

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-EIGHTH LEGISLATURE**

**S.F. No. 552**

(SENATE AUTHORS: SKOE, Rest, Bakk, Marty and Dziezic)

DATE	D-PG	OFFICIAL STATUS
02/18/2013	279	Introduction and first reading Joint rule 2.03, referred to Rules and Administration
02/21/2013	293	Committee report, request to divide out
	341	Comm report: Re-referred to Taxes
04/24/2013	2690a	Comm report: To pass as amended
	3001	Second reading
04/26/2013	3104	HF substituted on General Orders HF677

A bill for an act

1.1 relating to financing and operation of state and local government; making  
1.2 changes to individual income, corporate franchise, property, sales and use, estate,  
1.3 mineral, tobacco, local, and other taxes and tax-related provisions; modifying the  
1.4 property tax refund for renters; changing property tax aids and credits; modifying  
1.5 pension aids; providing pension funding; changing provisions of the Sustainable  
1.6 Forest Incentive Act; modifying definitions and distributions for property  
1.7 taxes; providing exemptions; modifying education aids and levies; imposing a  
1.8 sports memorabilia gross receipts tax; changing tax rates on tobacco; providing  
1.9 reimbursement for certain property tax abatements; modifying the small business  
1.10 investment tax credit; making changes to additions and subtractions from federal  
1.11 taxable income; changing rates for individuals, estates, and trusts; providing  
1.12 income tax credits; modifying estate tax exclusions for qualifying small business  
1.13 and farm property; expanding the sales tax base and reducing the sales tax  
1.14 rate; modifying the definition of sale and purchase; changing the tax rate and  
1.15 modifying provisions for the rental motor vehicle tax; providing for multiple  
1.16 points of use certificates; modifying exemptions; authorizing local sales taxes;  
1.17 authorizing economic development powers; providing authority, organization,  
1.18 powers, and duties for development of a Destination Medical Center; authorizing  
1.19 state infrastructure aid; modifying the distribution of taconite production taxes;  
1.20 authorizing taconite production tax bonds for grants to school districts; modifying  
1.21 and providing provisions for public finance; providing funding for capitol  
1.22 renovations; modifying the definition of market value for tax, debt, and other  
1.23 purposes; making conforming, policy, and technical changes to tax provisions;  
1.24 requiring studies and reports; appropriating money; amending Minnesota Statutes  
1.25 2012, sections 13.4965, subdivision 3; 16A.46; 16C.03, subdivision 18; 38.18;  
1.26 40A.15, subdivision 2; 69.011, subdivision 1; 69.021, subdivisions 7, 8, by  
1.27 adding a subdivision; 88.51, subdivision 3; 103B.102, subdivision 3; 103B.245,  
1.28 subdivision 3; 103B.251, subdivision 8; 103B.335; 103B.3369, subdivision 5;  
1.29 103B.635, subdivision 2; 103B.691, subdivision 2; 103C.501, subdivision 4;  
1.30 103D.905, subdivisions 2, 3, 8; 103F.405, subdivision 1; 116J.8737, subdivisions  
1.31 1, 2, 5, 7, 9, 12, by adding a subdivision; 117.025, subdivision 7; 118A.04,  
1.32 subdivision 3; 118A.05, subdivision 5; 123A.455, subdivision 1; 124D.11,  
1.33 subdivision 1; 126C.10, subdivisions 1, 27, by adding subdivisions; 126C.13,  
1.34 subdivision 4, by adding a subdivision; 126C.17; 126C.48, subdivision 8;  
1.35 127A.48, subdivision 1; 138.053; 144F.01, subdivision 4; 162.07, subdivisions  
1.36 3, 4; 163.04, subdivision 3; 163.06, subdivision 6; 165.10, subdivision 1;  
1.37 168.012, subdivision 9, by adding a subdivision; 237.52, subdivision 3, by  
1.38 adding a subdivision; 270.077; 270.41, subdivision 5; 270B.01, subdivision  
1.39

