in Minnesota from a nonresident pharmacy required to be registered under section 151.19 is subject to a tax

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equal to the price paid by the nonresident pharmacy to the wholesale drug distributor or the price received by the nonresident pharmacy, whichever is lower, multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received in Minnesota by the person.

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

Sec. 6. Minnesota Statutes 2000, section 295.52, subdivision 7, is amended to read:

Subd. 7. **TAX REDUCTION.** Notwithstanding subdivisions 1, 1a, 2, 3, and 4, the tax imposed under this section equals for calendar years 1998, ~~1999, 2000, and 2001~~ to 2003, 1.5 percent of the gross revenues received on or after January 1, 1998, and before January 1, ~~2002~~ 2004.

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

Sec. 7. Minnesota Statutes 2000, section 295.57, subdivision 1, is amended to read:

Subdivision 1. **APPLICATION OF OTHER CHAPTERS.** Unless specifically provided otherwise by sections 295.50 to 295.59, the enforcement, interest, and penalty provisions under chapter 294, appeal provisions in sections 289A.43 and 289A.65, criminal penalties in section 289A.63, and refunds provisions in section 289A.50 chapter 289A, civil penalty provisions applicable to withholding and sales taxes under section 289A.60, and collection and rulemaking provisions under chapter 270, apply to a liability for the taxes imposed under sections 295.50 to 295.59.

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

Sec. 8. Minnesota Statutes 2000, section 297I.05, subdivision 5, is amended to read:

Subd. 5. **HEALTH MAINTENANCE ORGANIZATIONS, NONPROFIT HEALTH SERVICE PLAN CORPORATIONS, AND COMMUNITY INTEGRATED SERVICE NETWORKS.** (a) Health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations are exempt from the tax imposed under this section for premiums received in calendar years 2001 and ~~2002~~ to 2003.

(b) For calendar years after ~~2002~~ 2003, a tax is imposed on health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations. The rate of tax is equal to one percent of gross premiums less return premiums received in the calendar year.

(c) In approving the premium rates as required in sections 62L.08, subdivision 8, and 62A.65, subdivision 3, the commissioners of health and commerce shall ensure that any exemption from tax as described in paragraph (a) is reflected in the premium rate.

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(d) The commissioner shall deposit all revenues, including penalties and interest, collected under this chapter from health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations in the health care access fund. Refunds of overpayments of tax imposed by this subdivision must be paid from the health care access fund. There is annually appropriated from the health care access fund to the commissioner the amount necessary to make any refunds of the tax imposed under this subdivision.

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

Sec. 9. REPEALER; FEDERAL RESERVE.

Minnesota Statutes 2000, section 16A.76, is repealed.

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

ARTICLE 15

LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 2000, section 276A.01, subdivision 3, is amended to read:

Subd. 3. **COMMERCIAL-INDUSTRIAL PROPERTY.** "Commercial-industrial property" means the following categories of property, as defined in section 273.13, excluding that portion of the property (i) that may, by law, constitute the tax base for a tax increment pledged pursuant to section 469.042 or 469.162 or sections 469.174 to 469.178, certification of which was requested prior to May 1, 1996, to the extent and while the tax increment is so pledged; or (ii) that is exempt from taxation under section 272.02:

(1) that portion of class 5 property consisting of unmined iron ore and low-grade iron-bearing formations as defined in section 273.14, tools, implements, and machinery, except the portion of high voltage transmission lines, the value of which is deducted from net tax capacity under section 273.425; and

(2) that portion of class 3 and class 5 property which is either used or zoned for use for any commercial or industrial purpose, except for such property which is, or, in the case of property under construction, will when completed be used exclusively for residential occupancy and the provision of services to residential occupants thereof. Property must be considered as used exclusively for residential occupancy only if each of not less than 80 percent of its occupied residential units is, or, in the case of property under construction, will when completed be occupied under an oral or written agreement for occupancy over a continuous period of not less than 30 days.

If the classification of property prescribed by section 273.13 is modified by legislative amendment, the references in this subdivision are to the successor class or

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classes of property, or portions thereof, that include the kinds of property designated in this subdivision.

EFFECTIVE DATE. This section is effective retroactive to July 1, 1997, for taxes levied in 1997, payable in 1998, and subsequent years.

Sec. 2. Minnesota Statutes 2000, section 469.169, is amended by adding a subdivision to read:

Subd. 15. ADDITIONAL BORDER CITY ALLOCATIONS. In addition to tax reductions authorized in subdivisions 7 to 14, the commissioner shall allocate \$1,500,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Any portion of the allocation provided in this section may alternatively be used for tax reductions under section 469.1732 or 469.1734. If, at the end of the biennium, the total amount allowable under this section has not been expended, a city that has expended its allocation may submit a request for an additional allocation for qualifying reductions from the amount remaining. If more than one city exceeds their allocation and the additional qualifying amounts exceed the balance remaining, the commissioner shall allocate the amount remaining to each qualifying city in proportion to its request for additional allocation. Limitations on allocations under subdivision 7 do not apply to this allocation.

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

Sec. 3. Minnesota Statutes 2000, section 469.174, subdivision 3, is amended to read:

Subd. 3. **BONDS.** "Bonds" means any bonds, including refunding bonds, notes, interim certificates, debentures, interfund loans or advances, or other obligations issued by an authority under section 469.178 or which were issued in aid of a project under any other law, except revenue bonds issued pursuant to sections 469.152 to 469.165, prior to August 1, 1979.

EFFECTIVE DATE. This section is effective for loans and advances made after July 31, 2001, and to districts with requests for certification made after July 31, 1979. Interfund loans and advances made before August 1, 2001, are ratified and approved, subject to the following restrictions: (1) the interest accrued or paid after July 31, 2001, may not exceed the limit in this section and (2) if there is no resolution or other document created contemporaneously with the making of the loan or advance that specifies the principal amount of the loan or advance, the principal amount of the loan or advance is limited to a maximum amount equal to the largest negative cash balance that existed at any time in the fund that received the undocumented loan or advance.

New language is indicated by underline, deletions by strikeout.

An authority or municipality may modify the terms of an interfund loan or advance made before August 1, 2001, to comply with any of the requirements of this section as the authority or municipality deems appropriate.

Sec. 4. Minnesota Statutes 2000, 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 or more of the following conditions, reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other improvements similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) 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

(3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:

(i) have or had a capacity of more than 1,000,000 gallons;

(ii) are located adjacent to rail facilities; and

(iii) have been removed or are unused, underused, inappropriately used, or infrequently used.

(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) A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission

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from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard. Items of evidence that support such a conclusion include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1).

(d) A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) if all of the following conditions are met:

(1) the parcel was occupied by a substandard building within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;

(2) the substandard building was demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;

(3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building and that after demolition and clearance the authority intended to include the parcel within a district; and

(4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by section 469.177, subdivision 1, paragraph (h).

(e) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other improvements similar structures unless 15 percent of the area of the parcel contains improvements buildings, streets, utilities, paved or gravel parking lots, or other similar structures.

(f) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after July 31, 2001.

Sec. 5. Minnesota Statutes 2000, section 469.174, subdivision 10a, is amended to read:

Subd. 10a. **RENEWAL AND RENOVATION DISTRICT.** (a) "Renewal and renovation 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:

(1)(i) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other improvements similar structures; (ii) 20 percent of the buildings are structurally substandard; and (iii) 30

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percent of the other buildings require substantial renovation or clearance to remove existing conditions such 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; and

(2) the conditions described in clause (1) are reasonably distributed throughout the geographic area of the district.

(b) For purposes of determining whether a building is structurally substandard, whether parcels are occupied by buildings, streets, utilities, paved or gravel parking lots, or other improvements similar structures, or whether noncontiguous areas qualify, the provisions of subdivision 10, paragraphs ~~(b), (c), (e), and (f)~~ apply.

EFFECTIVE DATE. This section is effective for districts for which the requests for certification are made after June 30, 1997, except the provision requiring parcels to be occupied by structures is effective for districts for which the request for certification is made after July 31, 2001.

Sec. 6. Minnesota Statutes 2000, section 469.174, subdivision 12, is amended to read:

Subd. 12. **ECONOMIC DEVELOPMENT DISTRICT.** "Economic development district" means a type of tax increment financing district which consists of any project, or portions of a project, ~~not meeting the requirements found in the definition of redevelopment district, renewal and renovation district, soils condition district, or housing district,~~ but which the authority finds to be in the public interest because:

(1) it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or

(2) it will result in increased employment in the state; or

(3) it will result in preservation and enhancement of the tax base of the state.

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after July 31, 2001.

Sec. 7. Minnesota Statutes 2000, section 469.175, subdivision 1, is amended to read:

Subdivision 1. **TAX INCREMENT FINANCING PLAN.** ~~(a)~~ A tax increment financing plan shall contain:

(1) a statement of objectives of an authority for the improvement of a project;

(2) a statement as to the development program for the project, including the property within the project, if any, that the authority intends to acquire;

(3) a list of any development activities that the plan proposes to take place within the project, for which contracts have been entered into at the time of the preparation of the plan, including the names of the parties to the contract, the activity governed by

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the contract, the cost stated in the contract, and the expected date of completion of that activity;

(4) identification or description of the type of any other specific development reasonably expected to take place within the project, and the date when the development is likely to occur;

(5) estimates of the following:

(i) cost of the project, including administration expenses;

(ii) amount of bonded indebtedness to be incurred;

(iii) sources of revenue to finance or otherwise pay public costs;

(iv) the most recent net tax capacity of taxable real property within the tax increment financing district and within any subdistrict;

(v) the estimated captured net tax capacity of the tax increment financing district at completion; and

(vi) the duration of the tax increment financing district's and any subdistrict's existence;

(6) statements of the authority's alternate estimates of the impact of tax increment financing on the net tax capacities of all taxing jurisdictions in which the tax increment financing district is located in whole or in part. For purposes of one statement, the authority shall assume that the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district, and for purposes of the second statement, the authority shall assume that none of the estimated captured net tax capacity would be available to the taxing jurisdictions without creation of the district or subdistrict;

(7) identification and description of studies and analyses used to make the determination set forth in subdivision 3, clause (2); and

(8) identification of all parcels to be included in the district or any subdistrict.

(b) For a housing district, redevelopment district, or a hazardous substance subdistrict, the authority may elect in the tax increment financing plan to provide for the identification of a minimum market value in the plan, development agreement, or assessment agreement, and provide that increment is first received by the authority when (1) the market value of the improvements as determined by the assessor reaches or exceeds the minimum market value, or (2) four years has elapsed from the date of certification of the original net tax capacity of the taxable real property in the district or subdistrict by the county auditor, whichever is earlier.

EFFECTIVE DATE. This section is effective for requests for certification of tax increment financing districts received after July 31, 2001.

Sec. 8. Minnesota Statutes 2000, section 469.175, is amended by adding a subdivision to read:

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Subd. 4a. FILING PLAN WITH STATE. (a) The authority must file a copy of the tax increment financing plan and amendments to the plan with the commissioner of revenue. The authority must also file a copy of the development plan or the project plan for the project area with the commissioner of revenue. The commissioner of revenue shall provide a copy of a plan to the state auditor upon request.

(b) Filing under this subdivision must be made within 60 days after the latest of:

(1) the filing of the request for certification of the district;

(2) approval of the plan by the municipality; or

(3) adoption of the plan by the authority.

EFFECTIVE DATE. This section is effective for plans and amendments approved after July 1, 2000.

Sec. 9. Minnesota Statutes 2000, section 469.175, subdivision 6b, is amended to read:

Subd. 6b. DURATION OF DISCLOSURE AND REPORTING REQUIREMENTS. The disclosure and reporting requirements imposed by subdivisions 5, and 6, and 6a apply with respect to a tax increment financing district beginning with the annual disclosure and reports for the year in which the original net tax capacity of the district was certified and ending with the annual disclosure and reports for the year in which both of the following events have occurred:

(1) decertification of the district; and

(2) expenditure or return to the county auditor of all remaining revenues derived from tax increments paid by properties in the district.

EFFECTIVE DATE. This section is effective for reports filed after December 31, 2000.

Sec. 10. Minnesota Statutes 2000, section 469.176, subdivision 1b, is amended to read:

Subd. 1b. DURATION LIMITS; TERMS. (a) No tax increment shall in any event be paid to the authority

(1) after 15 years after receipt by the authority of the first increment for a renewal and renovation district,

(2) after 20 years after receipt by the authority of the first increment for a soils condition district,

(3) after eight years after receipt by the authority of the first increment for an economic development district,

(4) for a housing district or a redevelopment district, ~~after 20 years from the date of receipt by the authority of the first tax increment by the authority pursuant to section 469.175, subdivision 1, paragraph (b); or, if no provision is made under section~~

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469.175, subdivision 1, paragraph (b), after 25 years from the date of receipt by the authority of the first increment.

(b) For purposes of determining a duration limit under this subdivision or subdivision 1e that is based on the receipt of an increment, any increments from taxes payable in the year in which the district terminates shall be paid to the authority. This paragraph does not affect a duration limit calculated from the date of approval of the tax increment financing plan or based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph does not supersede the restrictions on payment of delinquent taxes in subdivision 1f.

(c) Except as authorized by section 469.175, subdivision 1, paragraph (b), An action by the authority to waive or decline to accept an increment has no effect for purposes of computing a duration limit based on the receipt of increment under this subdivision or any other provision of law. The authority is deemed to have received an increment for any year in which it waived or declined to accept an increment, regardless of whether the increment was paid to the authority.

(d) Receipt by a hazardous substance subdistrict of an increment as a result of a reduction in original net tax capacity under section 469.174, subdivision 7, paragraph (b), does not constitute receipt of increment by the overlying district for purpose of calculating the duration limit under this section.

EFFECTIVE DATE. This section is effective for districts for which the request for certification is made after July 31, 2001.

Sec. 11. Minnesota Statutes 2000, section 469.176, subdivision 1e, is amended to read:

Subd. 1e. **DURATION LIMITS; HAZARDOUS SUBSTANCE SUBDISTRICTS.** 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 subdivisions 1 to 1f for the overlying district. 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 469.174, subdivision 7, paragraph (b), and received after the date of certification to the county auditor described in section 469.174, 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 20 years if the authority elects under section 469.175, subdivision 1, paragraph (b), to defer receipt of the first increment; or (2) the period necessary to recover the costs of removal actions or remedial actions specified in a development response action plan.

EFFECTIVE DATE. This section is effective for requests for certification of subdistricts made after July 31, 2001.

Sec. 12. Minnesota Statutes 2000, section 469.176, is amended by adding a subdivision to read:

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Subd. 1h. APPROVAL FOR EARLY DECERTIFICATION. The authority must obtain approval from the commissioner of revenue to decertify a preexisting district, as defined in section 469.1792, before the required decertification date under section 469.177, subdivision 12, if there are outstanding preexisting obligations, as defined in section 469.1792, secured by increments from another preexisting district in the municipality. The commissioner may approve early decertification only if the commissioner determines that early decertification is unlikely to increase the municipality's entitlement to a grant under section 469.1799.

Sec. 13. Minnesota Statutes 2000, section 469.176, subdivision 3, is amended to read:

Subd. 3. LIMITATION ON ADMINISTRATIVE EXPENSES. (a) For districts for which certification was requested before August 1, 1979, or after June 30, 1982, and before August 1, 2001, no tax increment shall be used to pay any administrative expenses for a project which exceed ten percent of the total tax increment expenditures authorized by the tax increment financing plan or the total tax increment expenditures for the project, whichever is less.

(b) For districts for which certification was requested after July 31, 1979, and before July 1, 1982, no tax increment shall be used to pay administrative expenses, as defined in Minnesota Statutes 1980, section 273.73, for a project district which exceeds five percent of the total tax increment expenditures authorized by the tax increment financing plan or the total tax increment expenditures for the project district, whichever is less.

(c) For districts for which certification was requested after July 31, 2001, no tax increment may be used to pay any administrative expenses for a project which exceed ten percent of total tax increment expenditures authorized by the tax increment financing plan or the total tax increments from the district, whichever is less.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all districts regardless of when the request for certification was made.

Sec. 14. Minnesota Statutes 2000, section 469.176, subdivision 4g, is amended to read:

Subd. 4g. GENERAL GOVERNMENT USE PROHIBITED. (a) These revenues shall Tax increments may not be used to circumvent existing levy limit law.

(b) No revenues derived from tax increment from any district, whether certified before or after August 1, 1979, shall may be used for the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the state or federal government or for a commons area used as a public park, or a facility used for social, recreational, or conference purposes. This provision shall does not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure or of a privately owned facility for conference purposes.

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(b) If any publicly owned facility used for social, recreational, or conference purposes and financed in whole or in part from revenues derived from a district is operated or managed by an entity other than the authority, the operating and management policies of the facility must be approved by the governing body of the authority.

(c)(1) Tax increments may not be used to pay for the cost of public improvements, equipment, or other items, if:

(i) the improvements, equipment, or other items are located outside of the area of the tax increment financing district from which the increments were collected; and

(ii) the improvements, equipment, or items that (A) primarily serve a decorative or aesthetic purpose, or (B) serve a functional purpose, but their cost is increased by more than 100 percent as a result of the selection of materials, design, or type as compared with more commonly used materials, designs, or types for similar improvements, equipment, or items.

(2) The provisions of this paragraph do not apply to expenditures related to the rehabilitation of historic structures that are:

(i) individually listed on the National Register of Historic Places; or

(ii) a contributing element to a historic district listed on the National Register of Historic Places.

EFFECTIVE DATE. This section is effective for expenditures of increment made after July 31, 2001.

Sec. 15. Minnesota Statutes 2000, section 469.176, is amended by adding a subdivision to read:

Subd. 41. PROHIBITED FACILITIES. (a) No tax increment from any district may be used for:

(1) a commons area used as a public park; or

(2) a facility used for social, recreational, or conference purposes.