2.1 8; 270B.12, subdivision 4; 270C.03, subdivision 1; 270C.34, subdivision 1;  
 2.2 270C.38, subdivision 1; 270C.42, subdivision 2; 270C.56, subdivision 1; 272.01,  
 2.3 subdivision 2; 272.02, subdivisions 10, 97, by adding subdivisions; 272.025,  
 2.4 subdivision 1; 272.03, subdivision 9, by adding subdivisions; 273.032; 273.11,  
 2.5 subdivision 1; 273.114, subdivision 6; 273.117; 273.124, subdivisions 3a, 13,  
 2.6 14, 21; 273.128, by adding a subdivision; 273.13, subdivisions 21b, 23, 25;  
 2.7 273.1315, subdivisions 1, 2; 273.1398, subdivisions 3, 4; 273.19, subdivision 1;  
 2.8 273.372, subdivision 4; 273.39; 275.011, subdivision 1; 275.025, subdivisions 1,  
 2.9 2; 275.077, subdivision 2; 275.71, subdivision 4; 276.04, subdivision 2; 276A.01,  
 2.10 subdivisions 10, 12, 13, 15; 276A.06, subdivision 10; 279.06, subdivision 1;  
 2.11 279.37, subdivisions 1a, 2; 281.14; 281.17; 287.05, by adding a subdivision;  
 2.12 287.08; 287.20, by adding a subdivision; 287.23, subdivision 1; 287.385,  
 2.13 subdivision 7; 289A.08, subdivision 3; 289A.10, by adding a subdivision;  
 2.14 289A.12, subdivision 14, by adding a subdivision; 289A.18, by adding a  
 2.15 subdivision; 289A.20, subdivisions 3, 4, by adding a subdivision; 289A.26,  
 2.16 subdivisions 3, 4, 7, 9; 289A.55, subdivision 9; 289A.60, subdivision 4; 290.01,  
 2.17 subdivisions 6b, 19b, 19c, 19d; 290.06, subdivisions 1, 2c, 2d, by adding a  
 2.18 subdivision; 290.0677, subdivisions 1, 1a, 2; 290.068, subdivision 1; 290.0681,  
 2.19 subdivisions 1, 3, 4, 5, 7, 10; 290.091, subdivision 2; 290.0921, subdivisions  
 2.20 1, 3; 290.0922, subdivision 1; 290.095, subdivision 2; 290.17, subdivision 4;  
 2.21 290.191, subdivision 5; 290.21, subdivision 4; 290.9705, subdivision 1; 290A.03,  
 2.22 subdivision 3; 290A.04, subdivisions 2a, 4; 290A.25; 290B.04, subdivision 2;  
 2.23 290C.02, subdivision 6; 290C.03; 290C.055; 290C.07; 291.03, subdivisions 8, 9,  
 2.24 10, 11; 296A.01, subdivision 19; 296A.09, subdivision 2; 296A.17, subdivision  
 2.25 3; 296A.22, subdivisions 1, 3; 297A.61, subdivisions 3, 4, 10, 17a, 25, 38, 45,  
 2.26 by adding subdivisions; 297A.62, subdivisions 1, 1a; 297A.64, subdivision  
 2.27 1; 297A.65; 297A.66, subdivisions 1, 3, by adding a subdivision; 297A.665;  
 2.28 297A.668, by adding a subdivision; 297A.67, subdivision 7, by adding a  
 2.29 subdivision; 297A.68, subdivisions 2, 5, 10, 42, by adding a subdivision;  
 2.30 297A.70, subdivisions 2, 4, 5, 7, 13, 14, by adding subdivisions; 297A.71, by  
 2.31 adding subdivisions; 297A.75, subdivisions 1, 2, 3; 297A.815, subdivision  
 2.32 3; 297A.82, subdivision 4, by adding a subdivision; 297A.99, subdivision  
 2.33 1; 297B.11; 297E.02, subdivisions 1, 6; 297E.14, subdivision 7; 297F.01,  
 2.34 subdivisions 19, 23, by adding subdivisions; 297F.05, subdivisions 1, 3, 4, by  
 2.35 adding subdivisions; 297F.09, subdivision 9; 297F.18, subdivision 7; 297F.24,  
 2.36 subdivision 1; 297F.25, subdivision 1; 297G.04, subdivision 2; 297G.09,  
 2.37 subdivision 8; 297G.17, subdivision 7; 297I.05, subdivisions 7, 11, 12; 297I.30,  
 2.38 subdivisions 1, 2; 297I.80, subdivision 1; 298.01, subdivisions 3, 3b; 298.018;  
 2.39 298.17; 298.227, as amended; 298.24, subdivision 1; 298.28, subdivisions 4, 6;  
 2.40 325F.781, subdivision 1; 349.166; 353G.08, subdivision 2; 360.531; 360.66;  
 2.41 365.025, subdivision 4; 366.095, subdivision 1; 366.27; 368.01, subdivision  
 2.42 23; 368.47; 370.01; 373.01, subdivision 1; 373.40, subdivisions 1, 2, 4;  
 2.43 375.167, subdivision 1; 375.18, subdivision 3; 375.555; 383A.80, subdivision 4;  
 2.44 383B.152; 383B.245; 383B.73, subdivision 1; 383B.80, subdivision 4; 383D.41,  
 2.45 by adding a subdivision; 383E.20; 383E.23; 385.31; 394.36, subdivision 1;  
 2.46 398A.04, subdivision 8; 401.05, subdivision 3; 403.02, subdivision 21, by  
 2.47 adding subdivisions; 403.06, subdivision 1a; 403.11, subdivision 1, by adding a  
 2.48 subdivision; 410.32; 412.221, subdivision 2; 412.301; 428A.02, subdivision 1;  
 2.49 428A.101; 428A.21; 430.102, subdivision 2; 435.19, subdivision 2, by adding a  
 2.50 subdivision; 447.10; 450.19; 450.25; 458A.10; 458A.31, subdivision 1; 465.04;  
 2.51 469.033, subdivision 6; 469.034, subdivision 2; 469.053, subdivisions 4, 4a, 6;  
 2.52 469.107, subdivision 1; 469.174, subdivision 2, by adding subdivisions; 469.175,  
 2.53 subdivision 3; 469.176, subdivisions 1b, 4b, 4c, 4m, 6, by adding a subdivision;  
 2.54 469.1763, subdivisions 3, 4; 469.177, subdivision 1a; 469.180, subdivision 2;  
 2.55 469.187; 469.190, by adding a subdivision; 469.206; 469.319, subdivision 4;  
 2.56 469.340, subdivision 4; 471.24; 471.571, subdivisions 1, 2; 471.73; 473.325,  
 2.57 subdivision 2; 473.606, subdivision 3; 473.629; 473.661, subdivision 3; 473.667,  
 2.58 subdivision 9; 473.671; 473.711, subdivision 2a; 473F.02, subdivisions 12, 14,

3.1 15, 23; 473F.08, subdivision 10, by adding a subdivision; 474A.04, subdivision  
 3.2 1a; 474A.062; 474A.091, subdivision 3a; 475.521, subdivisions 1, 2, 4;  
 3.3 475.53, subdivisions 1, 3, 4; 475.58, subdivisions 2, 3b; 475.73, subdivision 1;  
 3.4 477A.011, subdivisions 20, 30, 32, 34, 42, by adding subdivisions; 477A.0124,  
 3.5 subdivision 2; 477A.013, subdivisions 1, 8, 9, by adding a subdivision; 477A.03,  
 3.6 subdivisions 2a, 2b, by adding a subdivision; 477A.11, subdivisions 3, 4, by  
 3.7 adding subdivisions; 477A.12, subdivisions 1, 2, 3; 477A.14, subdivision 1, by  
 3.8 adding a subdivision; 641.23; 641.24; 645.44, by adding a subdivision; Laws  
 3.9 1971, chapter 773, section 1, subdivision 2, as amended; Laws 1988, chapter 645,  
 3.10 section 3, as amended; Laws 1993, chapter 375, article 9, section 46, subdivisions  
 3.11 2, as amended, 5, as amended; Laws 1998, chapter 389, article 8, section 43,  
 3.12 subdivisions 1, 3, as amended, 5, as amended; Laws 1999, chapter 243, article 6,  
 3.13 section 11; Laws 2002, chapter 377, article 3, section 25, as amended; Laws 2005,  
 3.14 First Special Session chapter 3, article 5, section 37, subdivisions 2, 4; Laws 2006,  
 3.15 chapter 259, article 11, section 3, as amended; Laws 2008, chapter 366, article 5,  
 3.16 sections 26; 33; 34, as amended; article 7, section 19, subdivision 3, as amended;  
 3.17 Laws 2010, chapter 216, sections 11; 55; Laws 2010, chapter 389, article 1,  
 3.18 section 12; proposing coding for new law in Minnesota Statutes, chapters 116J;  
 3.19 124D; 136A; 270C; 273; 287; 290; 295; 403; 469; 477A; repealing Minnesota  
 3.20 Statutes 2012, sections 16A.725; 256.9658; 272.69; 273.11, subdivisions 1a,  
 3.21 22; 275.025, subdivision 4; 276A.01, subdivision 11; 289A.60, subdivision 31;  
 3.22 290.01, subdivision 6b; 290.0921, subdivision 7; 290.171; 290.173; 290.174;  
 3.23 297A.61, subdivision 27; 297A.66, subdivision 4; 297A.67, subdivision  
 3.24 8; 297A.68, subdivisions 9, 22, 35; 473F.02, subdivision 13; 477A.011,  
 3.25 subdivisions 2a, 19, 21, 29, 31, 32, 33, 36, 39, 40, 41, 42; 477A.013, subdivisions  
 3.26 11, 12; 477A.0133; 477A.0134; Minnesota Rules, part 8130.0500, subpart 2.

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

## 3.28 ARTICLE 1

### 3.29 AIDS AND CREDITS

3.30 Section 1. Minnesota Statutes 2012, section 69.021, is amended by adding a  
 3.31 subdivision to read:

3.32 Subd. 12. Pension aid accounts. (a) \$745,000 is appropriated from the general  
 3.33 fund, in fiscal year 2015 and each year thereafter, to the commissioner of revenue for the  
 3.34 purposes of pension aid. The commissioner shall administer the account and allocate  
 3.35 money in the account as follows:

3.36 (1) \$130,065 as supplemental state pension funding paid to the executive director of  
 3.37 the Public Employees Retirement Association for deposit in the public employees police  
 3.38 and fire retirement fund established by section 353.65, subdivision 1;

3.39 (2) \$64,935 to municipalities employing firefighters with retirement coverage by the  
 3.40 public employees police and fire retirement plan, allocated in proportion to the relationship  
 3.41 that the preceding June 30 number of firefighters employed by each municipality who have  
 3.42 public employees police and fire retirement plan coverage bears to the total preceding  
 3.43 June 30 number of municipal firefighters covered by the public employees police and  
 3.44 fire retirement plan; and

4.1 (3) \$550,000 for municipalities other than the municipalities receiving a  
4.2 disbursement under clause (2) which qualified to receive fire state aid in that calendar year,  
4.3 allocated in proportion to the most recent amount of fire state aid paid under subdivision 7  
4.4 for the municipality bears to the most recent total fire state aid for all municipalities other  
4.5 than the municipalities receiving a disbursement under clause (2) paid under subdivision  
4.6 7, with the allocated amount for fire departments participating in the voluntary statewide  
4.7 lump-sum volunteer firefighter retirement plan paid to the executive director of the Public  
4.8 Employees Retirement Association for deposit in the fund established by section 353G.02,  
4.9 subdivision 3, and credited to the respective account and with the balance paid to the  
4.10 treasurer of each municipality for transmittal within 30 days of receipt to the treasurer of  
4.11 the applicable volunteer firefighter relief association for deposit in its special fund.

4.12 (b) \$1,550,00 is appropriated from the general fund in fiscal year 2015 to the  
4.13 commissioner of revenue for the purposes of pension aid. The commissioner shall  
4.14 administer the account and allocate money in the account as follows:

4.15 (1) one-third to be distributed as police state aid as provided under subdivision 7a; and

4.16 (2) two-thirds to be apportioned, on the basis of the number of active police officers  
4.17 certified for police state aid receipt under section 69.011, subdivisions 2 and 2b, between:

4.18 (i) the executive director of the Public Employees Retirement Association for  
4.19 deposit as a supplemental state pension funding aid in the public employees police and fire  
4.20 retirement fund established by section 353.65, subdivision 1; and

4.21 (ii) the executive director of the Minnesota State Retirement System for deposit as a  
4.22 supplemental state pension funding aid in the state patrol retirement fund.