(b) This subdivision does not apply to a privately owned facility for conference purposes or a parking structure.

EFFECTIVE DATE. This section applies to all tax increment financing districts, regardless of when the request for certification was made, and is effective for expenditures of increment made after June 30, 2001, but does not apply to (1) expenditures made before January 1, 2000; (2) expenditures made under a binding contract entered before January 1, 2000; or (3) expenditures made under a binding contract entered pursuant to a letter of intent with the developer or contractor or its assigns if the letter of intent was entered before January 1, 2000.

Sec. 16. Minnesota Statutes 2000, section 469.1763, subdivision 6, is amended to read:

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Subd. 6. **POOLING PERMITTED FOR DEFICITS.** (a) This subdivision applies only to districts for which the request for certification was made before June 2, 1997 August 1, 2001, and without regard to whether the request for certification was made prior to August 1, 1979.

(b) The municipality for the district may transfer available increments from another tax increment financing district located in the municipality, if the transfer is necessary to eliminate a deficit in the district to which the increments are transferred. A deficit in the district for purposes of this subdivision means the lesser of the following two amounts:

(1)(i) the amount due during the calendar year to pay preexisting obligations of the district; minus

(ii) the total increments to be collected from properties located within the district that are available for the calendar year; plus

(iii) total increments from properties located in other districts in the municipality that are available to be used to meet the district's obligations under this section, excluding this subdivision, or other provisions of law (but excluding a special tax under section 469.1791 and the grant program under Laws 1997, chapter 231, article 1, section 19, or this act); or

(2) the reduction in increments collected from properties located in the district for the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and this act, or the elimination of the general education tax levy under this act.

(c) A preexisting obligation means:

(1) bonds issued and sold before June 2, 1997 August 1, 2001, or bonds issued pursuant to a binding contract requiring the issuance of bonds entered into before July 1, 2001, and bonds issued to refund such bonds or to reimburse expenditures made in conjunction with a signed contractual agreement entered into before June 2, 1997 August 1, 2001, to the extent that the bonds are secured by a pledge of increments from the tax increment financing district. For purposes of this subdivision, bonds exclude an obligation to reimburse or pay a developer or owner of property located in the district for amounts incurred or paid by the developer or owner; and

(2) binding contracts entered into before August 1, 2001, to the extent that the contracts require payments secured by a pledge of increments from the tax increment financing district.

(d) The municipality may require a development authority, other than a seaway port authority, to transfer available increments for any of its tax increment financing districts in the municipality to make up an insufficiency in another district in the municipality, regardless of whether the district was established by the development authority or another development authority. This authority applies notwithstanding any law to the contrary, but applies only to a development authority that:

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(1) was established by the municipality; or

(2) the governing body of which is appointed, in whole or part, by the municipality or an officer of the municipality or which consists, in whole or part, of members of the governing body of the municipality. The municipality may use this authority only after it has first used all available increments of the receiving development authority to eliminate the insufficiency and exercised any permitted action under section 469.1792, subdivision 3, for preexisting districts of the receiving development authority to eliminate the insufficiency.

(e) The authority under this subdivision to spend tax increments outside of the area of the district from which the tax increments were collected:

(1) may only be exercised after obtaining approval of the use of the increments, in writing, by the commissioner of revenue;

(2) is an exception to the restrictions under section 469.176, subdivision 4i, and the other provisions of this section, and the percentage restrictions under subdivision 2 must be calculated after deducting increments spent under this subdivision from the total increments for the district; and

(3) applies notwithstanding the provisions of the Tax Increment Financing Act in effect for districts for which the request for certification was made before June 30, 1982, or any other law to the contrary.

(f) If a preexisting obligation requires the development authority to pay an amount that is limited to the increment from the district or a specific development within the district and if the obligation requires paying a higher amount to the extent that increments are available, the municipality may determine that the amount due under the preexisting obligation equals the higher amount and may authorize the transfer of increments under this subdivision to pay up to the higher amount. The authority to transfer increments under this paragraph may only be used to the extent that the payment of all other preexisting obligations in the municipality due during the calendar year have been satisfied.

EFFECTIVE DATE. This section is effective January 2, 2002, and thereafter.

Sec. 17. Minnesota Statutes 2000, section 469.177, subdivision 1, is amended to read:

Subdivision 1. **ORIGINAL NET TAX CAPACITY.** (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4.

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(b) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after certification of the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is improved or three years pass after approval of the plat under section 273.11, subdivision 1, the increase in net tax capacity must be added to the original net tax capacity.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity

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of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building that was demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building was demolished or removed, but applying the class rates for the current year.

EFFECTIVE DATE. This section is effective for parcels that become taxable after July 31, 2001, and applies to tax increment financing districts, regardless of when the request for certification was made.

Sec. 18. Minnesota Statutes 2000, section 469.177, is amended by adding a subdivision to read:

Subd. 1b. STATE TAX AND INCREMENT COMPUTATION. The original local tax rate and any other tax rate or amount used to calculate the amount of tax increment does not include any rate or amount attributable to a state levy, whether the state levy is imposed by section 275.02 or another provision of law.

EFFECTIVE DATE. This section is effective the day following final enactment for all tax increment financing districts and all geographic expansions of all tax increment financing districts, regardless of the date of the request for certification.

Sec. 19. Minnesota Statutes 2000, section 469.177, subdivision 11, is amended to read:

Subd. 11. DEDUCTION FOR ENFORCEMENT COSTS; APPROPRIATION. (a) The county treasurer shall deduct an amount equal to 0.25 percent of any increment distributed to an authority or municipality. The county treasurer shall pay the amount deducted to the state treasurer for deposit in the state general fund.

(b) The amounts deducted and paid under paragraph (a) are appropriated to the state auditor for the cost of (1) the financial reporting of tax increment financing information and (2) the cost of examining and auditing of authorities' use of tax increment financing as provided under section 469.1771, subdivision 1. Notwithstanding section 16A.28 or any other law to the contrary, this appropriation does not cancel and remains available until spent.

(c) For taxes payable in 2002 and thereafter, the commissioner of revenue shall increase the percent in paragraph (a) to a percent equal to the product of the percent in paragraph (a) and the amount that the statewide tax increment levy for taxes payable

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in 2002 would have been without the class rate changes in this act and the elimination of the general education levy in this act divided by the statewide tax increment levy for taxes payable in 2002.

EFFECTIVE DATE. This section is effective for taxes payable in 2002 and thereafter.

Sec. 20. Minnesota Statutes 2000, section 469.1771, subdivision 1, is amended to read:

Subdivision 1. **ENFORCEMENT.** (a) The owner of taxable property located in the city, town, school district, or county in which the tax increment financing district is located may bring suit for equitable relief or for damages, as provided in subdivisions 2, 3, and 4, arising out of a failure of a municipality or authority to comply with the provisions of sections 469.174 to ~~469.179~~ 469.1798, or related provisions of this chapter. The prevailing party in a suit filed under the preceding sentence is entitled to costs, including reasonable attorney fees.

(b) The state auditor may examine and audit political subdivisions' use of tax increment financing. Without previous notice, the state auditor may examine or audit accounts and records on a random basis as the auditor deems to be in the public interest. If the state auditor finds evidence that an authority or municipality has violated a provision of the law for which a remedy is provided under this section, the state auditor shall forward the relevant information to the county attorney. The county attorney may bring an action to enforce the provisions of sections 469.174 to ~~469.179~~ 469.1798 or related provisions of this chapter, for matters referred by the state auditor or on behalf of the county. If the county attorney determines not to bring an action or if the county attorney has not brought an action within 12 months after receipt of the initial notification by the state auditor of the violation, the county attorney shall notify the state auditor in writing.

(c) If the state auditor finds an authority is not in compliance with sections 469.174 to ~~469.179~~ 469.1798 or related provisions of law, the auditor shall notify the governing body of the municipality that approved the tax increment financing district of its findings. The governing body of the municipality must respond in writing to the state auditor within 60 days after receiving the notification. Its written response must state whether the municipality accepts, in whole or part, the auditor's findings. If the municipality does not accept the findings, the statement must indicate the basis for its disagreement. The state auditor shall annually summarize the responses it receives under this section and send the summary and copies of the responses to the chairs of the committees of the legislature with jurisdiction over tax increment financing.

(d) The state auditor shall notify the attorney general in writing and provide supporting materials for a violation found by the auditor, if the:

(1) auditor receives notification from the county attorney under paragraph (b) or receives no notification for a 12-month period after initially notifying the county attorney and the state auditor confirms with the county attorney or the municipality that

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no action has been brought regarding the matter; and

(2) municipality or development authority have not eliminated or resolved the violation to the satisfaction of the state auditor.

The auditor shall provide the municipality and development authority a copy of the notification sent to the attorney general.

EFFECTIVE DATE. This section applies to violations occurring after July 1, 2001.

Sec. 21. Minnesota Statutes 2000, section 469.178, is amended by adding a subdivision to read:

Subd. 7. INTERFUND LOANS. The authority or municipality may advance or loan money to finance expenditures under section 469.176, subdivision 4, from its general fund or any other fund under which it has legal authority to do so. The loan or advance must be approved, by resolution of the governing body, before money is transferred, advanced, or spent, whichever is earliest. The terms and conditions for repayment of the loan must be provided in writing and include, at a minimum, the principal amount, the interest rate, and maximum term. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under section 270.75 or 549.09.

EFFECTIVE DATE. This section is effective for loans and advances made after July 31, 2001, and to districts with requests for certification made after July 31, 1979. Interfund loans and advances made before August 1, 2001, are ratified and approved, subject to the following restrictions: (1) the interest accrued or paid after July 31, 2001, may not exceed the limit in this section and (2) if there is no resolution or other document created contemporaneously with the making of the loan or advance that specifies the principal amount of the loan or advance, the principal amount of the loan or advance is limited to a maximum amount equal to the largest negative cash balance that existed at any time in the fund that received the undocumented loan or advance. An authority or municipality may modify the terms of an interfund loan or advance made before August 1, 2001, to comply with any of the requirements of this section as the authority or municipality deems appropriate.

Sec. 22. [469.1792] SPECIAL DEFICIT AUTHORITY.

Subdivision 1. SCOPE. This section applies only to an authority with a preexisting district for which:

(1)(i) the increments from the district were insufficient to pay preexisting obligations as a result of the class rate changes or the elimination of the state-determined general education property tax levy under this act, or both; or

(ii) the development authority has a binding contract with a person requiring the authority to pay to the person an amount that may not exceed the increment from the district or a specific development within the district and as a result of the reduction in increment because of the class rate changes or the elimination of the state-determined

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general education property tax levy under this act, or both, the authority is unable to pay the full amount under the contract from the pledged increments or other increments from the district; and

(2) the municipality exercised its full authority to pool under section 469.1763, subdivision 6, and the transfer of increments did not eliminate the insufficiency under clause (1), item (i), or the inability to pay the full amount under clause (1), item (ii).

Subd. 2. DEFINITIONS. (a) For purposes of this section, the following terms have the meanings given.

(b) "Preexisting district" means a tax increment financing district for which the request for certification was made before August 1, 2001.

(c) "Preexisting obligation" means a bond or binding contract that:

(1) was issued or approved before August 1, 2001, or was issued pursuant to a binding contract entered into before August 1, 2001;

(2) is secured by increments from a preexisting district.

Subd. 3. ACTIONS AUTHORIZED. (a) An authority with a district qualifying under this section may take either or both of the following actions for any or all of its preexisting districts:

(1) the authority may elect that the original local tax rate under section 469.177, subdivision 1a, does not apply to the district; and

(2) the authority may elect the fiscal disparities contribution will be computed under section 469.177, subdivision 3, paragraph (a), regardless of the election that was made for the district.

(b) The authority may take action under this subdivision only after the municipality approves the action, by resolution, after notice and public hearing in the manner provided under section 469.175, subdivision 2.

EFFECTIVE DATE. This section is effective for all districts for which the request for certification was made after July 31, 1979.

Sec. 23. [469.1793] DEVELOPER OBLIGATIONS CONTINUED.

If a developer or other private entity agreed to make payments to the authority or municipality to reimburse the municipality for the state aid offset under Minnesota Statutes 2000, section 273.1399, the obligation continues in effect, notwithstanding the repeal of section 273.1399. Payments received by the development authority are increments for purposes of the state grant program under section 469.1799.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all districts for which certification was requested after April 30, 1990.

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Sec. 24. [469.1799] TIF GRANTS; APPROPRIATIONS.

Subdivision 1. TIF GRANTS. (a) In calendar year 2003 and thereafter, the commissioner of revenue shall pay grants to municipalities for deficits in tax increment financing districts caused by the changes in class rates and the elimination of the state-determined general education property tax levy under this act. Municipalities must submit applications for the grants in a form prescribed by the commissioner no later than August 1 for grants payable during the calendar year. The maximum grant equals the lesser of:

(1) for taxes payable in the year before the grant is paid, the reduction in the tax increment financing district's revenues derived from increment resulting from the class rate changes and the elimination of the state-determined general education property tax levy under this act; or

(2) the amount due during the calendar year to pay:

(i) a preexisting obligation as defined in Minnesota Statutes, section 469.1763, subdivision 6, but excluding the additional amount of a preexisting obligation that the municipality elects to include under paragraph (f) of that subdivision with respect to a preexisting obligation to a developer or property owner in the district or an assignee or successor in interest; less

(ii) the municipality's total tax increments, including unspent increments from previous years;

(iii) the amount of any state aid reductions that would have applied to any district in the municipality for the calendar year, if Minnesota Statutes 2000, section 273.1399, had not been repealed; and

(iv) the amount of any unpaid local contributions that the municipality would have been required to make for the calendar year under an election under Minnesota Statutes 2000, section 273.1399, subdivision 6, if that subdivision had not been repealed.

(b) The commissioner of revenue may require applicants for grants under this section to provide any information the commissioner deems appropriate. The commissioner shall calculate the amount under paragraph (a), clause (2), based on the reports for the tax increment financing district or districts filed with the state auditor on or before August 1 of the year in which the grant is to be paid.

(c) This subdivision applies only to deficits in tax increment districts for which:

(1) the request for certification of the district, or a district transferred under special law, was made before August 1, 2001;

(2) all timely reports have been filed with the state auditor, as required by Minnesota Statutes, section 469.175; and

(3) the authority and municipality have exercised any permitted action under Minnesota Statutes, section 469.1792, subdivision 3, to increase increments to pay preexisting obligations as defined under this section.

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(d) The commissioner shall pay the grants under this section by December 26 of the year.

(e) For the purposes of this section, "tax increments" and "revenues derived from tax increments" have the meanings given in Minnesota Statutes, section 469.174, subdivision 25, except that the definition applies to all tax increment districts, regardless of when the request for certification was made and regardless of when the revenues were received, notwithstanding the effective date of Minnesota Statutes, section 469.174, subdivision 25. For purposes of this section, "bonds" and "binding contracts" do not include interfund loans.

(f) If the district was authorized or certified pursuant to a special law and the special law permitted original tax capacity to be reduced to zero, the required dates under paragraph (a), clause (2), and paragraph (c), clause (1), are extended to December 31, 2001.

Subd. 2. SCHOOL DISTRICT ABATEMENT LEVY AUTHORITY. A school district that adopted an abatement resolution under Minnesota Statutes, sections 469.1812 to 469.1815, prior to August 1, 2001, pursuant to which all or a portion of its general education levy on a parcel was to be abated for taxes payable in 2002 or later years and pledged to the payment of bonds issued, or binding contracts entered into, prior to August 1, 2001, may annually levy an amount equal to the lesser of: (1) the amount specified for these purposes in the resolution for the taxes payable year; or (2) the amount of the general education tax levied on the property for which the abatements were granted for taxes payable in 2001. The levy authority in this subdivision is in addition to any other levy of the district, but this authority expires and may not be used for taxes payable in the year following the termination or expiration of the abatements under the resolution, without giving any effect to an extension or modification of the resolution made after August 1, 2001.

Subd. 3. APPROPRIATION. \$91,000,000 in fiscal year 2002, and \$38,000,000 in each fiscal year thereafter is appropriated to the commissioner of revenue from the general fund to make grants under this section. The appropriated amounts do not lapse at the end of a fiscal year. Each amount is available until the later of when expended or when this section is repealed. If the amount of grant entitlements under subdivision 1 for a year exceeds the amount available for grants, the commissioner of revenue shall reduce each grant proportionately so the total does not exceed the amount available.

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

Sec. 25. Minnesota Statutes 2000, section 469.1812, subdivision 2, is amended to read:

Subd. 2. GOVERNING BODY. "Governing body" means, for a city, the city council; for a school district, the school board; for a county, the county board; and for a town, the annual meeting of the town board of supervisors.

EFFECTIVE DATE. This section is effective retroactive to May 26, 1999.

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Sec. 26. Minnesota Statutes 2000, section 469.1813, subdivision 6, is amended to read:

Subd. 6. **DURATION LIMIT.** (a) A political subdivision may grant an abatement for a period no longer than ten years, except as provided under paragraph (b). The subdivision may specify in the abatement resolution a shorter duration. If the resolution does not specify a period of time, the abatement is for eight years. If an abatement has been granted to a parcel of property and the period of the abatement has expired, the political subdivision that granted the abatement may not grant another abatement for eight years after the expiration of the first abatement. This prohibition does not apply to improvements added after and not subject to the first abatement.