4.23 (c) On or before September 1, annually, the executive director of the Public  
4.24 Employees Retirement Association shall report to the commissioner the following:

4.25 (1) the municipalities which employ firefighters with retirement coverage by the  
4.26 public employees police and fire retirement plan;

4.27 (2) the number of firefighters with public employees police and fire retirement plan  
4.28 employed by each municipality;

4.29 (3) the fire departments covered by the voluntary statewide lump-sum volunteer  
4.30 firefighter retirement plan; and

4.31 (4) any other information requested by the commissioner to administer the surcharge  
4.32 fire pension aid account.

4.33 (d) For this subdivision, (i) the number of firefighters employed by a municipality  
4.34 who have public employees police and fire retirement plan coverage means the number  
4.35 of firefighters with public employees police and fire retirement plan coverage that were  
4.36 employed by the municipality for not less than 30 hours per week for a minimum of six

5.1 months prior to December 31 preceding the date of the payment under this section and, if  
5.2 the person was employed for less than the full year, prorated to the number of full months  
5.3 employed; and, (ii) the number of active police officers certified for police state aid receipt  
5.4 under section 69.011, subdivisions 2 and 2b means, for each municipality, the number of  
5.5 police officers meeting the definition of peace officer in section 69.011, subdivision 1,  
5.6 counted as provided and limited by section 69.011, subdivisions 2 and 2b.

5.7 (e) The payments under this section shall be made on October 1 each year, based on  
5.8 the amount in the temporary fire pension aid account and the amount in the temporary  
5.9 police pension aid account on the preceding June 30, with interest at 1 percent for each  
5.10 month, or portion of a month, that the amount remains unpaid after October 1. The  
5.11 amounts necessary to make the payments under this subdivision are annually appropriated  
5.12 to the commissioner from the temporary fire and police pension aid accounts. Any  
5.13 necessary adjustments shall be made to subsequent payments.

5.14 (f) The provisions of this chapter that prevent municipalities and relief associations  
5.15 from being eligible for, or receiving state aid under this chapter until the applicable  
5.16 financial reporting requirements have been complied with, apply to the amounts payable  
5.17 to municipalities and relief associations under this subdivision.

5.18 (g) The appropriations in paragraphs (a) and (b) end on (i) December 31, 2020, or  
5.19 (ii), if earlier, on the December 31 next following the actuarial valuation date on which the  
5.20 assets of the retirement plan on a market value equals or exceeds 90 percent of the total  
5.21 actuarial accrued liabilities of the retirement plan as disclosed in an actuarial valuation  
5.22 prepared under Minnesota Statutes, section 356.215, and the Standards for Actuarial Work  
5.23 promulgated by the Legislative Commission on Pensions and Retirement, for the State  
5.24 Patrol retirement plan or the public employees police and fire retirement plan, whichever  
5.25 occurs last.

5.26 (h) The base for fiscal year 2016 and thereafter under paragraph (a) is \$7,450,000  
5.27 and the distribution in clauses (1) to (3) are adjusted accordingly. The base for fiscal year  
5.28 2016 and thereafter, under paragraph (b), is \$15,500,000.

5.29 **EFFECTIVE DATE.** This section is effective beginning in the fiscal year beginning  
5.30 July 1, 2014.

5.31 Sec. 2. Minnesota Statutes 2012, section 477A.011, subdivision 30, is amended to read:

5.32 Subd. 30. **Pre-1940 housing percentage.** (a) Except as provided in paragraph (b),  
5.33 "pre-1940 housing percentage" for a city is 100 times the most recent federal census count  
5.34 by the United States Bureau of the Census of all housing units in the city built before

6.1 1940, divided by the total number of all housing units in the city. Housing units includes  
 6.2 both occupied and vacant housing units as defined by the federal census.

6.3 (b) For the city of East Grand Forks only, "pre-1940 housing percentage" is equal  
 6.4 to 100 times the 1990 federal census count of all housing units in the city built before  
 6.5 1940, divided by the most recent counts by the United States Bureau of the Census of all  
 6.6 housing units in the city. Housing units includes both occupied and vacant housing units  
 6.7 as defined by the federal census.

6.8 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 6.9 2014 and thereafter.

6.10 Sec. 3. Minnesota Statutes 2012, section 477A.011, is amended by adding a  
 6.11 subdivision to read:

6.12 Subd. 30a. **Percent of housing built between 1940 and 1970.** "Percent of housing  
 6.13 built between 1940 and 1970" is equal to 100 times the most recent count by the United  
 6.14 States Bureau of the Census of all housing units in the city built after 1939 but before  
 6.15 1970, divided by the total number of all housing units in the city. Housing units includes  
 6.16 both occupied and vacant housing units as defined by the federal census.

6.17 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 6.18 2014 and thereafter.

6.19 Sec. 4. Minnesota Statutes 2012, section 477A.011, subdivision 34, is amended to read:

6.20 Subd. 34. **City revenue need.** (a) For a city with a population equal to or greater  
 6.21 than ~~2,500~~ 10,000, "city revenue need" is ~~the greater of 285 or 1.15 times~~ the sum of (1)  
 6.22 ~~5.0734098~~ 4.59 times the pre-1940 housing percentage; plus (2) ~~19.141678~~ times the  
 6.23 ~~population decline percentage~~ 0.622 times the percent of housing built between 1940 and  
 6.24 1970; plus (3) ~~2504.06334~~ times the road accidents factor 169.415 times the jobs per  
 6.25 capita; plus (4) ~~355.0547~~; minus (5) the metropolitan area factor; minus (6) ~~49.10638~~  
 6.26 ~~times the household size~~ the sparsity adjustment, plus (5) 307.664.