(b) A political subdivision proposing to abate taxes for a parcel may request, in writing, that the other political subdivisions in which the parcel is located grant an abatement for the property. If one of the other political subdivisions declines, in writing, to grant an abatement or if 90 days pass after receipt of the request to grant an abatement without a written response from one of the political subdivisions, the duration limit for an abatement for the parcel by the requesting political subdivision and any other participating political subdivision is increased to 15 years. If the political subdivision which declined to grant an abatement later grants an abatement for the parcel, the 15-year duration limit is reduced by one year for each year that the declining political subdivision grants an abatement for the parcel during the period of the abatement granted by the requesting political subdivision. The duration limit may not be reduced below the limit under paragraph (a).

EFFECTIVE DATE. This section is effective for abatements approved after the day following final enactment.

Sec. 27. Minnesota Statutes 2000, section 469.1814, is amended by adding a subdivision to read:

Subd. 6. **LEVY TO OFFSET TAX CHANGES.** (a) This subdivision applies only to abatements pledged to pay preexisting obligations.

(b) For purposes of this subdivision, "preexisting obligation" means a bond or binding contract that:

- (1) was issued or approved before August 1, 2001;
- (2) is secured by abatements approved before August 1, 2001; and
- (3) is not a general obligation.

(c) If a political subdivision granted an abatement pledged to pay a preexisting obligation and if the changes in the property tax class rates enacted in calendar year 2001 reduce the abatement by an amount sufficient to prevent payment in full of the preexisting obligation, the political subdivision may add to its levy under section 469.1815 an amount sufficient to provide an abatement equal to the least of:

(1) the amount of the abatement using the political subdivision's tax rate for the current year and the class rates for property taxes payable in 2001;

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(2) the amount required to pay the amount due on the preexisting obligation for the year from the political subdivision; or

(3) the maximum dollar amount of the political subdivision's abatement, if any, under the abatement resolution.

EFFECTIVE DATE. This section is effective for abatement levies payable beginning in 2002.

Sec. 28. Minnesota Statutes 2000, section 475.58, subdivision 1, as amended by Laws 2001, chapter 214, section 43, is amended to read:

Subdivision 1. **APPROVAL BY ELECTORS; EXCEPTIONS.** Obligations authorized by law or charter may be issued by any municipality upon obtaining the approval of a majority of the electors voting on the question of issuing the obligations, but an election shall not be required to authorize obligations issued:

(1) to pay any unpaid judgment against the municipality;

(2) for refunding obligations;

(3) for an improvement or improvement program, which obligation is payable wholly or partly from the proceeds of special assessments levied upon property specially benefited by the improvement or by an improvement within the improvement program, or of taxes levied upon the increased value of property within a district for the development of which the improvement is undertaken, including obligations which are the general obligations of the municipality, if the municipality is entitled to reimbursement in whole or in part from the proceeds of such special assessments or taxes and not less than 20 percent of the cost of the improvement or the improvement program is to be assessed against benefited property or is to be paid from the proceeds of federal grant funds or a combination thereof, or is estimated to be received from such taxes within the district;

(4) payable wholly from the income of revenue producing conveniences;

(5) under the provisions of a home rule charter which permits the issuance of obligations of the municipality without election;

(6) under the provisions of a law which permits the issuance of obligations of a municipality without an election;

(7) to fund pension or retirement fund liabilities pursuant to section 475.52, subdivision 6;

(8) under a capital improvement plan under section 373.40; and

(9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds), if the proceeds of the bonds are not used for a purpose prohibited under section 469.176, subdivision 4g, paragraph (b).

EFFECTIVE DATE. This section is effective for bonds issued or sold after the day following final enactment.

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Sec. 29. Laws 1997, chapter 231, article 1, section 19, subdivision 3, as amended by Laws 1999, chapter 243, article 10, section 17, is amended to read:

Subd. 3. **EXPIRATION.** This section expires on January 1, ~~2002~~ 2003.

Sec. 30. Laws 1997, chapter 231, article 1, section 22, is amended to read:

Sec. 22. **EFFECTIVE DATES.**

Sections 1, 2, 5, 6, 7, 8, 9, 11, 12, 13, 14, 17, and 21, paragraph (a), are effective for taxes levied in 1997, payable in 1998 and subsequent years, except that the low-income housing provisions in class 4c and 4d are effective for taxes payable in 1999 and thereafter and the provisions in sections 6 and 8 relating to class 1c and 4c seasonal residential property that specify percentages of lodging receipts and bookings of at least two consecutive nights are effective for taxes payable in 1999 and thereafter.

Sections 4, 15, and 21, paragraph (b), are effective for taxes payable in 1999 and subsequent years.

Sections 3 and 20 are effective July 1, 1997.

Section 19 is effective for taxes payable in 1998, 1999, and 2000, and 2001.

Sec. 31. Laws 2000, chapter 490, article 11, section 26, the effective date, is amended to read:

EFFECTIVE DATE: This section is effective for increments spent after July 1, 2000, from districts for which certification was requested after ~~May 1, 1990~~ June 30, 1982.

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

Sec. 32. **HOLLMAN DECREE HOUSING.**

To implement a federal court order or decree relating to the provision of low-rent public housing finance, in whole or in part, with federal financial assistance under section 5 of the United States Housing Act, or any successor legislation, the Minneapolis public housing authority or the metropolitan council, acting under the powers of Minnesota Statutes, sections 469.001 to 469.047, may enter a cooperation agreement with the governing body of any municipality or county within the metropolitan area, as defined in Minnesota Statutes, section 473.121, subdivision 2, to provide exemption from all real and personal taxes levied or imposed by the state, city, county, or other political subdivision, for which the Minneapolis public housing authority or the metropolitan council shall make, or cause to be made, payments in lieu of taxes as provided under Minnesota Statutes, section 469.040. This exemption and obligation to make payments in lieu of taxes continues until the housing is no longer subject to the provisions of section 5 of the United States Housing Act, or any successor legislation.

EFFECTIVE DATE. This section is effective with respect to any cooperation agreement entered into on or after November 1, 1997. Any owner of low-rent public

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housing acquired and renovated or constructed under a cooperation agreement under this section may apply for abatement of the real or personal property taxes under Minnesota Statutes, section 375.192, notwithstanding the time limitation for filing application under section 375.192. This section applies in counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 33. CITY OF LUVERNE.

Subdivision 1. AUTHORIZATION. The governing body of the city of Luverne may designate between one and three areas of the city as border city development zones. The total area of the zones may not exceed 100 acres.

Subd. 2. APPLICATION OF GENERAL LAW. (a) The provisions of Minnesota Statutes, sections 469.1731 to 469.1735, apply to the border city development zones designated under this section. The governing body of the city may exercise the powers granted under Minnesota Statutes, sections 469.1731 to 469.1735, including powers that apply outside of the zones.

(b) The allocation under subdivision 3 for purposes of Minnesota Statutes, section 469.1735, subdivision 2, and the necessary amount of the allocation is appropriated to the commissioner of revenue.

Subd. 3. ALLOCATION OF STATE TAX REDUCTIONS. (a) The cumulative total amount of tax reductions for all years of the program under Minnesota Statutes, sections 469.1731 to 469.1735, is limited to \$175,000.

(b) This allocation may be used for tax reductions provided in Minnesota Statutes, section 469.1732 or 469.1734, or for reimbursements under Minnesota Statutes, section 469.1735, subdivision 3, but only if the governing body of the city of Luverne determines that the tax reduction or offset is necessary to enable a business to expand within a city or to attract a business to the city.

(c) The commissioner of revenue may waive the limit under this subdivision using the same rules and standards provided in Minnesota Statutes, section 469.169, subdivision 12, paragraph (b).

Subd. 4. EFFECTIVE DATE. This section is effective upon compliance by the governing body of the city of Luverne with the requirements of Minnesota Statutes, section 645.021.

Sec. 34. AURORA; TAX INCREMENT DISTRICT EXTENSION.

Subdivision 1. DISTRICT EXTENSION. Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, upon approval of the governing body of the city of Aurora by resolution, the housing and redevelopment authority in and for the city of Aurora may extend to December 31, 2009, the duration of its downtown tax increment financing district originally certified in 1978.

Subd. 2. SPECIAL RULES. Increments permitted to be paid to and retained by the authority by subdivision 1 may only be used to:

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(1) pay or defease bonds or other contractual obligations;

(2) fund public redevelopment costs within the redevelopment project or costs provided for in the tax increment financing plan; or

(3) pay or defease bonds issued to refund the bonds.

EFFECTIVE DATE. This section is effective the day after compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 2.

Sec. 35. GAYLORD; TIF DISTRICT EXTENSION.

Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, or any other law, the city of Gaylord may, by resolution, extend the duration of a tax increment financing district originally certified in 1978. If the city extends the district, the district is deemed to continue to be in effect, beginning for taxes payable in 2002, and notwithstanding the decertification of the district for taxes payable in 2001. The city may not extend the duration beyond December 31, 2008. Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1c, the city may spend increments from the district on project costs other than bonds issued before April 1, 1990.

EFFECTIVE DATE. This section is effective upon completion with the requirements of Minnesota Statutes, sections 469.1782 and 645.021.

Sec. 36. CITY OF NORTH ST. PAUL; TIF GRANT.

Notwithstanding Laws 1997, chapter 231, article 1, sections 19 and 22, as amended by Laws 1997, First Special Session chapter 5, section 36, Laws 1999, chapter 243, article 10, sections 16, 17, 27, and 28, and Laws 2000, chapter 490, article 11, section 36, the commissioner of revenue shall pay to the city of North St. Paul the amount of \$12,800 as a tax increment financing grant provided for under those laws. This amount compensates the city for the aggregate amount of the calendar year 1999 deficits in the tax increment financing districts within the city, as determined under the laws cited in this section using the accrual method of accounting. The amount authorized to be paid under this section for the calendar year 1999 tax increment financing deficits may not also be paid under any other provision of law. The commissioner shall pay the amount authorized under this section to the city by warrant issued on or before 60 days after the enactment of this section. The warrant must be drawn on the state treasury from the appropriations made in Laws 1997, chapter 231, article 1, section 19, and Laws 1999, chapter 243, article 10, section 27.

EFFECTIVE DATE. This section is effective the day following final enactment without local approval.

Sec. 37. CITY OF PARK RAPIDS; EXTENSION OF TIME FOR ACTIVITY IN A TAX INCREMENT FINANCING DISTRICT.

The requirement in Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of

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a tax increment financing district must be considered to be met in the case of redevelopment district No. 4 in the city of Park Rapids if the activities are undertaken within six years from the date of certification of the district.

EFFECTIVE DATE. This section is effective upon approval by the governing body of the city of Park Rapids and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 38. EXTENSION OF LOCAL APPROVAL AUTHORITY.

Notwithstanding the provisions of Minnesota Statutes, section 645.021, subdivision 3, the period of time to approve Laws 1998, chapter 389, article 11, section 19, and comply with Minnesota Statutes, sections 645.021, subdivision 2, and 469.1782, subdivision 2, is extended through January 2, 2003.

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

Sec. 39. WASHBURN CROSBY PROJECT; GRANT PROCEDURES.

(a) The city of Minneapolis may apply to the commissioner of revenue for a grant under Minnesota Statutes, section 469.1799, for a tax increment financing project that meets all of the following requirements:

(1) the project is located in a tax increment financing district the request for certification of which was made before July 1, 2001;

(2) a public-private cooperation agreement provides for development of a national historic landmark located in the tax increment financing district; and

(3) the development has obtained public funding from both the state of Minnesota and the National Park Service.

(b) In calculating the amount of the grant under this section, the commissioner of revenue shall consider only the increment that is available from the district. No requirement to pool increments under Minnesota Statutes, section 469.1763, subdivision 6, or to exercise the powers under Minnesota Statutes, section 469.1792, subdivision 3, applies to the grant. Increment from the district shall not be considered in calculating entitlements to grants under Minnesota Statutes, section 469.1799, for the preexisting obligations of any other district in the city of Minneapolis. A binding contract to issue bonds qualifies as a preexisting obligation if it is entered into by August 1, 2001.

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

Sec. 40. ST. LOUIS PARK; GRANT COMPUTATION.

For a district subject to Laws 1996, chapter 464, article 1, section 11, the maximum grant under Minnesota Statutes, section 469.1799, is determined as if the district would have been subject to the local contribution requirement of Minnesota Statutes 2000, section 273.1399, subdivision 6, instead of the state aid reduction provisions of Minnesota Statutes 2000, section 273.1399.

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

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Sec. 41. REPEALER.

Minnesota Statutes 2000, sections 273.1399, and 469.1782, subdivision 1, are repealed.

EFFECTIVE DATE. This section is effective January 1, 2002.

ARTICLE 16**LEVY LIMITS**

Section 1. Minnesota Statutes 2000, 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 chapters 123A, 123B, 126C, 136C, and 136D ~~and~~, sections 275.124 to 275.16, and 275.70 to 275.74, 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. 2. Minnesota Statutes 2000, section 275.70, is amended by adding a subdivision to read:

Subdivision 1. APPLICATION. For the purposes of sections 275.70 to 275.74, the following terms have the meanings given them, unless provided otherwise.

Sec. 3. Minnesota Statutes 2000, section 275.70, is amended by adding a subdivision to read:

Subd. 2. IMPLICIT PRICE DEFLATOR. "Implicit price deflator" means the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the bureau of economic analysis of the United States Department of Commerce for the 12-month period ending March 31 of the levy year.

Sec. 4. Minnesota Statutes 2000, section 275.70, is amended by adding a subdivision to read:

Subd. 3. LOCAL GOVERNMENTAL UNIT. "Local governmental unit" means a county, or a statutory or home rule charter city with a population greater than 2,500.

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Sec. 5. Minnesota Statutes 2000, section 275.70, is amended by adding a subdivision to read:

Subd. 4. POPULATION; NUMBER OF HOUSEHOLDS. "Population" or "number of households" means the population or number of households for the local governmental unit as established by the last federal census, by a census taken under section 275.14, or by an estimate made by the metropolitan council or by the state demographer under section 4A.02, whichever is most recent as to the stated date of the count or estimate up to and including June 1 of the current levy year.

Sec. 6. Minnesota Statutes 2000, section 275.70, subdivision 5, is amended to read:

Subd. 5. **SPECIAL LEVIES.** "Special levies" means those portions of ad valorem taxes levied by a local governmental unit for the following purposes or in the following manner:

(1) to pay the costs of the principal and interest on bonded indebtedness or to reimburse for the amount of liquor store revenues used to pay the principal and interest due on municipal liquor store bonds in the year preceding the year for which the levy limit is calculated;

(2) to pay the costs of principal and interest on certificates of indebtedness issued for any corporate purpose except for the following:

(i) tax anticipation or aid anticipation certificates of indebtedness;

(ii) certificates of indebtedness issued under sections 298.28 and 298.282;

(iii) certificates of indebtedness used to fund current expenses or to pay the costs of extraordinary expenditures that result from a public emergency; or

(iv) certificates of indebtedness used to fund an insufficiency in tax receipts or an insufficiency in other revenue sources;

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

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

(5) for unreimbursed expenses related to flooding that occurred during the first half of calendar year 1997, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(6) for local units of government located in an area designated by the Federal Emergency Management Agency pursuant to a major disaster declaration issued for Minnesota by President Clinton after April 1, 1997, and before June 11, 1997, for the amount of tax dollars lost due to abatements authorized under section 273.123, subdivision 7, and Laws 1997, chapter 231, article 2, section 64, to the extent that they

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are related to the major disaster and to the extent that neither the state or federal government reimburses the local government for the amount lost;

(7) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(6) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 1997 2001, or (ii) it is a new matching requirement that didn't exist prior to 1998 2002;

(7) to 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, in accordance with standards formulated by the emergency services division of the state department of public safety, as allowed by the commissioner of revenue under section 275.74, paragraph (b);

(10) for the amount of tax revenue lost due to abatements authorized under section 273.123, subdivision 7, for damage related to the tornadoes of March 29, 1998, to the extent that neither the state or federal government provides reimbursement for the amount lost;

(8) pay amounts required to correct an error in the levy certified to the county auditor by a city or county 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 275.70 to 275.74 in the preceding levy year;

(9) to pay an abatement under section 469.1815;

(10) to pay the employer contribution to the local government correctional service retirement plan under section 353E.03, subdivision 2, to the extent that the employer contribution exceeds 5.49 percent of total salary any costs attributable to increases in the employer contribution rates under chapter 353 that are effective after June 30, 2001;

(11) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (5), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the department of corrections, or to pay the operating or maintenance costs of a regional jail as authorized in section 641.262. For purposes of this clause, a district court order is not a rule, minimum requirement, minimum standard, or directive of the department of corrections. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when

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determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(15) (12) to pay for operation of a lake improvement district, as authorized under section 103B.555. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71 shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination; and

(16) (13) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative;:

(14) for counties only, to pay the costs reasonably expected to be incurred in 2002 related to the redistricting of election districts and establishment of election precincts under sections 204B.135 and 204B.14, the notice required by section 204B.14, subdivision 4, and the reassignment of voters in the statewide registration system, not to exceed \$1 per capita, provided that the county shall distribute a portion of the amount levied under this clause equal to 25 cents times the population of the city to all cities in the county with a population of 30,000 or more; and

(15) to pay for court administration costs as required under section 273.1398, subdivision 4b; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this section is limited to one-third of the aid reduction under section 273.1398, subdivision 4a.

Sec. 7. [275.71] LEVY LIMITS.

Subdivision 1. LIMIT ON LEVIES. Notwithstanding any other provision of law or municipal charter to the contrary which authorize ad valorem taxes in excess of the limits established by sections 275.70 to 275.74, the provisions of this section apply to local governmental units for all purposes other than those for which special levies and special assessments are made.