6.27 (b) For a city with a population equal to or greater than 2,500 and less than 10,000,  
 6.28 "city revenue need" is 1.15 times the sum of (1) 572.62; plus (2) 5.026 times the pre-1940  
 6.29 housing percentage; minus (3) 53.768 times household size; plus (4) 14.022 times peak  
 6.30 population decline.

6.31 ~~(b)~~ (c) For a city with a population less than 2,500, "city revenue need" is the sum of  
 6.32 ~~(1) 2.387 times the pre-1940 housing percentage; plus (2) 2.67591 times the commercial~~  
 6.33 ~~industrial percentage; plus (3) 3.16042 times the population decline percentage; plus (4)~~

7.1 ~~1.206 times the transformed population; minus (5) 62.772~~ 410 plus 0.367 times the city's  
 7.2 population over 100. The city revenue need under this paragraph shall not exceed 630.

7.3 ~~(e) (d)~~ For a city with a population of at least 2,500 or more and a population in one  
 7.4 of the most recently available five years that was less than 2,500, "city revenue need"  
 7.5 is the sum of (1) its city revenue need calculated under paragraph (a) multiplied by its  
 7.6 transition factor; plus (2) its city revenue need calculated under the formula in paragraph  
 7.7 (b) multiplied by the difference between one and its transition factor. For purposes of this  
 7.8 paragraph, a city's "transition factor" is equal to 0.2 multiplied by the number of years that  
 7.9 the city's population estimate has been 2,500 or more. This provision only applies for aids  
 7.10 payable in calendar years 2006 to 2008 to cities with a 2002 population of less than 2,500.  
 7.11 It applies to any city for aids payable in 2009 and thereafter but less than 3,000, the "city  
 7.12 revenue need" equals (1) the transition factor times the city's revenue need calculated in  
 7.13 paragraph (b) plus (2) 630 times the difference between one and the transition factor. For  
 7.14 a city with a population of at least 10,000 but less than 10,500, the "city revenue need"  
 7.15 equals (1) the transition factor times the city's revenue need calculated in paragraph (a)  
 7.16 plus (2) the city's revenue need calculated under the formula in paragraph (b) times the  
 7.17 difference between one and the transition factor. For purposes of this paragraph "transition  
 7.18 factor" is 0.2 percent times the amount that the city's population exceeds the minimum  
 7.19 threshold in either of the first two sentences.

7.20 ~~(d) (e)~~ The city revenue need cannot be less than zero.

7.21 ~~(e) (f)~~ For calendar year ~~2005~~ 2015 and subsequent years, the city revenue need for  
 7.22 a city, as determined in paragraphs (a) to ~~(d) (e)~~, is multiplied by the ratio of the annual  
 7.23 implicit price deflator for government consumption expenditures and gross investment for  
 7.24 state and local governments as prepared by the United States Department of Commerce,  
 7.25 for the most recently available year to the ~~2003~~ 2013 implicit price deflator for state  
 7.26 and local government purchases.

7.27 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 7.28 2014 and thereafter.

7.29 Sec. 5. Minnesota Statutes 2012, section 477A.011, subdivision 42, is amended to read:

7.30 Subd. 42. **City jobs base Jobs per capita.** (a) ~~"City jobs base"~~ for a city with a  
 7.31 ~~population of 5,000 or more is equal to the product of (1) \$25.20, (2) the number of~~  
 7.32 ~~jobs per capita in the city, and (3) its population. For cities with a population less than~~  
 7.33 ~~5,000, the city jobs base is equal to zero. For a city receiving aid under subdivision 36,~~  
 7.34 ~~paragraph (k), its city jobs base is reduced by the lesser of 36 percent of the amount of~~

8.1 aid received under that paragraph or \$1,000,000. No city's city jobs base may exceed  
 8.2 \$4,725,000 under this paragraph.

8.3 (b) For calendar year 2010 and subsequent years, the city jobs base for a city, as  
 8.4 determined in paragraph (a), is multiplied by the ratio of the appropriation under section  
 8.5 477A.03, subdivision 2a, for the year in which the aid is paid to the appropriation under  
 8.6 that section for aids payable in 2009.

8.7 (e) For purposes of this subdivision, "Jobs per capita in the city" means (1) the  
 8.8 average annual number of employees in the city based on the data from the Quarterly  
 8.9 Census of Employment and Wages, as reported by the Department of Employment and  
 8.10 Economic Development, for the most recent calendar year available as of May 1, 2008  
 8.11 November 1 of every odd-numbered year, divided by (2) the city's population for the  
 8.12 same calendar year as the employment data. The commissioner of the Department of  
 8.13 Employment and Economic Development shall certify to the city the average annual  
 8.14 number of employees for each city by ~~June 1, 2008~~ January 15, of every even-numbered  
 8.15 year beginning with January 15, 2014. A city may challenge an estimate under this  
 8.16 paragraph by filing its specific objection, including the names of employers that it feels  
 8.17 may have misreported data, in writing with the commissioner by ~~June 20, 2008~~ December  
 8.18 1 of every odd-numbered year. The commissioner shall make every reasonable effort  
 8.19 to address the specific objection and adjust the data as necessary. The commissioner  
 8.20 shall certify the estimates of the annual employment to the commissioner of revenue by  
 8.21 ~~July 15, 2008~~ January 15 of all even-numbered years, including any estimates still under  
 8.22 objection. For aids payable in 2014 "jobs per capita" shall be based on the annual number  
 8.23 of employees and population for calendar year 2010 without additional review.

8.24 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 8.25 2014 and thereafter.