Subd. 2. LEVY LIMIT BASE. (a) The levy limit base for a local governmental unit for taxes levied in 2001 is equal to the greater of:

(1) the sum of its adjusted levy limit base for taxes levied in 1999 plus the amount it levied in 1999 under Minnesota Statutes 1999 Supplement, section 275.70, subdivision 5, clauses (8), and (13), multiplied by:

(i) one plus the percentage growth in the implicit price deflator for the 12-month period ending March 30, 2000;

(ii) one plus a percentage equal to the annual percentage increase in the estimated number of households, if any, for the most recent 12-month period that was available on July 1, 2000; and

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(iii) one plus a percentage equal to 50 percent of the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision 24, except for state-assessed utility and railroad operating property, for the most recent year for which data was available as of July 1, 2000; or

(2) an amount equal to:

(i) the sum of the amount it levied in 2000 plus the amount of aids it was certified to receive in calendar year 2001 under sections 273.1398, 298.282, 477A.011 to 477A.03, prior to any aid reductions under section 273.1399, subdivision 5, 477A.06, and 477A.065; less

(ii) the amount it levied in 2000 that would qualify as special levies under section 275.70, subdivision 6, for taxes levied in 2001. The local governmental unit shall provide the commissioner of revenue with sufficient information to make this calculation.

(b) If the governmental unit was not subject to levy limits for taxes levied in 1999, its levy limit base for taxes levied in 2001 is equal to the amount calculated under paragraph (a), clause (2).

(c) The levy limit base for a local governmental unit for taxes levied in 2002 is equal to its adjusted levy limit base in the previous year, subject to any adjustments under section 275.72.

Subd. 3. ADJUSTMENTS FOR STATE TAKEOVERS. (a) The levy limit base for each local unit of government shall be adjusted to reflect the assumption by the state of financing for certain government functions as indicated in this subdivision.

(b) For a county in a judicial district for which financing has not been transferred to the state by January 1, 2001, the levy limit base for 2001 is permanently reduced by the amount of the county's 2001 budget for court administration costs, as certified under section 273.1398, subdivision 4b, paragraph (b).

(c) For a governmental unit which levied a tax in 2000 under section 473.388, subdivision 7, the levy limit base for 2001 is permanently reduced by an amount equal to the sum of the governmental unit's taxes payable 2001 nondebt transit services levy plus the portion of its 2001 homestead and agricultural credit aid under section 273.1398, subdivision 2, attributable to nondebt transit services.

(d) For counties in a judicial district in which the state assumed financing of mandated services costs as defined in section 480.181, subdivision 4, on July 1, 2001, the levy limit base for taxes levied in 2001 is permanently reduced by an amount equal to one-half of the aid reduction under section 273.1398, subdivision 4a, paragraph (g).

Subd. 4. ADJUSTED LEVY LIMIT BASE. (a) For taxes levied in 2001 and 2002, the adjusted levy limit base is equal to the levy limit base computed under subdivisions 2 and 3 or section 275.72, multiplied by:

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(1) one plus a percentage equal to the percentage growth in the implicit price deflator;

(2) one plus a percentage equal to the percentage increase in number of households, if any, for the most recent 12-month period for which data is available; and

(3) one plus a percentage equal to 50 percent of the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision 24, except for state-assessed utility and railroad operating property, for the most recent year for which data is available.

(b) For counties only, for taxes levied in 2001 and 2002, the adjusted levy limit base is also reduced by any amount of levy reduction required under section 275.07, subdivision 1, paragraph (b), clause (ii).

Subd. 5. PROPERTY TAX LEVY LIMIT. Notwithstanding any other provision of a municipal charter which limits ad valorem taxes to a lesser amount, or which would require a separate voter approval for any increase, for taxes levied in 2001 and 2002, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 4 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (i) the total amount of aids and reimbursements that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, except for the increases in city aid bases in calendar year 2002 under section 477A.011, subdivision 36, paragraphs (n), (p), and (q), (ii) homestead and agricultural aids it is certified to receive under section 273.1398, (iii) taconite aids under sections 298.28 and 298.282 including any aid which was required to be placed in a special fund for expenditure in the next succeeding year, (iv) low-income housing aid under sections 477A.06 and 477A.065, and (v) property tax replacement aids under section 174.242.

Subd. 6. LEVIES IN EXCESS OF LEVY LIMITS. If the levy made by a city or county exceeds the levy limit provided in sections 275.70 to 275.74, except when the excess levy is due to the rounding of the rate in accordance with section 275.28, the county auditor shall only extend the amount of taxes permitted under sections 275.70 to 275.74, as provided for in section 275.16.

Sec. 8. [275.72] LEVY LIMIT ADJUSTMENTS FOR CONSOLIDATION AND ANNEXATION.

Subdivision 1. ADJUSTMENTS FOR CONSOLIDATION. If all of the area included in two or more local governmental units is consolidated, merged, or otherwise combined to constitute a single governmental unit, the levy limit base for the resulting governmental unit in the first levy year in which the consolidation is effective shall be equal to (1) the highest tax rate in any of the merging governmental units in the previous year multiplied by the net tax capacity of all the merging governmental units in the previous year, minus (2) the sum of all levies in the merging governmental units in the previous year that qualify as special levies under section 275.70, subdivision 5.

Subd. 2. ADJUSTMENTS FOR ANNEXATION. If a local governmental unit increases its tax base through annexation of an area which is not the area of an entire

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local governmental unit and the area of annexation contains a population of 50 or more, the levy limit base of the local governmental unit in the first year in which the annexation is effective shall be equal to its levy limit base established before the adjustment under section 275.71, subdivision 3, for the current levy year multiplied by the ratio of the net tax capacity in the local governmental unit after the annexation compared to its net tax capacity before the annexation.

Subd. 3. ADJUSTMENTS FOR CHANGES IN SERVICE LEVELS. If a local governmental unit, as a result of an annexation agreement prior to January 1, 1999, has different tax rates in various parts of the jurisdiction due to different service levels, it may petition the commissioner of revenue to adjust its levy limits established under section 275.71. The commissioner shall adjust the levy limits to reflect scheduled changes in tax rates related to increasing service levels in areas currently receiving less city services. The local governmental unit shall provide the commissioner with any information the commissioner deems necessary in making the levy limit adjustment.

Subd. 4. TRANSFER OF GOVERNMENTAL FUNCTIONS. If a function or service of one local governmental unit is transferred to another local governmental unit, the levy limits established under section 275.71 must be adjusted by the commissioner of revenue in such manner so as to fairly and equitably reflect the reduced or increased property tax burden resulting from the transfer. The aggregate of the adjusted limitations must not exceed the aggregate of the limitations prior to adjustment.

Subd. 5. EFFECTIVE DATE FOR LEVY LIMITS PURPOSES. Annexations, mergers, and shifts in services and functional responsibilities that are effective by June 30 of the levy year are included in the calculation of the levy limit for that levy year. Annexations, mergers, and shifts in services and functional responsibilities that are effective after June 30 of a levy year are not included in the calculation of the levy limit until the subsequent levy year.

Sec. 9. [275.73] ELECTIONS FOR ADDITIONAL LEVIES.

Subdivision 1. ADDITIONAL LEVY AUTHORIZATION. Notwithstanding the provisions of sections 275.70 to 275.72, but subject to other law or charter provisions establishing other limitations on the amount of property taxes a local governmental unit may levy, a local governmental unit may levy an additional levy in any amount which is approved by the majority of voters of the governmental unit voting on the question at a general or special election. Notwithstanding section 275.61, any levy authorized under this section must be levied against net tax capacity unless the levy required voter approval under another general or special law or any charter provisions. When the governing body of the local governmental unit resolves to increase the levy pursuant to this section, it shall provide for submission of the proposition of an additional levy at a general or special election. Notice of the election must be given in the manner required by law. The notice must state the purpose and the maximum yearly amount of the additional levy.

Subd. 2. LEVY EFFECTIVE DATE. An additional levy approved under subdivision 1 at a general or special election held prior to September 1 in any levy year

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may be levied in that same levy year and subsequent levy years. An additional levy approved under subdivision 1 at a general or special election held after August 31 in any levy year shall not be levied in that same levy but may be levied in subsequent levy years.

Sec. 10. [275.74] STATE REGULATION OF LEVIES.

Subdivision 1. CALCULATION AND NOTIFICATION. The commissioner of revenue shall make all necessary calculations for determining levy limits for local governmental units and notify the affected governmental units of their levy limits directly by September 1 of each levy year. The local governmental units shall, upon request, provide the commissioner with any information needed to make the calculations. The local governmental unit shall report by September 30, in a manner prescribed by the commissioner, the maximum amount of taxes it plans to levy for each of the purposes listed under special levies and any additional levy authorized under section 275.73, along with any necessary documentation. The commissioner shall review the proposed special levies and make any adjustments needed. The commissioner's decision is final. The final allowed special levy amounts and any levy limit adjustments must be certified back to the local governments by December 10. In addition, the commissioner of revenue shall notify all county auditors on or before five working days after December 20 of the sum of the levy limit plus the total of allowed special levies for each local governmental unit located within their boundaries so that they may fix the levies as required in section 275.16. The local governmental units shall provide the commissioner of revenue with all information that the commissioner deems necessary to make the calculations provided for in sections 275.70 to 275.73.

Subd. 2. AUTHORIZATION FOR SPECIAL LEVIES. A local governmental unit may request authorization to levy for unreimbursed costs for other natural disasters under section 275.70, subdivision 5, clause (6). The local governmental unit shall submit a request to levy under section 275.70, subdivision 5, clause (6), to the commissioner of revenue by September 30 of the levy year and the request must include information documenting the estimated unreimbursed costs. The commissioner of revenue may grant levy authority, up to the amount requested based on the documentation submitted. All decisions of the commissioner are final.

Subd. 3. INFORMATION NECESSARY TO CALCULATE THE 2001 LEVY LIMIT BASE. A local governmental unit must provide the commissioner with the information required to calculate the alternative 2001 levy limit base under section 275.71, subdivision 2, paragraph (a), clause (2), by July 20, 2001. If the information is not received by the commissioner by that date, or is not deemed sufficient to make the calculation under that clause, the commissioner has the discretion to set the local governmental unit's 2001 levy limit base equal to the amount calculated under section 275.71, subdivision 2, paragraph (a), clause (1).

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ARTICLE 17

ELECTRONIC FILING AND PAYMENT

Section 1. Minnesota Statutes 2000, section 115B.24, subdivision 2, is amended to read:

Subd. 2. **DECLARATIONS OF ESTIMATED TAX.** For 1983, every generator of hazardous waste required to pay a tax pursuant to section 115B.22 shall make a declaration of estimated hazardous waste generated for the last six months of calendar year 1983 if the tax can reasonably be estimated to exceed \$500. The declaration of the estimated tax shall be filed by October 15, 1983. The amount of estimated tax with respect to which a declaration is required shall be paid in two equal installments by October 15, 1983 and January 15, 1984. For 1984 and subsequent years, every generator of hazardous waste required to pay a tax pursuant to section 115B.22 shall make a declaration of estimated hazardous waste generated for the calendar year if the tax can reasonably be expected to be in excess of \$1,000. The declaration of estimated tax shall be filed by March 15. The amount of estimated tax with respect to which a declaration is required shall be paid in four equal installments on or before the 15th day of March, June, September, and December.

An amendment of a declaration may be filed in any interval between installment dates prescribed above but only one amendment may be filed in each interval. If an amendment of a declaration is filed, the amount of each remaining installment shall be the amount which would have been payable if the new estimate had been made when the first estimate for the calendar year was made, increased or decreased, as the case may be, by the amount computed by dividing

(1) the difference between (A) the amount of estimated tax required to be paid before the date on which the amendment was made, and (B) the amount of estimated tax which would have been required to be paid before that date if the new estimate had been made when the first estimate was made, by

(2) the number of installments remaining to be paid on or after the date on which the amendment is made.

The commissioner of revenue may grant a reasonable extension of time for filing any declaration but the extension shall not be for more than six months.

If the aggregate amount of estimated tax payments made during a fiscal year ending June 30 is equal to or exceeds \$80,000, all estimated tax payments in the subsequent calendar year must be paid by electronic means of a funds transfer as defined in section 336.4A-104, paragraph (a). ~~The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the estimated tax payment is due. If the date the estimated tax payment is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the estimated tax payment is due.~~

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

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

Sec. 2. Minnesota Statutes 2000, section 270.271, subdivision 1, is amended to read:

Subdivision 1. **DATE OF DELIVERY.** When a document, including a return, claim, or statement, is required to be filed, or a payment is required to be made to the commissioner within a prescribed period, or on or before a prescribed date, and if the document or payment is delivered by electronic means or by United States mail after the period or the date to the place prescribed for filing or payment, then the date of delivery or of payment is the date of the confirmation time-and-date stamp of the transaction, if delivered by electronic means, or the date of the United States postmark stamped on the cover in which the document or payment is mailed, if delivered by United States mail shall be considered the date of delivery or of payment, as the case may be.

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

Sec. 3. Minnesota Statutes 2000, section 270.271, subdivision 3, is amended to read:

Subd. 3. **CONFIRMATION OF ELECTRONIC FILING AND PAYMENT AND UNITED STATES POSTAL SERVICE POSTMARK.** The confirmation numbers and confirmation time-and-date stamps received by the taxpayer following electronic payment or filing is proof of the payment authorization and filing dates. Only the postmark of the United States Postal Service, rather than those of private postage meters, qualifies as proof of timely mailing under this section. If the document or payment is sent by United States registered mail, the date of registration shall be treated as the postmark date. If the document or payment is sent by United States certified mail and the sender's receipt is postmarked by the postal employee to whom the envelope containing such document or payment is presented, the date of the United States postmark on the receipt shall be treated as the postmark date of the document or payment.

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

Sec. 4. Minnesota Statutes 2000, section 270.771, is amended to read:

270.771 PAYMENTS REQUIRED TO BE MADE BY ELECTRONIC FUNDS TRANSFER ELECTRONICALLY.

(a) If a taxpayer is required to make payment of a tax to the commissioner by electronic means of electronic funds transfer as defined in section 336.4A-104, paragraph (a), the taxpayer shall make all payments of all taxes and fees paid to the commissioner by electronic means of electronic funds transfer.

(b) Paragraph (a) does not apply to payments required to be made for individual income taxes under section 289A.20, subdivision 1, paragraph (a), or 289A.25.

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

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

Sec. 5. Minnesota Statutes 2000, section 270.78, is amended to read:

270.78 PENALTY FOR FAILURE TO MAKE PAYMENT BY ELECTRONIC FUNDS TRANSFER PAY ELECTRONICALLY.

In addition to other applicable penalties imposed by law, after notification from the commissioner of revenue to the taxpayer that payments for a tax administered by the commissioner are required to be made by electronic means of electronic funds transfer, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. After the commissioner's initial notification to the taxpayer that payments are required to be made by electronic means, the commissioner is not required to notify the taxpayer in subsequent periods if the initial notification specified the amount of tax liability at which a taxpayer is required to remit payments by electronic means. The penalty can be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to remit the payment electronically is due to reasonable cause. The penalty bears interest at the rate specified in section 270.75 from the due date of the payment of the tax to the date of payment of the penalty.

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

Sec. 6. Minnesota Statutes 2000, section 287.12, is amended to read:

287.12 TAXES, HOW APPORTIONED.

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

(b) On or before the 20th day of each month the county treasurer shall determine 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 registry tax during the preceding month subject to the electronic funds transfer payment requirements of section 270.771. The county treasurer shall provide any related reports requested by the commissioner of revenue.

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

Sec. 7. Minnesota Statutes 2000, section 289A.02, is amended by adding a subdivision to read:

Subd. 8. ELECTRONIC MEANS. "Electronic means" refers to a method that is electronic, as defined in section 325L.02, paragraph (e), and that is prescribed by the commissioner.

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

Sec. 8. Minnesota Statutes 2000, section 289A.18, subdivision 4, as amended by Laws 2001, chapter 7, section 56, is amended to read:

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Subd. 4. **SALES AND USE TAX RETURNS.** (a) Sales and use tax returns must be filed on or before the 20th day of the month following the close of the preceding reporting period, except that annual use tax returns provided for under section 289A.11, subdivision 1, must be filed by April 15 following the close of the calendar year, in the case of individuals. Annual use tax returns of businesses, including sole proprietorships, and annual sales tax returns must be filed by February 5 following the close of the calendar year.

(b) ~~Except for the return for the June reporting period, which is due on the following August 25,~~ Returns for the June reporting period filed by retailers required to remit liabilities by means of funds transfer their June liability under section 289A.20, subdivision 4, paragraph (e) ~~(b)~~, are due on or before the 25th day of the month following the close of the preceding reporting period August 20.

(c) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than \$500 per month in any quarter of a calendar year, and has substantially complied with the tax laws during the preceding four calendar quarters, the retailer may request authorization to file and pay the taxes quarterly in subsequent calendar quarters. The authorization remains in effect during the period in which the retailer's quarterly returns reflect sales and use tax liabilities of less than \$1,500 and there is continued compliance with state tax laws.

(d) If a retailer has an average sales and use tax liability, including local sales and use taxes administered by the commissioner, equal to or less than \$100 per month during a calendar year, and has substantially complied with the tax laws during that period, the retailer may request authorization to file and pay the taxes annually in subsequent years. The authorization remains in effect during the period in which the retailer's annual returns reflect sales and use tax liabilities of less than \$1,200 and there is continued compliance with state tax laws.

(e) The commissioner may also grant quarterly or annual filing and payment authorizations to retailers if the commissioner concludes that the retailers' future tax liabilities will be less than the monthly totals identified in paragraphs (c) and (d). An authorization granted under this paragraph is subject to the same conditions as an authorization granted under paragraphs (c) and (d).

(f) A taxpayer who is a materials supplier may report gross receipts either on:

- (1) the cash basis as the consideration is received; or
- (2) the accrual basis as sales are made.

As used in this paragraph, "materials supplier" means a person who provides materials for the improvement of real property; who is primarily engaged in the sale of lumber and building materials-related products to owners, contractors, subcontractors, repairers, or consumers; who is authorized to file a mechanics lien upon real property and improvements under chapter 514; and who files with the commissioner an election to file sales and use tax returns on the basis of this paragraph.

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EFFECTIVE DATE. This section is effective for returns due on or after July 1, 2001.

Sec. 9. Minnesota Statutes 2000, section 289A.20, subdivision 1, is amended to read:

Subdivision 1. **INDIVIDUAL INCOME, FIDUCIARY INCOME, MINING COMPANY, CORPORATE FRANCHISE, AND ENTERTAINMENT TAXES.** (a) Individual income, fiduciary, mining company, and corporate franchise taxes must be paid to the commissioner on or before the date the return must be filed under section 289A.18, subdivision 1, or the extended due date as provided in section 289A.19, unless an earlier date for payment is provided.

Notwithstanding any other law, a taxpayer whose unpaid liability for income or corporate franchise taxes, as reflected upon the return, is \$1 or less need not pay the tax.

(b) Entertainment taxes must be paid on or before the date the return must be filed under section 289A.18, subdivision 1.

(c) If a fiduciary administers 100 or more trusts, fiduciary income taxes for all trusts administered by the fiduciary must be paid by funds transfer as defined in section 336.4A-104, paragraph (a). ~~The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax payment is due. If the date the payment is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the payment is due~~ electronic means.

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

Sec. 10. Minnesota Statutes 2000, section 289A.20, subdivision 2, is amended to read:

Subd. 2. **WITHHOLDING FROM WAGES, ENTERTAINER WITHHOLDING, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, AND WITHHOLDING BY PARTNERSHIPS AND SMALL BUSINESS CORPORATIONS.** (a) A tax required to be deducted and withheld during the quarterly period must be paid on or before the last day of the month following the close of the quarterly period, unless an earlier time for payment is provided. A tax required to be deducted and withheld from compensation of an entertainer and from a payment to an out-of-state contractor must be paid on or before the date the return for such tax must be filed under section 289A.18, subdivision 2. Taxes required to be deducted and withheld by partnerships and S corporations must be paid on or before the date the return must be filed under section 289A.18, subdivision 2.

(b) An employer who, during the previous quarter, withheld more than \$1,500 of tax under section 290.92, subdivision 2a or 3, or 290.923, subdivision 2, must deposit tax withheld under those sections with the commissioner within the time allowed to deposit the employer's federal withheld employment taxes under Treasury Regulation,

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section 31.6302-1, without regard to the safe harbor or de minimis rules in subparagraph (f) or the one-day rule in subsection (c), clause (3). Taxpayers must submit a copy of their federal notice of deposit status to the commissioner upon request by the commissioner.

(c) The commissioner may prescribe by rule other return periods or deposit requirements. In prescribing the reporting period, the commissioner may classify payors according to the amount of their tax liability and may adopt an appropriate reporting period for the class that the commissioner judges to be consistent with efficient tax collection. In no event will the duration of the reporting period be more than one year.

(d) If less than the correct amount of tax is paid to the commissioner, proper adjustments with respect to both the tax and the amount to be deducted must be made, without interest, in the manner and at the times the commissioner prescribes. If the underpayment cannot be adjusted, the amount of the underpayment will be assessed and collected in the manner and at the times the commissioner prescribes.

(e) If the aggregate amount of the tax withheld during a fiscal year ending June 30 under section 290.92, subdivision 2a or 3, is equal to or exceeds the amounts established for remitting federal withheld taxes pursuant to the regulations promulgated under section 6302(h) of the Internal Revenue Code, the employer must remit each required deposit for wages paid in the subsequent calendar year by electronic means of a funds transfer as defined in section 336.4A-104, paragraph (a). ~~The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the deposit is due. If the date the deposit is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the deposit is due.~~

(f) A third-party bulk filer as defined in section 290.92, subdivision 30, paragraph (a), clause (2), who remits withholding deposits must remit all deposits by electronic means of a funds transfer as provided in paragraph (e), regardless of the aggregate amount of tax withheld during a fiscal year for all of the employers.

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

Sec. 11. Minnesota Statutes 2000, section 289A.20, subdivision 4, is amended to read:

Subd. 4. **SALES AND USE TAX.** (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit the June liability for the next year in the following manner:

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(1) Two business days before June 30 of the year, the vendor must remit 62 percent of the estimated June liability to the commissioner.

(2) On or before August 14 20 of the year, the vendor must pay any additional amount of tax not remitted in June.

(c) A vendor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities on returns due for periods beginning in the subsequent calendar year by electronic means of a funds transfer as defined in section 336.4A-104, paragraph (a). ~~The funds transfer payment date, as defined in section 336.4A-401, must be on or before the 14th 20th day of the month following the month in which the taxable event occurred, or on or before the 14th 20th day of the month following the month in which the sale is reported under section 289A.18, subdivision 4, except for 62 percent of the estimated June liability, which is due two business days before June 30. The remaining amount of the June liability is due on August 14 20. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a); clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.~~

(d) ~~If the vendor required to remit by electronic funds transfer as provided in paragraph (c) is unable due to reasonable cause to determine the actual sales and use tax due on or before the due date for payment, the vendor may remit an estimate of the tax owed using one of the following options:~~

(1) 100 percent of the tax reported on the previous month's sales and use tax return;

(2) 100 percent of the tax reported on the sales and use tax return for the same month in the previous calendar year; or

(3) 95 percent of the actual tax due.

Any additional amount of tax that is not remitted on or before the due date for payment, ~~must be remitted with the return. If a vendor fails to remit the actual liability or does not remit using one of the estimate options by the due date for payment, the vendor must remit actual liability as provided in paragraph (c) in all subsequent periods. This paragraph does not apply to the June sales and use tax liability.~~

EFFECTIVE DATE. This section is effective for payments due on or after July 1, 2001.

Sec. 12. Minnesota Statutes 2000, section 289A.26, subdivision 2a, is amended to read:

Subd. 2a. **ELECTRONIC FUNDS TRANSFER PAYMENTS.** If the aggregate amount of estimated tax payments made during a calendar year is equal to or exceeds \$20,000, all estimated tax payments in the subsequent calendar year must be paid by electronic means of a funds transfer as defined in section 336.4A-104, paragraph (a). ~~The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the estimated tax payment is due. If the date the estimated tax payment~~

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is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the estimated tax payment is due.

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

Sec. 13. Minnesota Statutes 2000, section 289A.60, subdivision 21, as amended by Laws 2001, chapter 7, section 60, is amended to read:

Subd. 21. **PENALTY FOR FAILURE TO MAKE PAYMENT BY ELECTRONIC FUNDS TRANSFER MEANS.** In addition to other applicable penalties imposed by this section, after notification from the commissioner to the taxpayer that payments are required to be made by electronic means of electronic funds transfer under section 289A.20, subdivision 2, paragraph (e), or 4, paragraph (c), or 289A.26, subdivision 2a, and the payments are remitted by some other means, there is a penalty in the amount of five percent of each payment that should have been remitted electronically. After the commissioner's initial notification to the taxpayer that payments are required to be made by electronic means, the commissioner is not required to notify the taxpayer in subsequent periods if the initial notification specified the amount of tax liability at which a taxpayer is required to remit payments by electronic means. The penalty can be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to remit the payment electronically is due to reasonable cause.

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

Sec. 14. Minnesota Statutes 2000, section 295.55, subdivision 4, is amended to read:

Subd. 4. **ELECTRONIC FUNDS TRANSFER PAYMENTS.** A taxpayer with an aggregate tax liability of \$120,000 or more during a fiscal year ending June 30, must remit all liabilities by electronic means of a funds transfer as defined in section 336.4A-104, paragraph (a), in the subsequent calendar year. The funds transfer payment date, as defined in section 336.4A-401, is on or before the date the tax is due. If the date the tax is due is not a funds-transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date is on or before the first funds-transfer business day after the date the tax is due.

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

Sec. 15. Minnesota Statutes 2000, section 296A.15, subdivision 7, is amended to read:

Subd. 7. **ELECTRONIC FUNDS TRANSFER PAYMENT REQUIRED.** All remittances must be made by electronic means of electronic funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the remittance is due. If the date the remittance is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer

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business day next following the date the remittance is due.

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

Sec. 16. Minnesota Statutes 2000, section 297E.02, subdivision 4, is amended to read:

Subd. 4. **PULL-TAB AND TIPBOARD TAX.** (a) A tax is imposed on the sale of each deal of pull-tabs and tipboards sold by a distributor. The rate of the tax is 1.7 percent of the ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter 297A on the sale of the pull-tabs and tipboards by the distributor 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 and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(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 customer or to a common or contract carrier for delivery to the customer, or when received by the 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 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;

(3) sales of promotional tickets as defined in section 349.12; and

(4) pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2. A distributor shall 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 the 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.

(c) A distributor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by a funds transfer as defined in section 336.4A-104, paragraph (a). ~~The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due~~ electronic means.

(d) Any customer who purchases deals of pull-tabs or tipboards from a distributor may file an annual claim for a refund or credit of taxes paid pursuant to this subdivision

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for unsold pull-tab and tipboard tickets. The claim must be filed with the commissioner on a form prescribed by the commissioner by March 20 of the year following the calendar year for which the refund is claimed. The refund must be filed as part of the customer's February monthly return. The refund or credit is equal to 1.7 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be 1.75 percent of the face value of the unsold pull-tab or tipboard tickets for claims for a refund or credit of taxes filed on the February 2001 monthly return. The refund claimed will be applied as a credit against tax owing under this chapter on the February monthly return. If the refund claimed exceeds the tax owing on the February monthly return, that amount will be refunded. The amount refunded will bear interest pursuant to section 270.76 from 90 days after the claim is filed.

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

Sec. 17. Minnesota Statutes 2000, section 297F.09, subdivision 7, is amended to read:

Subd. 7. **ELECTRONIC FUNDS TRANSFER PAYMENT.** A cigarette or tobacco products distributor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by electronic means of a funds transfer as defined in section 336.4A-104, paragraph (a). ~~The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer day immediately following the date the tax is due.~~

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

Sec. 18. Minnesota Statutes 2000, section 297G.09, subdivision 6, is amended to read:

Subd. 6. **ELECTRONIC FUNDS TRANSFER PAYMENTS.** A licensed brewer, importer, or wholesaler having an excise tax liability of \$120,000 or more during a fiscal year ending June 30 must remit all excise tax liabilities in the subsequent calendar year by electronic means of a funds transfer as defined in section 336.4A-104, paragraph (a). ~~The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the excise tax is due. If the date the excise tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the excise tax is due.~~

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

Sec. 19. Minnesota Statutes 2000, section 297I.35, subdivision 2, is amended to read:

Subd. 2. **ELECTRONIC FUNDS TRANSFER PAYMENTS.** If the aggregate amount of tax and surcharges due under this chapter during a calendar year is equal to or exceeds \$120,000, or if the taxpayer is required to make payment of any other tax

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to the commissioner by electronic means of electronic funds transfer as defined in section 336.4A-104, paragraph (a), then all tax and surcharge payments in the subsequent calendar year must be paid by electronic means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-104, must be on or before the date the payment is due. If the date the payment is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the payment is due.

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

Sec. 20. Minnesota Statutes 2000, section 297I.85, subdivision 7, is amended to read:

Subd. 7. **PENALTY FOR FAILURE TO MAKE PAYMENT BY ELECTRONIC FUNDS TRANSFER PAY ELECTRONICALLY.** In addition to other applicable penalties imposed by this section, if the commissioner notifies the taxpayer that payments are required to be made by electronic means of electronic funds transfer, and the payments are made by some other means, a penalty is imposed. The amount of the penalty is equal to five percent of each payment that should have been paid electronically. After the commissioner's initial notification to the taxpayer that payments are required to be made by electronic means, the commissioner is not required to notify the taxpayer in subsequent periods if the initial notification specified the amount of tax liability at which a taxpayer is required to remit payments by electronic means. The penalty may be abated under the abatement procedures prescribed in section 270.07, subdivision 6, if the failure to pay electronically is due to reasonable cause.

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

Sec. 21. Minnesota Statutes 2000, section 473.843, subdivision 3, is amended to read:

Subd. 3. **PAYMENT OF FEE.** On or before the 20th day of each month each operator shall pay the fee due under this section for the previous month, using a form provided by the commissioner of revenue.

An operator having a fee of \$120,000 or more during a fiscal year ending June 30 must pay all fees in the subsequent calendar year by electronic means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-104, must be on or before the date the fee is due. If the date the fee is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the fee is due.

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

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ARTICLE 18

SEIZURES OF CONTRABAND

Section 1. Minnesota Statutes 2000, section 296A.24, subdivision 1, is amended to read:

Subdivision 1. **SEIZURE.** The commissioner or authorized agents may seize gasoline or special fuel being transported for delivery in violation of section 296A.03, subdivision 1, and any vehicle or other method of conveyance used for transporting the gasoline or special fuel. Any untaxed motor vehicle fuel that is received by a person other than a licensee is subject to seizure along with the vehicle or other means of transportation used to transport the motor vehicle fuel. Any motor vehicle fuel, along with the transporting vehicle, brought into the state of Minnesota by a transporter for use, distribution, storage, or sale that is not supported by a manifest, bill of lading, or invoice, reflecting the licensed distributor responsible for the tax and/or fees is subject to seizure by the Minnesota department of revenue. Property seized under this subdivision is subject to forfeiture as provided in subdivisions subdivision 2 and 3.

EFFECTIVE DATE. This section is effective for seizures made on or after August 1, 2001.

Sec. 2. Minnesota Statutes 2000, section 296A.24, subdivision 2, is amended to read:

Subd. 2. **DISPOSITION OF SEIZED PROPERTY.** (a) Within ten days after the seizure of gasoline or special fuel, the person making the seizure shall deliver serve by certified mail an inventory of the vehicle or property seized to on the person from whom the seizure was made, if known, and on any person known or believed to have any right, title, interest, or lien on the vehicle or property, at the last known address, and file a copy with the office of the commissioner. The notice must include an explanation of the right to demand a judicial forfeiture determination.

(b) Within ten 60 days after the date of service of the inventory, which is the date of mailing, the person from whom the vehicle or property was seized or any person claiming an interest in the property it may file with the commissioner a demand for a judicial determination of whether the vehicle or property was lawfully subject to seizure and forfeiture. The commissioner, within 60 days of demand for a judicial determination, shall begin an action in the district court of the county where the seizure was made to determine the issue of forfeiture.

(b) The action must be brought in the name of the state and prosecuted by the county attorney or by the attorney general. The demand must be in the form of a civil complaint and must be filed with the court administrator in the county in which the seizure occurred, together with proof of service of a copy of the complaint on the commissioner of revenue, and the standard filing fee for civil actions unless the petitioner has the right to sue in forma pauperis under section 563.01. If the value of the seized property or vehicle is \$7,500 or less, the claimant may file an action in

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conciliation court for its recovery. If the value of the seized property or vehicle is less than \$500, the claimant does not have to pay the conciliation court filing fee.

(c) The complaint must be captioned in the name of the claimant as plaintiff and the seized property or vehicle as defendant, and must state with specificity the grounds on which the claimant alleges the property or vehicle was improperly seized and the plaintiff's interest in the property or vehicle seized. No responsive pleading is required of the commissioner and no court fees may be charged for the commissioner's appearance in the matter. The proceedings are governed by the Rules of Civil Procedure. Notwithstanding any law to the contrary, an action for the return of property or a vehicle seized under this section may not be maintained by or on behalf of any person who has been served with an inventory unless the person has complied with this subdivision. The court shall hear the action without a jury and shall try and determine the issues of fact and law involved.

(e) (d) When a judgment of forfeiture is entered, the commissioner may, unless the judgment is stayed pending an appeal, either:

(1) cause the forfeited property gasoline or special fuel to be destroyed; or

(2) cause it the forfeited property in clause (1) or vehicle to be sold at public auction as provided by law. Proceeds of a sale, after deducting the expense of keeping the gasoline or special fuel and costs of the sale, must be paid into the state treasury. The commissioner shall reimburse designees for costs incurred. After deducting the expense of keeping the property and vehicle and the costs of the sale, the commissioner shall pay from the funds collected all liens according to their priority, which are established as being bona fide and as existing without the lienor having any notice or knowledge that the property or vehicle was being used or was intended to be used for or in connection with any violation, and shall pay the balance of the proceeds into the general fund.

(d) If a demand for judicial determination is made and no action is commenced as provided in this subdivision, the property must be released by the commissioner and redelivered to the person entitled to it. (e) If no demand for judicial determination is made, the property or vehicle seized must be considered forfeited to the state by operation of law and may be disposed of by the commissioner as provided where there has been a judgment of forfeiture. When the commissioner is satisfied that a person from whom property is seized under this chapter was acting in good faith and without intent to evade the tax, the commissioner shall release the property seized, without further legal proceedings.

EFFECTIVE DATE. This section is effective for seizures made on or after August 1, 2001.

Sec. 3. Minnesota Statutes 2000, section 297A.91, is amended to read:

297A.91 SEIZURE; COURT REVIEW.

Subdivision 1. **SEIZURE OF PROPERTY USED IN ILLEGAL TRANSPORT.** (a) If the retailer does not have a sales or use tax permit and has been engaging

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in transporting personal property into the state without payment of the tax, the commissioner of revenue or the commissioner's agents may seize in the name of the state any truck, automobile, or means of transportation not owned or operated by a common carrier, used in the illegal importation and transportation of any tangible personal property by a retailer or the retailer's agent or employee. The commissioner may demand the forfeiture and sale of the truck, automobile, or other means of transportation together with the property being transported illegally, unless the owner establishes to the satisfaction of the commissioner or the court that the owner had no notice or knowledge or reason to believe that the vehicle was used or intended to be used in any such violation.