8.26 Sec. 6. Minnesota Statutes 2012, section 477A.011, is amended by adding a  
 8.27 subdivision to read:

8.28 **Subd. 44. Peak population decline.** "Peak population decline" is equal to 100  
 8.29 times the difference between one and the ratio of the city's current population, to the  
 8.30 highest city population reported in a federal census from the 1970 census or later. "Peak  
 8.31 population decline" shall not be less than zero.

8.32 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 8.33 2014 and thereafter.

9.1 Sec. 7. Minnesota Statutes 2012, section 477A.011, is amended by adding a  
9.2 subdivision to read:

9.3 Subd. 45. **Sparsity adjustment.** For a city with a population of 10,000 or more, the  
9.4 sparsity adjustment is 100 for any city with an average population density less than 150  
9.5 per square mile. The sparsity adjustment is zero for all other cities.

9.6 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
9.7 2014 and thereafter.

9.8 Sec. 8. Minnesota Statutes 2012, section 477A.013, subdivision 1, is amended to read:

9.9 Subdivision 1. **Towns.** ~~In 2002, no town is eligible for a distribution under this~~  
9.10 ~~subdivision.~~ In 2014 and thereafter, each town is eligible for a distribution under this  
9.11 subdivision equal to the product of (i) its agricultural property factor, (ii) its town area  
9.12 factor, (iii) its population factor, and (iv) 0.00225. As used in this subdivision, the  
9.13 following terms have the meanings given them:

9.14 (1) "agricultural property factor" means the ratio of the adjusted net tax capacity of  
9.15 agricultural property located in a town, divided by the adjusted net tax capacity of all other  
9.16 property located in the town. The agricultural property factor cannot exceed eight;

9.17 (2) "agricultural property" means property classified under section 273.13, as  
9.18 homestead and nonhomestead agricultural property, rural vacant land, and noncommercial  
9.19 seasonal recreational property;

9.20 (3) "town area factor" means the most recent estimate of total acreage, not to exceed  
9.21 50,000 acres, located in the township available as of July 1 in the aid calculation year,  
9.22 estimated or established by:

9.23 (i) the United States Bureau of the Census;

9.24 (ii) the State Land Management Information Center; or

9.25 (iii) the secretary of state; and

9.26 (4) "population factor" means the square root of the towns population.

9.27 If the sum of the aids payable to all towns under this subdivision exceeds the limit  
9.28 under section 477A.03, subdivision 2c, the distribution to each town must be reduced  
9.29 proportionately so that the total amount of aids distributed under this section does not  
9.30 exceed the limit in section 477A.03, subdivision 2c.

9.31 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
9.32 2014 and thereafter.

9.33 Sec. 9. Minnesota Statutes 2012, section 477A.013, subdivision 8, is amended to read:

10.1 Subd. 8. **City formula aid.** (a) For aids payable in 2014 only, the formula aid for a  
 10.2 city is equal to the sum of (1) its 2013 certified aid and (2) the product of (i) the difference  
 10.3 between its unmet need and its 2013 certified aid and (ii) the aid gap percentage.

10.4 (b) For aids payable in 2015 and thereafter, the formula aid for a city is equal to  
 10.5 the sum of (1) its city jobs base, (2) its small city aid base, and (3) the need increase  
 10.6 percentage multiplied by the average of its unmet need for the most recently available two  
 10.7 years formula aid in the previous year and (2) the product of (i) the difference between  
 10.8 its unmet need and its certified aid in the previous year under subdivision 9, and (ii)  
 10.9 the aid gap percentage.

10.10 No city may have a formula aid amount less than zero. The ~~need-increase~~ aid gap  
 10.11 percentage must be the same for all cities.

10.12 The applicable ~~need-increase~~ aid gap percentage must be calculated by the  
 10.13 Department of Revenue so that the total of the aid under subdivision 9 equals the total  
 10.14 amount available for aid under section 477A.03. Data used in calculating aids to cities  
 10.15 under sections 477A.011 to 477A.013 shall be the most recently available data as of  
 10.16 January 1 in the year in which the aid is calculated except that the data used to compute "net  
 10.17 levy" in subdivision 9 is the data most recently available at the time of the aid computation.

10.18 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 10.19 2014 and thereafter.

10.20 Sec. 10. Minnesota Statutes 2012, section 477A.013, subdivision 9, is amended to read:

10.21 Subd. 9. **City aid distribution.** (a) In calendar year ~~2013~~ 2014 and thereafter, each  
 10.22 city shall receive an aid distribution equal to the sum of (1) the city formula aid under  
 10.23 subdivision 8, and (2) its ~~city aid-base~~ aid adjustment under subdivision 13.

10.24 ~~(b) For aids payable in 2013 and 2014 only, the total aid in the previous year for~~  
 10.25 ~~any city shall mean the amount of aid it was certified to receive for aids payable in 2012~~  
 10.26 ~~under this section. For aids payable in 2015 and thereafter, the total aid in the previous~~  
 10.27 ~~year for any city means the amount of aid it was certified to receive under this section in~~  
 10.28 ~~the previous payable year.~~

10.29 ~~(c) For aids payable in 2010 and thereafter, the total aid for any city shall not exceed~~  
 10.30 ~~the sum of (1) ten percent of the city's net levy for the year prior to the aid distribution~~  
 10.31 ~~plus (2) its total aid in the previous year. For aids payable in 2009 and thereafter, the total~~  
 10.32 ~~aid for any city with a population of 2,500 or more may not be less than its total aid under~~  
 10.33 ~~this section in the previous year minus the lesser of \$10 multiplied by its population, or ten~~  
 10.34 ~~percent of its net levy in the year prior to the aid distribution.~~