(b) ~~Within two ten~~ ten days after the seizure, the person making the seizure shall ~~deliver~~ serve by certified mail an inventory of the vehicle and property seized ~~to on~~ on the person from whom the seizure was made, if known, and ~~to on~~ on any person known or believed to have any right, title, interest, or lien on the vehicle or property, at the last known address. The person making the seizure shall also file a copy of the inventory with the commissioner. The notice must include an explanation of the right to demand a judicial forfeiture determination.

Subd. 2. **COURT REVIEW OF FORFEITURE.** (a) ~~Within ten~~ 60 days after the date of service of the inventory, which is the date of mailing, the person from whom the vehicle and property were seized or any person claiming an interest in the vehicle or property may file ~~with the commissioner~~ a demand for a judicial determination of the question of whether the vehicle or property was lawfully subject to seizure and forfeiture. ~~The commissioner, within 30 days, shall institute an action in the district court of the county where the seizure was made to determine the issue of forfeiture.~~

(b) ~~The action must be brought in the name of the state and prosecuted by the county attorney or the attorney general. The demand must be in the form of a civil complaint and must be filed with the court administrator in the county in which the seizure occurred, together with proof of service or a copy of the complaint on the commissioner of revenue, and the standard filing fee for civil actions unless the petitioner has the right to sue in forma pauperis under section 563.01. If the value of the seized property or vehicle is \$7,500 or less, the claimant may file an action in conciliation court for its recovery. If the value of the seized property or vehicle is less than \$500, the claimant does not have to pay the conciliation court filing fee.~~

(c) ~~The complaint must be captioned in the name of the claimant as plaintiff and the seized property or vehicle as defendant, and must state with specificity the grounds on which the claimant alleges the property or vehicle was improperly seized and the plaintiff's interest in the property or vehicle seized. No responsive pleading is required of the commissioner, and no court fees may be charged for the commissioner's appearance in the matter. The proceedings are governed by the Rules of Civil Procedure. Notwithstanding any law to the contrary, an action for the return of property or a vehicle seized under this subdivision may not be maintained by or on behalf of any person who has been served with an inventory unless the person has complied with this subdivision. The court shall hear the action without a jury and shall determine the~~

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issues of fact and law involved. If a judgment of forfeiture is entered and is not stayed pending an appeal, the commissioner may have the forfeited vehicle and property sold at public auction as provided by law.

Subd. 3. **TREATMENT OF SEIZED PROPERTY.** ~~If a demand for judicial determination is made and no action is commenced as provided in this subdivision, the vehicle and property must be released by the commissioner and redelivered to the person entitled to it. If no demand for judicial determination is made, the vehicle and property seized are considered forfeited to the state by operation of law and may be disposed of by the commissioner as if there were a judgment of forfeiture. The forfeiture and sale of the automobile, truck, or other means of transportation, and of the property being transported illegally in it, are a penalty for the violation of this chapter. After deducting the expense of keeping the vehicle and property, the fee for seizure, and the costs of the sale, the commissioner shall pay liens from the funds collected. The commissioner shall pay all liens, according to their priority, that are established at the hearing as being bona fide and as existing without the lienor having any notice or knowledge that the vehicle or property was being used or was intended to be used for or in connection with any such violation as specified in the order of the court. The commissioner shall pay the balance of the proceeds into the state treasury to be credited to the general fund. The state is not liable for any liens in excess of the proceeds from the sale after allowable deductions. A sale under this section frees the vehicle and property sold from all liens. The order of the district court may be appealed as in other civil cases.~~

EFFECTIVE DATE. This section is effective for seizures made on or after August 1, 2001.

Sec. 4. Minnesota Statutes 2000, section 297E.16, subdivision 1, is amended to read:

Subdivision 1. **SEIZURE.** Contraband may be seized by the commissioner or by any sheriff or other police officer, hereinafter referred to as the "seizing authority," with or without process, and is subject to forfeiture as provided in ~~subdivisions~~ subdivision 2 and 3.

EFFECTIVE DATE. This section is effective for seizures made on or after August 1, 2001.

Sec. 5. Minnesota Statutes 2000, section 297E.16, subdivision 2, is amended to read:

Subd. 2. **INVENTORY; JUDICIAL DETERMINATION; APPEAL; DISPOSITION OF SEIZED PROPERTY.** (a) Within ten days after the seizure of alleged contraband described in section 349.2125, subdivision 1, the person making the seizure shall make available serve by certified mail an inventory of the property seized to on the person from whom the property was seized, if known, and on any person known or believed to have any right, title, interest, or lien in the property, at the last known address, and file a copy with the commissioner or the director of alcohol and gambling

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enforcement. The notice must include an explanation of the right to demand a judicial forfeiture determination.

(b) Within ~~ten~~ 60 days after the date of service of the inventory, which is the date of mailing, the person from whom the property was seized or any person claiming an interest in the property may file with the seizing authority a demand for judicial determination of whether the property was lawfully subject to seizure and forfeiture. Within 60 days after the date of filing of the demand, the seizing authority must bring an action in the district court of the county where seizure was made to determine the issue of forfeiture. The action must be brought in the name of the state and be prosecuted by the county attorney or by the attorney general. The demand must be in the form of a civil complaint and must be filed with the court administrator in the county in which the seizure occurred, together with proof of service of a copy of the complaint on the commissioner of revenue or the director of alcohol and gambling enforcement, and the standard filing fee for civil actions unless the petitioner has the right to sue in forma pauperis under section 563.01. If the value of the seized property is \$7,500 or less, the claimant may file an action in conciliation court for recovery of the property. If the value of the seized property is less than \$500, the claimant does not have to pay the conciliation court filing fee.

(c) The complaint must be captioned in the name of the claimant as plaintiff and the seized property as defendant, and must state with specificity the grounds on which the claimant alleges the property was improperly seized and the plaintiff's interest in the property seized. No responsive pleading is required of the commissioner or director, and no court fees may be charged for the commissioner's or director's appearance in the matter. The proceedings are governed by the Rules of Civil Procedure. Notwithstanding any law to the contrary, an action for the return of property seized under this section may not be maintained by or on behalf of any person who has been served with an inventory unless the person has complied with this subdivision. The court shall hear the action without a jury and determine the issues of fact and law involved.

(d) If a judgment of forfeiture is entered, the seizing authority may, unless the judgment is stayed pending an appeal, either (1) cause the forfeited property, other than a vehicle, to be destroyed; or (2) cause it to be sold at a public auction as provided by law. The person making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation. The balance of the proceeds must be paid 70 percent to the seizing authority for deposit as a supplement to its operating fund or similar fund for official use, and 20 percent to the county attorney or other prosecuting agency that handled the court proceeding, if there is one, for deposit as a supplement to its operating fund or similar fund for prosecutorial purposes. The remaining ten percent of the proceeds must be forwarded within 60 days after resolution of the forfeiture to the department of human services to fund programs for the treatment of

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compulsive gamblers. If there is no prosecuting authority involved in the forfeiture, the 20 percent of the proceeds otherwise designated for the prosecuting authority must be deposited into the general fund.

If demand for judicial determination is made and no action is commenced by the seizing authority as provided in this subdivision, the property must be released by the seizing authority and delivered to the person entitled to it. (e) If no demand for judicial determination is made, the property seized is considered forfeited to the seizing authority by operation of law and may be disposed of by the seizing authority as provided where there has been a judgment of forfeiture. When the seizing authority is satisfied that a person from whom property is seized was acting in good faith and without intent to evade the tax imposed by section 297E.02, the seizing authority shall release the property seized without further legal proceedings.

EFFECTIVE DATE. This section is effective for seizures made on or after August 1, 2001.

Sec. 6. Minnesota Statutes 2000, section 297F.21, subdivision 1, is amended to read:

Subdivision 1. **CONTRABAND DEFINED.** The following are declared to be contraband and therefore subject to civil and criminal penalties under this chapter:

(a) Cigarette packages which do not have stamps affixed to them as provided in this chapter, including but not limited to (i) packages with illegible stamps and packages with stamps that are not complete or whole even if the stamps are legible, and (ii) all devices for the vending of cigarettes in which packages as defined in item (i) are found, including all contents contained within the devices.

(b) A device for the vending of cigarettes and all packages of cigarettes, where the device does not afford at least partial visibility of contents. Where any package exposed to view does not carry the stamp required by this chapter, it shall be presumed that all packages contained in the device are unstamped and contraband.

(c) A device for the vending of cigarettes to which the commissioner or authorized agents have been denied access for the inspection of contents. In lieu of seizure, the commissioner or an agent may seal the device to prevent its use until inspection of contents is permitted.

(d) A device for the vending of cigarettes which does not carry the name and address of the owner, plainly marked and visible from the front of the machine.

(e) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes, and boats used with the knowledge of the owner or of a person operating with the consent of the owner for the storage or transportation of more than 5,000 cigarettes which are contraband under this subdivision. When cigarettes are being transported in the course of interstate commerce, or are in movement from either a public warehouse to a distributor upon orders from a manufacturer or distributor, or

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from one distributor to another, the cigarettes are not contraband, notwithstanding the provisions of clause (a).

(f) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes, and boats used with the knowledge of the owner, or of a person operating with the consent of the owner, for the storage or transportation of untaxed tobacco products intended for sale in Minnesota other than those in the possession of a licensed distributor on or before the due date for payment of the tax under section 297F.09, subdivision 2.

(g) Cigarette packages or tobacco products obtained from an unlicensed seller.

(g) (h) Cigarette packages offered for sale or held as inventory in violation of section 297F.20, subdivision 7.

(h) (i) Tobacco products on which the tax has not been paid by a licensed distributor.

(i) (j) Any cigarette packages or tobacco products offered for sale or held as inventory for which there is not an invoice from a licensed seller as required under section 297F.13, subdivision 4.

(j) (k) Cigarette packages which have been imported into the United States in violation of United States Code, title 26, section 5754. All cigarettes held in violation of that section shall be presumed to have entered the United States after December 31, 1999, in the absence of proof to the contrary.

EFFECTIVE DATE. This section is effective for seizures made on or after August 1, 2001.

Sec. 7. Minnesota Statutes 2000, section 297F.21, subdivision 2, is amended to read:

Subd. 2. **SEIZURE.** Cigarettes, tobacco products, or other property made contraband by subdivision 1 may be seized by the commissioner or authorized agents or by any sheriff or other police officer, with or without process, and are subject to forfeiture as provided in subdivisions subdivision 3 and 4.

EFFECTIVE DATE. This section is effective for seizures made on or after August 1, 2001.

Sec. 8. Minnesota Statutes 2000, section 297F.21, subdivision 3, is amended to read:

Subd. 3. **INVENTORY; JUDICIAL DETERMINATION; APPEAL; DISPOSITION OF SEIZED PROPERTY.** (a) Within ten days after the seizure of any alleged contraband, the person making the seizure shall ~~make available~~ serve by certified mail an inventory of the property seized ~~to~~ on the person from whom the seizure was made, if known, and on any person known or believed to have any right, title, interest, or lien in the property, at the last known address, and file a copy with the

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commissioner. The notice must include an explanation of the right to demand a judicial forfeiture determination.

(b) ~~Within ten~~ 60 days after the date of service of the inventory, which is the date of mailing, the person from whom the property was seized or any person claiming an interest in the property may file with the commissioner a demand for a judicial determination of the question as to whether the property was lawfully subject to seizure and forfeiture. The commissioner, within 60 days, shall institute an action in the district court of the county where the seizure was made to determine the issue of forfeiture. The demand must be in the form of a civil complaint and must be filed with the court administrator in the county in which the seizure occurred, together with proof of service of a copy of the complaint on the commissioner of revenue, and the standard filing fee for civil actions unless the petitioner has the right to sue in forma pauperis under section 563.01. If the value of the seized property is \$7,500 or less, the claimant may file an action in conciliation court for recovery of the property. If the value of the seized property is less than \$500, the claimant does not have to pay the conciliation court filing fee.

(c) The complaint must be captioned in the name of the claimant as plaintiff and the seized property as defendant, and must state with specificity the grounds on which the claimant alleges the property was improperly seized and the plaintiff's interest in the property seized. No responsive pleading is required of the commissioner, and no court fees may be charged for the commissioner's appearance in the matter. The proceedings are governed by the Rules of Civil Procedure. Notwithstanding any law to the contrary, an action for the return of property seized under this section may not be maintained by or on behalf of any person who has been served with an inventory unless the person has complied with this subdivision. The court shall decide whether the alleged contraband is contraband, as defined in subdivision 1.

(b) ~~The action must be brought in the name of the state and must be prosecuted by the county attorney or by the attorney general. The court shall hear the action without a jury and shall try and determine the issues of fact and law involved.~~

(e) (d) When a judgment of forfeiture is entered, the commissioner may, unless the judgment is stayed pending an appeal, either:

(1) deliver the forfeited property cigarette packages or tobacco products to the commissioner of human services for use by patients in state institutions;

(2) cause it the property in clause (1) to be destroyed; or

(3) cause it the forfeited property to be sold at public auction as provided by law.

The person making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation. The balance of the proceeds must be paid 75

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percent to the department of revenue for deposit as a supplement to its operating fund or similar fund for official use, and 25 percent to the county attorney or other prosecuting agency that handled the court proceeding, if there is one, for deposit as a supplement to its operating fund or similar fund for prosecutorial purposes. If there is no prosecuting authority involved in the forfeiture, the 25 percent of the proceeds otherwise designated for the prosecuting authority must be deposited into the general fund.

(d) If a demand for judicial determination is made and no action commenced as provided in this subdivision, the property must be released by the commissioner and returned to the person entitled to it. (e) If no demand for judicial determination is made, the property seized is considered forfeited to the state by operation of law and may be disposed of by the commissioner as provided in the case of a judgment of forfeiture.

EFFECTIVE DATE. This section is effective for seizures made on or after August 1, 2001.

Sec. 9. Minnesota Statutes 2000, section 297G.20, subdivision 3, is amended to read:

Subd. 3. **SEIZURE.** Distilled spirits, wine, fermented malt beverages, or other property made contraband by subdivision 1 may be seized by the commissioner of revenue or public safety and their authorized agents or by any sheriff or other police officer, with or without process, and are subject to forfeiture as provided in subdivisions subdivision 4 and 5.

EFFECTIVE DATE. This section is effective for seizures made on or after August 1, 2001.

Sec. 10. Minnesota Statutes 2000, section 297G.20, subdivision 4, is amended to read:

Subd. 4. **INVENTORY; JUDICIAL DETERMINATION; APPEAL; DISPOSITION OF SEIZED PROPERTY.** (a) Within ten days after the seizure of alleged contraband, the person making the seizure shall make available serve by certified mail an inventory of the property seized to on the person from whom the property was seized, if known, and on any person known or believed to have any right, title, interest, or lien in the property, at the last known address, and file a copy with both the commissioners of revenue and public safety. The notice must include an explanation of the right to demand a judicial forfeiture determination.

(b) Within ten 60 days after the date of service of the inventory, which is the date of mailing, the person from whom the property was seized or any person claiming an interest in the property may file with the seizing authority a demand for judicial determination of whether the property was lawfully subject to seizure and forfeiture. Within 60 days after the date of the filing of the demand, the seizing authority must bring an action in the district court of the county where seizure was made to determine the issue of forfeiture. The demand must be in the form of a civil complaint and must be filed with the court administrator in the county in which the seizure occurred,

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together with proof of service of a copy of the complaint on the commissioner of revenue or public safety, and the standard filing fee for civil actions unless the petitioner has the right to sue in forma pauperis under section 563.01. If the value of the seized property or vehicle is \$7,500 or less, the claimant may file an action in conciliation court for recovery of the property. If the value of the seized property is less than \$500, the claimant does not have to pay the conciliation court filing fee.

(c) The complaint must be captioned in the name of the claimant as plaintiff and the seized property as defendant, and must state with specificity the grounds on which the claimant alleges the property was improperly seized and the plaintiff's interest in the property seized. No responsive pleading is required of the commissioner of revenue or public safety and no court fees may be charged for either commissioner's appearance in the matter. The proceedings are governed by the Rules of Civil Procedure. Notwithstanding any law to the contrary, an action for the return of property seized under this section may not be maintained by or on behalf of any person who has been served with an inventory unless the person has complied with this subdivision.

(b) The action must be brought in the name of the state and must be prosecuted by the county attorney or by the attorney general. The court shall hear the action without a jury and determine the issues of fact and law involved.

(d) If a judgment of forfeiture is entered, the seizing authority may, unless the judgment is stayed pending an appeal, either:

- (1) cause the forfeited property, other than a vehicle, to be destroyed; or
- (2) cause it to be sold at a public auction as provided by law.

The person making a sale, after deducting the expense of keeping the property, the fee for seizure, and the costs of the sale, shall pay all liens according to their priority, which are established as being bona fide and as existing without the lienor having any notice or knowledge that the property was being used or was intended to be used for or in connection with the violation. The balance of the proceeds must be paid 75 percent to the seizing authority for deposit as a supplement to its operating fund or similar fund for official use, and 25 percent to the county attorney or other prosecuting agency that handled the court proceeding, if there is one, for deposit as a supplement to its operating fund or similar fund for prosecutorial purposes. If there is no prosecuting authority involved in the forfeiture, the 25 percent of the proceeds otherwise designated for the prosecuting authority must be deposited into the general fund.

(d) If demand for judicial determination is made and no action is commenced by the seizing authority as provided in this subdivision, the property must be released by the seizing authority and delivered to the person entitled to it. (e) If no demand is made, the property seized is considered forfeited to the seizing authority by operation of law and may be disposed of by the seizing authority as provided for a judgment of forfeiture. When the seizing authority is satisfied that a person from whom property is seized was acting in good faith and without intent to evade the tax imposed by this

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chapter, the seizing authority shall release the property seized without further legal proceedings.

EFFECTIVE DATE. This section is effective for seizures made on or after August 1, 2001.

Sec. 11. REPEALER.

Minnesota Statutes 2000, sections 296A.24, subdivision 3; 297E.16, subdivision 3; 297F.21, subdivision 4; and 297G.20, subdivision 5, are repealed.

EFFECTIVE DATE. This section is effective for seizures made on or after August 1, 2001.

ARTICLE 19

BIOMEDICAL INNOVATION INITIATIVE

Section 1. [116J.885] BIOMEDICAL INNOVATION AND COMMERCIALIZATION INITIATIVE.

Subdivision 1. ESTABLISHED. The commissioner of trade and economic development shall establish the biomedical innovation and commercialization initiative (BICI) as a collaborative economic development initiative between the University of Minnesota, Minnesota's medical technology industry, and investors. BICI is not a state agency.

The board established in subdivision 2 shall organize and operate BICI as a for-profit entity and in a manner and form that the board determines best allows BICI to carry out its objectives. Any distribution from BICI must be returned to all investors, including the state, in the same proportion as funds were contributed.

Subd. 2. BOARD. BICI is governed by a board of directors, appointed to six-year terms, comprised of:

- (1) a representative chosen by the governor;
- (2) a representative chosen by the University of Minnesota; and
- (3) five representatives from the state's medical technology industry, chosen by private sector investors.

The board may use up to five percent of its total capitalization to establish a management and administrative budget, including the hiring of staff and for professional management expenses. Members of the staff are not state employees.

Subd. 3. DUTIES OF BICI. BICI shall:

- (1) add business and financial expertise to technologies that are being developed by University of Minnesota faculty and staff to enhance commercial value;

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(2) promote the depth, breadth, and value of technologies being developed by the biomedical academic community;

(3) catalyze the development of functional, mutually advantageous relationships between industry, faculty, staff, the university, and extended research community;

(4) provide a financial return on commercialization efforts to the stakeholders in BICI; and

(5) directly commercialize technologies through the startup of new Minnesota companies or enhance the marketing of technologies to existing companies creating expanded economic development opportunities.

Subd. 4. STATEWIDE FOCUS. BICI may contract and collaborate with higher education and other research institutions located throughout the state.

Subd. 5. POWERS OF BOARD. The board has the power to do all things reasonable and necessary to carry out the duties of BICI including, without limitation, the power to:

(1) enter into contracts for goods and services with individuals and private and public entities;

(2) sue and be sued;

(3) acquire, hold, lease, and transfer any interest in real and personal property;

(4) accept appropriations, gifts, grants, and bequests;

(5) hire employees for BICI; and

(6) delegate any of its powers.

Subd. 6. BOARD COMPENSATION. Compensation and expense reimbursement of board members is as provided in section 15.0575, subdivision 1.

Sec. 2. APPROPRIATION.

\$10,000,000 is appropriated from the general fund for the 2002-2003 biennium to the commissioner of trade and economic development for the purposes of section 1. The appropriation is contingent on a three-to-one match of money contributions from other sources.

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

ARTICLE 20

MISCELLANEOUS

Section 1. [12.38] **STATE AGENCIES; TEMPORARY WAIVER OF FEES.**

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Notwithstanding any law to the contrary, a state agency as defined in section 16B.01, subdivision 2, with the approval of the governor, may waive fees that would otherwise be charged for agency services. The waiver of fees must be confined to geographic areas within a presidentially declared disaster area, and to the minimum periods of time necessary to deal with the emergency situation. The requirements of section 14.05, subdivision 4, do not apply to a waiver made under this section. The agency must promptly report the reasons for and the impact of any suspended fees to the chairs of the legislative committees that oversee the policy and budgetary affairs of the agency.

EFFECTIVE DATE. This section is effective for disaster declarations made after April 15, 2001.

Sec. 2. Minnesota Statutes 2000, section 16A.152, subdivision 1a, is amended to read:

Subd. 1a. **BUDGET RESERVE.** A budget reserve account of \$653,000,000 is created in the general fund in the state treasury. The commissioner of finance shall transfer to the budget reserve account on July 1 of each odd-numbered year any amounts specifically appropriated by law to the budget reserve.

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

Sec. 3. Minnesota Statutes 2000, section 16A.152, subdivision 2, is amended to read:

Subd. 2. **ADDITIONAL REVENUES; PRIORITY.** If on the basis of a forecast of general fund revenues and expenditures after November 1 in an odd-numbered year, 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 as follows:

(1) ~~first~~, to the budget reserve until the total amount in the account equals \$622,000,000; then

(2) 60 percent to the property tax reform account established in section 16A.1521; and

(3) 40 percent is an unrestricted balance in the general fund the amount set in this section.

The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released.

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

Sec. 4. Minnesota Statutes 2000, section 45.011, subdivision 1, is amended to read:

Subdivision 1. **SCOPE.** As used in chapters 45 to 83, 155A, 309, 332, 345, and 359, and sections 325D.30 to 325D.42, 326.83 to 326.991, and 386.61 to 386.78,

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unless the context indicates otherwise, the terms defined in this section have the meanings given them.

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

Sec. 5. Minnesota Statutes 2000, section 270.06, is amended to read:

270.06 POWERS AND DUTIES.

The commissioner of revenue shall:

(1) have and exercise general supervision over the administration of the assessment and taxation laws of the state, over assessors, town, county, and city boards of review and equalization, and all other assessing officers in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state;

(2) confer with, advise, and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state;

(3) direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the laws of this state governing returns of assessment and taxation of property, and cause complaints to be made against local assessors, members of boards of equalization, members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty;

(4) require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture and punishment for violation of the laws of this state in respect to the assessment and taxation of property in their respective districts or counties;

(5) require town, city, county, and other public officers to report information as to the assessment of property, collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the department of revenue, in such form and upon such blanks as the commissioner may prescribe;

(6) require individuals, copartnerships, companies, associations, and corporations to furnish information concerning their capital, funded or other debt, current assets and liabilities, earnings, operating expenses, taxes, as well as all other statements now required by law for taxation purposes;

(7) subpoena witnesses, at a time and place reasonable under the circumstances, to appear and give testimony, and to produce books, records, papers and documents for inspection and copying relating to any matter which the commissioner may have authority to investigate or determine;

(8) issue a subpoena which does not identify the person or persons with respect to whose liability the subpoena is issued, but only if (a) the subpoena relates to the

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investigation of a particular person or ascertainable group or class of persons, (b) there is a reasonable basis for believing that such person or group or class of persons may fail or may have failed to comply with any law administered by the commissioner, (c) the information sought to be obtained from the examination of the records (and the identity of the person or persons with respect to whose liability the subpoena is issued) is not readily available from other sources, (d) the subpoena is clear and specific as to the information sought to be obtained, and (e) the information sought to be obtained is limited solely to the scope of the investigation. Provided further that the party served with a subpoena which does not identify the person or persons with respect to whose tax liability the subpoena is issued shall have the right, within 20 days after service of the subpoena, to petition the district court for the judicial district in which lies the county in which that party is located for a determination as to whether the commissioner of revenue has complied with all the requirements in (a) to (e), and thus, whether the subpoena is enforceable. If no such petition is made by the party served within the time prescribed, the subpoena shall have the force and effect of a court order;

(9) cause the deposition of witnesses residing within or without the state, or absent therefrom, to be taken, upon notice to the interested party, if any, in like manner that depositions of witnesses are taken in civil actions in the district court, in any matter which the commissioner may have authority to investigate or determine;

(10) investigate the tax laws of other states and countries and to formulate and submit to the legislature such legislation as the commissioner may deem expedient to prevent evasions of assessment and taxing laws, and secure just and equal taxation and improvement in the system of assessment and taxation in this state;

(11) consult and confer with the governor upon the subject of taxation, the administration of the laws in regard thereto, and the progress of the work of the department of revenue, and furnish the governor, from time to time, such assistance and information as the governor may require relating to tax matters;

(12) transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the department of revenue for the preceding years, showing all the taxable property in the state and the value of the same, in tabulated form;

(13) inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties, particularly as to their compliance with the laws requiring the assessment of all property not exempt from taxation;

(14) administer and enforce the assessment and collection of state taxes and fees, including the use of any remedy available to nongovernmental creditors, and, from time to time, make, publish, and distribute rules for the administration and enforcement of assessments and fees administered by the commissioner and state tax laws. The rules have the force of law;

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(15) prepare blank forms for the returns required by state tax law and distribute them throughout the state, furnishing them subject to charge on application;

(16) prescribe rules governing the qualification and practice of agents, attorneys, or other persons representing taxpayers before the commissioner. The rules may require that those persons, agents, and attorneys show that they are of good character and in good repute, have the necessary qualifications to give taxpayers valuable services, and are otherwise competent to advise and assist taxpayers in the presentation of their case before being recognized as representatives of taxpayers. After due notice and opportunity for hearing, the commissioner may suspend and disbar from further practice before the commissioner any person, agent, or attorney who is shown to be incompetent or disreputable, who refuses to comply with the rules, or who with intent to defraud, willfully or knowingly deceives, misleads, or threatens a taxpayer or prospective taxpayer, by words, circular, letter, or by advertisement. This clause does not curtail the rights of individuals to appear in their own behalf or partners or corporations' officers to appear in behalf of their respective partnerships or corporations;

(17) appoint agents as the commissioner considers necessary to make examinations and determinations. The agents have the rights and powers conferred on the commissioner to subpoena, examine, and copy books, records, papers, or memoranda, subpoena witnesses, administer oaths and affirmations, and take testimony. In addition to administrative subpoenas of the commissioner and the agents, upon demand of the commissioner or an agent, the court administrator of any district court shall issue a subpoena for the attendance of a witness or the production of books, papers, records, or memoranda before the agent for inspection and copying. Disobedience of a court administrator's subpoena shall be punished by the district court of the district in which the subpoena is issued, or in the case of a subpoena issued by the commissioner or an agent, by the district court of the district in which the party served with the subpoena is located, in the same manner as contempt of the district court;

(18) appoint and employ additional help, purchase supplies or materials, or incur other expenditures in the enforcement of state tax laws as considered necessary. The salaries of all agents and employees provided for in this chapter shall be fixed by the appointing authority, subject to the approval of the commissioner of administration;

(19) execute and administer any agreement with the secretary of the treasury of the United States or a representative of another state regarding the exchange of information and administration of the tax laws;

(20) ~~administer and enforce the provisions of sections 325D.30 to 325D.42, the Minnesota Unfair Cigarette Sales Act;~~

~~(21) authorize the use of unmarked motor vehicles to conduct seizures or criminal investigations pursuant to the commissioner's authority; and~~

~~(22) (21) exercise other powers and perform other duties required of or imposed upon the commissioner of revenue by law.~~

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

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

Sec. 6. Minnesota Statutes 2000, section 270.07, subdivision 3, is amended to read:

Subd. 3. **ADDITIONAL POWERS OF COMMISSIONER.** Notwithstanding any other provision of law the commissioner of revenue may,

(a) based upon the administrative costs of processing, determine minimum standards for the determination of additional tax for which an order shall be issued, and

(b) based upon collection costs as compared to the amount of tax involved, determine minimum standards of collection, and

(c) based upon the administrative costs of processing, determine the minimum amount of refunds for which an order shall be issued and refund made where no claim therefor has been filed, and

(d) cancel any amounts below these minimum standards determined under (a) and (b) hereof, and

(e) based upon the inability of a taxpayer to pay a delinquent tax liability, abate the liability if the taxpayer agrees to perform uncompensated public service work for a state agency, a political subdivision or public corporation of this state, or a nonprofit educational, medical, or social service agency. The department of corrections shall administer the work program. No benefits under chapter 176 or 268 shall be available, but a claim authorized under section 3.739 may be made by the taxpayer. The state may not enter into any agreement that has the purpose of or results in the displacement of public employees by a delinquent taxpayer under this section. The state must certify to the appropriate bargaining agent or employees, as applicable, that the work performed by a delinquent taxpayer will not result in the displacement of currently employed workers or layoff from a substantially equivalent position, including partial displacement such as reduction in hours of nonovertime work, wages, or other employment benefits, and

(f) based on a showing of reasonable cause reissue an uncashed rebate or property tax refund warrant or check that has lapsed under any provision of law relating to rebates or under section 290A.18, subdivision 2. The authority to reissue warrants or checks under this paragraph is limited to five years after the date of issuance of the original warrant or check.

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

Sec. 7. Minnesota Statutes 2000, section 270.07, is amended by adding a subdivision to read:

Subd. 3a. **APPROPRIATION.** An amount sufficient for the reissuance of rebate warrants authorized under this section is appropriated to the commissioner from the general fund.

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

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

Sec. 8. [270.277] NOTICES TO HOLDERS OF POWERS OF ATTORNEY.

If a taxpayer has executed a written power of attorney, in a form prescribed by the commissioner, the commissioner shall allow the taxpayer to elect, in writing, that all notices and correspondence between the department of revenue and the taxpayer will be sent to the holder of the power of attorney.

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

Sec. 9. [270.691] PUBLICATION OF NAMES OF DELINQUENT TAXPAYERS.

Subdivision 1. COMMISSIONER MAY PUBLISH. (a) Notwithstanding any other law, the commissioner may publish a list or lists of taxpayers who owe delinquent taxes or fees administered by the commissioner, and who meet the requirements of paragraph (b).

(b) For purposes of this section, a taxpayer may be included on a list if:

(1) the taxes or fees owed remain unpaid at least 180 days after the dates they were due;

(2) the taxpayer's total liability for the taxes and fees, including penalties, interest, and other charges, is at least \$5,000; and

(3) a tax lien has been filed or a judgment for the liability has been entered against the taxpayer before notice is given under subdivision 3.

(c) In the case of listed taxpayers that are business entities, the commissioner may also list the names of responsible persons assessed pursuant to section 270.101 for listed liabilities, who are not protected from publication by subdivision 2, and for whom the requirements of paragraph (b) are satisfied with regard to the personal assessment.

(d) Before any list is published under this section, the commissioner of revenue must certify in writing that each of the conditions for publication as provided in this section has been satisfied, and that procedures were followed to ensure the accuracy of the list and notice was given to the affected taxpayers.

Subd. 2. REQUIRED AND EXCLUDED TAXPAYERS. (a) The commissioner may publish lists of some or all of the taxpayers described in subdivision 1. A list must include the taxpayers with the largest unpaid liabilities of the kind used to define the list, subject to the limitations of paragraphs (b) and (c).

(b) For the purposes of this section, a tax or fee is not delinquent if:

(1) an administrative or court action contesting the amount or validity of the taxpayer's liability has been filed or served and is unresolved at the time when notice would be given under subdivision 3;

(2) an appeal period to contest the liability has not expired; or

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(3) the liability is subject to a payment agreement and there is no delinquency in the payments required under the agreement.

(c) Unpaid liabilities are not subject to publication if:

(1) the commissioner is in the process of reviewing or adjusting the liability;

(2) the taxpayer is a debtor in a bankruptcy proceeding and the automatic stay is in effect;

(3) the commissioner has been notified that the taxpayer is deceased; or

(4) the time period for collecting the taxes or fees has expired.

Subd. 3. NOTICE TO TAXPAYER. (a) At least 30 days before publishing the name of a delinquent taxpayer, the commissioner shall mail a written notice to the taxpayer, detailing the amount and nature of each liability and the intended publication of the information listed in subdivision 4 related to the liability. The notice must be mailed by first class and certified mail addressed to the last known address of the taxpayer. The notice must include information regarding the exceptions listed in subdivision 2 and must state that the taxpayer's information will not be published if the taxpayer pays the delinquent obligation, enters into an agreement to pay, or provides information establishing that subdivision 2 prohibits publication of the taxpayer's name.

(b) After at least 30 days has elapsed since the notice was mailed and the delinquent tax or fee has not been paid and the taxpayer has not proved to the commissioner that subdivision 2 prohibits publication, the commissioner may publish in a list of delinquent taxpayers the information about the taxpayer that is listed in subdivision 4.

Subd. 4. FORM OF LIST. The list may be published by any medium or method. The list must contain the name, address, type of tax or fee, and period for which payment is due for each liability, including penalties, interest, and other charges owed by each listed delinquent taxpayer.

Subd. 5. REMOVAL FROM LIST. The commissioner shall remove the name of a taxpayer from the list of delinquent taxpayers after the commissioner receives written notice of and verifies any of the following facts about the liability in question:

(1) the taxpayer has contacted the commissioner and arranged resolution of the liability;

(2) an active bankruptcy proceeding has been initiated for the liability;

(3) a bankruptcy proceeding concerning the liability has resulted in discharge of the liability; or

(4) the commissioner has written off the liability.

Subd. 6. NAMES PUBLISHED IN ERROR. If the commissioner publishes a name under subdivision 1 in error, the taxpayer whose name was erroneously published

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has a right to request a retraction and apology. If the taxpayer so requests, the commissioner shall publish a retraction and apology acknowledging that the taxpayer's name was published in error. The retraction and apology must appear in the same medium and the same format as the original list that contained the name listed in error.

Subd. 7. PAYMENT OF DAMAGES. Actions against the commissioner of revenue or the state of Minnesota arising out of the implementation of this program must be brought under section 270.276. If an action results in damages awarded to a taxpayer, the damages must be paid out of the department of revenue operating budget rather than in accordance with section 3.736, subdivision 7.

Subd. 8. EXPIRATION DATE. The program authorized under this section terminates on June 30, 2002.

EFFECTIVE DATE. This section is effective the day following final enactment for all liabilities owing on that date for which the statute of limitations for collection has not expired, and all liabilities arising after that date.