11.1 ~~(d) (b) For aids payable in 2014 only, the total aid for a city may not be less than the~~  
 11.2 ~~amount it was certified to receive in 2013. For aids payable in 2010 2015 and thereafter,~~  
 11.3 ~~the total aid for a city with a population less than 2,500 must not be less than the amount~~  
 11.4 ~~it was certified to receive in the previous year minus the lesser of \$10 multiplied by its~~  
 11.5 ~~population, or five percent of its 2003 certified aid amount. For aids payable in 2009 only,~~  
 11.6 ~~the total aid for a city with a population less than 2,500 must not be less than what it~~  
 11.7 ~~received under this section in the previous year unless its total aid in calendar year 2008~~  
 11.8 ~~was aid under section 477A.011, subdivision 36, paragraph (s), in which case its minimum~~  
 11.9 ~~aid is zero its net levy in the year prior to the aid distribution.~~

11.10 ~~(e) A city's aid loss under this section may not exceed \$300,000 in any year in~~  
 11.11 ~~which the total city aid appropriation under section 477A.03, subdivision 2a, is equal or~~  
 11.12 ~~greater than the appropriation under that subdivision in the previous year, unless the~~  
 11.13 ~~city has an adjustment in its city net tax capacity under the process described in section~~  
 11.14 ~~469.174, subdivision 28.~~

11.15 ~~(f) If a city's net tax capacity used in calculating aid under this section has decreased~~  
 11.16 ~~in any year by more than 25 percent from its net tax capacity in the previous year due to~~  
 11.17 ~~property becoming tax-exempt Indian land, the city's maximum allowed aid increase~~  
 11.18 ~~under paragraph (e) shall be increased by an amount equal to (1) the city's tax rate in the~~  
 11.19 ~~year of the aid calculation, multiplied by (2) the amount of its net tax capacity decrease~~  
 11.20 ~~resulting from the property becoming tax exempt.~~

11.21 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 11.22 2014 and thereafter.

11.23 Sec. 11. Minnesota Statutes 2012, section 477A.013, is amended by adding a  
 11.24 subdivision to read:

11.25 **Subd. 13. Certified aid adjustments.** (a) A city that received an aid base increase  
 11.26 under Minnesota Statutes 2012, section 477A.011, subdivision 36, paragraph (e), shall  
 11.27 have its total aid under subdivision 9 increased by an amount equal to \$150,000 for aids  
 11.28 payable in 2014 through 2018.

11.29 (b) A city that received an aid base increase under section 477A.011, subdivision 36,  
 11.30 paragraph (r), shall have its total aid under subdivision 9 increased by an amount equal to  
 11.31 \$160,000 for aids payable in 2014 and thereafter.

11.32 (c) A city that received a temporary aid increase under Minnesota Statutes 2012,  
 11.33 section 477A.011, subdivision 36, paragraph (m), (v), or (w), shall have its total aid under  
 11.34 subdivision 9 decreased by the amount of its aid base increase under those paragraphs in  
 11.35 calendar year 2013.

12.1 Sec. 12. Minnesota Statutes 2012, section 477A.03, subdivision 2a, is amended to read:

12.2 Subd. 2a. **Cities.** For aids payable in ~~2013~~ 2014 and thereafter, the total aid paid  
12.3 under section 477A.013, subdivision 9, is ~~\$426,438,012~~ \$506,438,012.

12.4 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
12.5 2014 and thereafter.

12.6 Sec. 13. Minnesota Statutes 2012, section 477A.03, subdivision 2b, is amended to read:

12.7 Subd. 2b. **Counties.** (a) For aids payable in ~~2013~~ 2014 and thereafter, the total aid  
12.8 payable under section 477A.0124, subdivision 3, is ~~\$80,795,000~~ \$100,795,000. Each  
12.9 calendar year, ~~\$500,000 of this appropriation~~ shall be retained by the commissioner  
12.10 of revenue to make reimbursements to the commissioner of management and budget  
12.11 for payments made under section 611.27. ~~For calendar year 2004, the amount shall~~  
12.12 ~~be in addition to the payments authorized under section 477A.0124, subdivision 1.~~  
12.13 ~~For calendar year 2005 and subsequent years, the amount shall be deducted from the~~  
12.14 ~~appropriation under this paragraph.~~ The reimbursements shall be to defray the additional  
12.15 costs associated with court-ordered counsel under section 611.27. Any retained amounts  
12.16 not used for reimbursement in a year shall be included in the next distribution of county  
12.17 need aid that is certified to the county auditors for the purpose of property tax reduction  
12.18 for the next taxes payable year.

12.19 (b) For aids payable in ~~2013~~ 2014 and thereafter, the total aid under section  
12.20 477A.0124, subdivision 4, is ~~\$84,909,575~~ \$104,909,575. The commissioner of  
12.21 management and budget shall bill the commissioner of revenue for the cost of preparation  
12.22 of local impact notes as required by section 3.987, not to exceed \$207,000 in each fiscal  
12.23 year ~~2004 and thereafter~~. The commissioner of education shall bill the commissioner of  
12.24 revenue for the cost of preparation of local impact notes for school districts as required  
12.25 by section 3.987, not to exceed \$7,000 in each fiscal year ~~2004 and thereafter~~. The  
12.26 commissioner of revenue shall deduct the amounts billed under this paragraph from  
12.27 the appropriation under this paragraph. The amounts deducted are appropriated to the  
12.28 commissioner of management and budget and the commissioner of education for the  
12.29 preparation of local impact notes.

12.30 **EFFECTIVE DATE.** This section is effective for aid payable in 2014 and thereafter.