Sec. 10. Minnesota Statutes 2000, section 297F.04, subdivision 1, is amended to read:

Subdivision 1. **POWERS OF COMMISSIONER.** The commissioner may revoke or suspend the license or licenses of any distributor or subjobber for violation of this chapter, any other act applicable to the sale of cigarettes or tobacco products, or any rule promulgated by the commissioner, in furtherance of this chapter. The commissioner may also revoke, cancel, or suspend the license or licenses of any distributor or subjobber for violation of ~~sections 325D.30 to 325D.42.~~

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

Sec. 11. Minnesota Statutes 2000, section 297F.13, subdivision 4, is amended to read:

Subd. 4. **RETAILER AND SUBJOBBER TO PRESERVE PURCHASE INVOICES.** Every retailer and subjobber shall procure itemized invoices of all cigarettes or tobacco products purchased.

The retailer and subjobber shall preserve a legible copy of each invoice for one year from the date of the invoice. The retailer and subjobber shall preserve copies of the invoices at each retail location or at a central location provided that the invoice must be produced and made available at a retail location within one hour when requested by the commissioner or duly authorized agents and employees. Copies should be numbered and kept in chronological order.

To determine whether the business is in compliance with the provisions of this chapter ~~and sections 325D.30 to 325D.42~~, at any time during usual business hours, the commissioner, or duly authorized agents and employees, may enter any place of business of a retailer or subjobber without a search warrant and inspect the premises, the records required to be kept under this chapter, and the packages of cigarettes, tobacco products, and vending devices contained on the premises.

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

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

Sec. 12. Minnesota Statutes 2000, section 325D.33, is amended by adding a subdivision to read:

Subd. 2a. COMMISSIONER. “Commissioner” means the commissioner of commerce or the commissioner’s designated representative.

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

Sec. 13. Minnesota Statutes 2000, section 325D.33, subdivision 8, is amended to read:

Subd. 8. PENALTIES. (a) A retailer who sells cigarettes for less than a legal retail price may be assessed a penalty in the full amount of three times the difference between the actual selling price and a legal price under sections 325D.30 to 325D.42. This penalty may be collected by the commissioner under the authorities given the commissioner of revenue in chapters chapter 270 and 297F, and the penalty shall bear interest at the rate prescribed by section 270.75, subdivision 5.

(b) A wholesaler who sells cigarettes for less than a legal price may be assessed a penalty in the full amount of three times the difference between the actual selling price and the legal price under sections 325D.30 to 325D.42. This penalty may be collected by the commissioner under the authorities given the commissioner of revenue in chapters chapter 270 and 297F, and the penalty shall bear interest at the rate prescribed by section 270.75, subdivision 5.

(c) A retailer who engages in a plan, scheme, or device with a wholesaler to purchase cigarettes at a price which the retailer knows to be less than a legal price may be assessed a penalty in the full amount of three times the difference between the actual purchase price and the legal price under sections 325D.30 to 325D.42. A retailer that coerces or requires a wholesaler to sell cigarettes at a price which the retailer knows to be less than a legal price may be assessed a penalty in the full amount of three times the difference between the actual purchase price and the legal price. These penalties may be collected by the commissioner under the authorities given the commissioner of revenue in chapters chapter 270 and 297F, and the penalties shall bear interest at the rate prescribed by section 270.75, subdivision 5.

For purposes of this subdivision, a retailer is presumed to know that a purchase price is less than a legal price if any of the following have been done:

- (1) the commissioner has published the legal price in the Minnesota State Register;
- (2) the commissioner has provided written notice to the retailer of the legal price;
- (3) the commissioner has provided written notice to the retailer that the retailer is purchasing cigarettes for less than a legal price;
- (4) the commissioner has issued a written order to the retailer to cease and desist from purchases of cigarettes for less than a legal price; or

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(5) there is evidence that the retailer has knowledge of, or has participated in, efforts to disguise or misrepresent the actual purchase price as equal to or more than a legal price, when it is actually less than a legal price.

In any proceeding arising under this subdivision, the commissioner shall have the burden of providing by a reasonable preponderance of the evidence that the facts necessary to establish the presumption set forth in this section exist, or that the retailer had knowledge that a purchase price was less than the legal price.

(d) The commissioner may not assess penalties against any wholesaler, retailer, or combination of wholesaler and retailer, which are greater than three times the difference between the actual price and the legal price under sections 325D.30 to 325D.42.

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

Sec. 14. Minnesota Statutes 2000, section 325D.405, is amended to read:

325D.405 INVESTIGATIONS.

The commissioner or duly authorized agents may conduct investigations to determine compliance with the provisions of sections 325D.30 to 325D.42 and, in connection with such investigations, the commissioner and duly authorized agents have all the powers conferred upon the commissioner by section ~~270.06~~ 45.027.

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

Sec. 15. Minnesota Statutes 2000, section 325D.415, is amended to read:

325D.415 CIGARETTE DISTRIBUTOR FEES.

A cigarette distributor as defined in section 297F.01, subdivision 4, shall pay to the commissioner an annual fee as follows:

(1) a fee of \$2,500 is due from those distributors whose annual cigarette tax collections exceed \$2,000,000; and

(2) a fee of \$1,200 is due from those distributors whose annual cigarette tax collections are \$2,000,000 or less.

The annual fee must be paid by December 31 of each year. ~~If the fee is not paid when due, the commissioner shall revoke or refuse to issue or renew the license under chapter 297F.~~ The annual fee must be deposited into the general fund.

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

Sec. 16. Minnesota Statutes 2000, section 345.41, is amended to read:

345.41 REPORT OF ABANDONED PROPERTY.

(a) Every person holding funds or other property, tangible or intangible, presumed abandoned under sections 345.31 to 345.60 shall report annually to the commissioner with respect to the property as hereinafter provided.

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

(b) The report shall be verified and shall include:

(1) except with respect to traveler's checks and money orders, the name, if known, and last known address, if any, of each person appearing from the records of the holder to be the owner of any property of the value of \$100 or more presumed abandoned under sections 345.31 to 345.60;

(2) in case of unclaimed funds of life insurance corporations, the full name of the policyholder, insured or annuitant and that person's last known address according to the life insurance corporation's records;

(3) the nature and identifying number, if any, or description of the property and the amount appearing from the records to be due, except that items of value under \$100 each may be reported in aggregate;

(4) the date when the property became payable, demandable or returnable, and the date of the last transaction with the owner with respect to the property; and

(5) other information which the commissioner prescribes by rule as necessary for the administration of sections 345.31 to 345.60.

(c) If the person holding property presumed abandoned is a successor to other persons who previously held the property for the owner, or if the holder has changed a name while holding the property, the holder shall file with the report all prior known names and addresses of each holder of the property.

(d) The report shall be filed before November 1 of each year as of June 30 next preceding, but the report of life insurance corporations shall be filed before October 1 of each year as of December 31 next preceding. The commissioner may postpone the reporting date upon written request by any person required to file a report.

(e) Not more than 120 days before filing the report required by this section, the holder in possession of property abandoned and subject to custody as unclaimed property under this chapter shall send written notice to the presumed owner at that owner's last known address informing the owner that the holder is in possession of property subject to this chapter and advising the owner of the steps necessary to prevent abandonment if:

(1) the holder has in its records an address for the presumed owner that the holder's records do not disclose to be inaccurate;

(2) the claim of the apparent owner is not barred by the statute of limitations; and

(3) the property has a value of \$100 or more.

(f) Verification, if made by a partnership, shall be executed by a partner; if made by an unincorporated association or private corporation, by an officer, and if made by a public corporation, by its chief fiscal officer.

(g) Holders of property described in section 345.32 shall not impose any charges against property which is described in section 345.32, clause (a), (b) or (c).

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

(h) Any person who has possession of property which the person has reason to believe will be reportable in the future as unclaimed property may, with the permission of the commissioner, report and deliver such property prior to the date required for reporting in accordance with this section.

(i) Before the last day of each calendar year, the commissioner of revenue shall report to the commissioner as unclaimed property under this section any uncashed checks or warrants for overpayments of taxes that were issued more than two years preceding the date of the report.

EFFECTIVE DATE. This section is effective August 1, 2001.

Sec. 17. [471.699] EXTENSION OF FINANCIAL REPORT FILING TIME LIMITS; DISASTER AREAS.

The time limit by which financial reports are required to be filed under section 471.697 or 471.698, is extended by 90 days for any city or town located in whole or in part within a presidentially declared disaster area, if the time period for which the area is so designated includes at least one of the 30 days immediately preceding the time limit.

EFFECTIVE DATE. This section is effective for disaster declarations made after April 15, 2001.

Sec. 18. Minnesota Statutes 2000, section 609.75, subdivision 1, is amended to read:

Subdivision 1. **LOTTERY.** (a) A lottery is a plan which provides for the distribution of money, property or other reward or benefit to persons selected by chance from among participants some or all of whom have given a consideration for the chance of being selected. A participant's payment for use of a 900 telephone number or another means of communication that results in payment to the sponsor of the plan constitutes consideration under this paragraph.

(b) An in-package chance promotion is not a lottery if all of the following are met:

(1) participation is available, free and without purchase of the package, from the retailer or by mail or toll-free telephone request to the sponsor for entry or for a game piece;

(2) the label of the promotional package and any related advertising clearly states any method of participation and the scheduled termination date of the promotion;

(3) the sponsor on request provides a retailer with a supply of entry forms or game pieces adequate to permit free participation in the promotion by the retailer's customers;

(4) the sponsor does not misrepresent a participant's chances of winning any prize;

New language is indicated by underline, deletions by strikeout.

(5) the sponsor randomly distributes all game pieces and maintains records of random distribution for at least one year after the termination date of the promotion;

(6) all prizes are randomly awarded if game pieces are not used in the promotion; and

(7) the sponsor provides on request of a state agency a record of the names and addresses of all winners of prizes valued at \$100 or more, if the request is made within one year after the termination date of the promotion.

(c) Except as provided by section 349.40, acts in this state in furtherance of a lottery conducted outside of this state are included notwithstanding its validity where conducted.

(d) The distribution of property, or other reward or benefit by an employer to persons selected by chance from among participants who have made a contribution through a payroll or pension deduction campaign to a registered combined charitable organization, within the meaning of section 309.501, as a precondition to the chance of being selected, is not a lottery if:

(1) all of the persons eligible to be selected are employed by or retirees of the employer; and

(2) the cost of the property or other reward or benefit distributed and all costs associated with the distribution are borne by the employer; and

(3) the total amount actually expended by the employer to obtain the property or other rewards or benefits distributed by the employer during the calendar year does not exceed \$500.

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

Sec. 19. Laws 1998, chapter 389, article 16, section 35, subdivision 1, is amended to read:

Subdivision 1. **BAT STUDY.** \$100,000 is appropriated from the general fund for fiscal year 1999 to the legislative coordinating commission to study alternative methods of taxing business. The appropriations under this section and under Laws 1997, chapter 231, article 5, section 18, subdivision 3, are available in fiscal years 2000 and 2001. Any portion of this appropriation that cancels in 2001 is appropriated in 2002 and is available until June 30, 2003.

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

Sec. 20. Laws 2000, chapter 479, article 2, section 1, is amended to read:

Section 1. **PROHIBITION AGAINST APPROPRIATIONS FROM TRUNK HIGHWAY FUND.**

To ensure compliance with the Minnesota Constitution, article XIV, sections 2, 5, and 6, the commissioner of finance, agency directors, and legislative commission personnel may not include in the biennial budget for fiscal years 2002 and 2003, or in

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any budget thereafter, expenditures from the trunk highway fund for a nonhighway purpose as jointly determined by the commissioner of finance and the attorney general. For purposes of this section, an expenditure for a nonhighway purpose is any expenditure not for construction, improvement, or maintenance of highways, but does not include expenditures for payment of taxes imposed under Minnesota Statutes, chapter 297A. At the time of submission of the biennial budget proposal to the legislature, the commissioner of finance and the attorney general shall report to the senate and house of representatives transportation committees concerning any expenditure that is proposed to be appropriated from the trunk highway fund, if that expenditure is similar to those reduced or eliminated in sections 5 to 20. The report must explain the highway purpose of the proposed expenditure.

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

Sec. 21. TRANSFER OF RESPONSIBILITIES.

Minnesota Statutes, section 15.039, subdivisions 1 to 6 and 8, apply to the transfer of responsibilities made by this article. Consistent with Minnesota Statutes, section 15.039, subdivision 6, the commissioner of finance shall transfer a portion of the general fund appropriations in fiscal years 2002 and 2003 for the department of revenue to the department of commerce for the enforcement and administration of Minnesota Statutes, sections 325D.30 to 325D.42.

EFFECTIVE DATE. This section is effective following final enactment.

Sec. 22. BUDGET RESERVE INCREASE.

The commissioner of finance shall transfer the amount necessary to increase the budget reserve account in the general fund to \$653,000,000 on July 1, 2001. On July 1, 2003, the commissioner of finance shall transfer \$31,000,000 to the budget reserve account in the general fund. The amounts necessary for this purpose are appropriated from the general fund.

Sec. 23. APPROPRIATION.

\$4,370,000 is appropriated to the commissioner of transportation from the general fund for fiscal year 2002. This appropriation is for sales tax on purchases made by the commissioner.

EFFECTIVE DATE. This section is effective July 1, 2001.

Sec. 24. REPEALER.

(a) Minnesota Statutes 2000, section 16A.1521, is repealed effective the day following final enactment.

(b) Minnesota Statutes 2000, section 325D.33, subdivision 5, is repealed effective the day following final enactment.

New language is indicated by underline, deletions by strikeout.

Sec. 25. EFFECTIVE DATES.

If a section in this act does not specify its effective date, the section is effective July 1, 2001, unless the language or context clearly indicates that a different effective date is intended.

Presented to the governor June 29, 2001

Signed by the governor June 30, 2001, 12:15 p.m.

CHAPTER 6—H.F.No. 2

An act relating to education; providing for kindergarten through grade 12 education including general education revenue; education excellence; special programs; facilities and technology; nutrition, school accounting, and other programs; deficiencies; state agencies; and technical amendments; appropriating money; amending Minnesota Statutes 2000, sections 16B.616, subdivision 4; 93.22; 120B.07; 120B.13, subdivision 1; 120B.30, subdivision 1; 120B.35; 121A.41, subdivision 10; 121A.582; 122A.162; 122A.163; 122A.18, subdivisions 1, 2, 4; 122A.20, subdivision 2; 122A.21; 122A.24, subdivision 3; 122A.25, by adding a subdivision; 122A.26, subdivision 3; 122A.31; 122A.40, subdivision 7, by adding a subdivision; 122A.41, subdivisions 4, 7, 13, by adding subdivisions; 122A.61, subdivision 1; 123B.03, subdivision 3; 123B.143, subdivision 1; 123B.36, subdivision 1; 123B.37, subdivision 1; 123B.42, subdivision 3; 123B.44, subdivision 6; 123B.54; 123B.57, subdivisions 3, 6, 8; 123B.59, subdivision 1; 123B.71, subdivisions 1, 4, 8, 9; 123B.75, subdivision 5, by adding a subdivision; 123B.80, subdivision 1; 123B.88, subdivision 1; 124D.03, subdivision 4; 124D.10, subdivisions 4, 8, 15, by adding subdivisions; 124D.11, subdivisions 4, 5, 9; 124D.128, subdivisions 1, 2, 3, 6, by adding a subdivision; 124D.454, subdivision 11; 124D.59, subdivision 2; 124D.65, subdivision 5; 124D.69, subdivision 1; 124D.74, subdivisions 1, 2, 3, 4, 6; 124D.75, subdivision 6; 124D.76; 124D.78, subdivision 1; 124D.81, subdivisions 1, 3, 5, 6, 7; 124D.84, subdivision 1; 124D.86, subdivision 3; 124D.892, subdivisions 1, 3, as amended; 124D.894; 125A.023, subdivision 4; 125A.027, by adding a subdivision; 125A.08; 125A.09, subdivision 3; 125A.11, subdivision 3; 125A.17; 125A.27, subdivision 15; 125A.515; 125A.76, subdivisions 1, 2; 125B.21; 125B.25, subdivisions 1, 2, 6; 126C.05, subdivisions 1, 15, by adding a subdivision; 126C.10, subdivisions 1, 2, 4, 9, 13, 24, 25; 126C.12, subdivisions 2, 3, 4, 5, by adding a subdivision; 126C.15, subdivisions 1, 2, 5; 126C.17, subdivisions 6, 9, 10, 11; 126C.23, subdivision 5; 126C.40, subdivision 1; 126C.41, subdivisions 2, 3; 126C.43, subdivision 3; 126C.63, subdivision 8; 126C.69, subdivisions 2, 9; 127A.41, subdivisions 5, 8, 9; 127A.42; 127A.45, subdivisions 9, 11, 12, by adding a subdivision; 127A.50, subdivision 2; 127A.51; 129C.10, subdivision 3; 171.02, subdivision 2a; 179A.20, by adding a subdivision; 260A.01; 260C.163, subdivision 11; 475.61, subdivision 3; 626.556, subdivision 2; Laws 1992, chapter 499, article 7, section 31, as amended; Laws 2000, chapter 489, article 2, section 34; Laws 2000, chapter 489, article 2, section 36; Laws 2000, chapter 489, article 2, section 37, subdivision 3; Laws 2000, chapter 489, article 2, section 39, subdivision 2; Laws 2000, chapter 489, article 3, section 24; Laws 2000, chapter 489, article 3, section 25, subdivision 5; Laws 2000, chapter 489, article 5, section 21; Laws 2000, chapter 489, article 7, section 15, subdivision 3; proposing coding for new law in Minnesota Statutes, chapters 93; 120A; 120B; 122A; 124D; 126C; repealing Minnesota Statutes 2000, sections 123B.71, subdivisions 3, 10; 124D.07; 124D.1155; 124D.128, subdivision 7; 124D.32;

New language is indicated by underline, deletions by strikeout.