12.31 Sec. 14. Minnesota Statutes 2012, section 477A.03, is amended by adding a  
12.32 subdivision to read:

13.1 Subd. 2c. **Towns.** For aids payable in 2014, the total aids paid under section  
 13.2 477A.013, subdivision 1, is limited to \$5,000,000. For aids payable in 2015 and thereafter,  
 13.3 the total aids paid under section 477A.013, subdivision 1, is limited to the amount certified  
 13.4 to be paid in the previous year.

13.5 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 13.6 2014 and thereafter.

13.7 Sec. 15. **[477A.10] NATURAL RESOURCES LAND PAYMENTS IN LIEU;**  
 13.8 **PURPOSE.**

13.9 The purposes of sections 477A.11 to 477A.14 are:

13.10 (1) to compensate local units of government for the loss of tax base from state  
 13.11 ownership of land and the need to provide services for state land;

13.12 (2) to address the disproportionate impact of state land ownership on local units of  
 13.13 government with a large proportion of state land; and

13.14 (3) to address the need to manage state lands held in trust for the local taxing districts.

13.15 Sec. 16. Minnesota Statutes 2012, section 477A.11, subdivision 3, is amended to read:

13.16 Subd. 3. **Acquired natural resources land.** "Acquired natural resources land"  
 13.17 means:

13.18 (1) any land, other than wildlife management land, presently administered by the  
 13.19 commissioner in which the state acquired by purchase, condemnation, or gift, a fee title  
 13.20 interest in lands which were previously privately owned; and

13.21 (2) lands acquired by the state under chapter 84A that are designated as state parks,  
 13.22 state recreation areas, scientific and natural areas, or wildlife management areas.

13.23 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 13.24 2013 and thereafter.

13.25 Sec. 17. Minnesota Statutes 2012, section 477A.11, subdivision 4, is amended to read:

13.26 Subd. 4. **Other natural resources land.** "Other natural resources land" means  
 13.27 any ~~other~~ land, other than acquired natural resource land or wildlife management land,  
 13.28 presently owned in fee title by the state and administered by the commissioner, or  
 13.29 any tax-forfeited land, other than platted lots within a city or those lands described  
 13.30 under subdivision 3, clause (2), which is owned by the state and administered by the  
 13.31 commissioner or by the county in which it is located.

14.1 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
14.2 2013 and thereafter.

14.3 Sec. 18. Minnesota Statutes 2012, section 477A.11, is amended by adding a  
14.4 subdivision to read:

14.5 Subd. 6. **Military game refuge.** "Military game refuge" means land owned in  
14.6 fee by another state agency for military purposes and designated as a state game refuge  
14.7 under section 97A.085.

14.8 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
14.9 2013 and thereafter.

14.10 Sec. 19. Minnesota Statutes 2012, section 477A.11, is amended by adding a  
14.11 subdivision to read:

14.12 Subd. 7. **Transportation wetland.** "Transportation wetland" means land  
14.13 administered by the Department of Transportation in which the state acquired, by purchase  
14.14 from a private owner, a fee title interest in over 500 acres of land within a county to  
14.15 replace wetland losses from transportation projects.

14.16 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
14.17 2013 and thereafter.

14.18 Sec. 20. Minnesota Statutes 2012, section 477A.11, is amended by adding a  
14.19 subdivision to read:

14.20 Subd. 8. **Wildlife management land.** "Wildlife management land" means land  
14.21 administered by the commissioner in which the state acquired, from a private owner by  
14.22 purchase, condemnation, or gift, a fee interest under the authority granted in chapter 94 or  
14.23 97A for wildlife management purposes and actually used as a wildlife management area.

14.24 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
14.25 2013 and thereafter.

14.26 Sec. 21. Minnesota Statutes 2012, section 477A.12, subdivision 1, is amended to read:

14.27 Subdivision 1. **Types of land; payments.** (a) ~~As an offset for expenses incurred~~  
14.28 by counties and towns in support of natural resources lands, The following amounts are  
14.29 annually appropriated to the commissioner of natural resources from the general fund for  
14.30 transfer to the commissioner of revenue. The commissioner of revenue shall pay the

15.1 transferred funds to counties as required by sections 477A.11 to 477A.14. The amounts,  
 15.2 based on the acreage as of July 1 of each year prior to the payment year, are:

15.3 ~~(1) for acquired natural resources land,~~ \$5.133 multiplied by the total number of acres  
 15.4 of acquired natural resources land or, at the county's option three-fourths of one percent of  
 15.5 the appraised value of all acquired natural resources land in the county, whichever is greater;

15.6 (2) \$5.133, multiplied by the total number of acres of transportation wetland or, at  
 15.7 the county's option, three-fourths of one percent of the appraised value of all acquired  
 15.8 natural resources land in the county, whichever is greater;

15.9 (3) three-fourths of one percent of the appraised value of all wildlife management  
 15.10 land in the county;

15.11 (4) 50 percent of the dollar amount as determined under clause (1), multiplied by  
 15.12 the number of acres of military refuge land in the county;

15.13 ~~\$1.283~~ (5) \$1.50, multiplied by the number of acres of county-administered other  
 15.14 natural resources land in the county;

15.15 ~~(3) \$1.283~~ (6) \$5.133, multiplied by the total number of acres of land utilization  
 15.16 project land in the county; and

15.17 ~~(4) 64.2 cents~~ (7) \$1.50, multiplied by the number of acres of  
 15.18 commissioner-administered other natural resources land ~~located in each~~ the county ~~as of~~  
 15.19 July 1 of each year prior to the payment year; and

15.20 (8) without regard to acreage, \$300,000 for local assessments under section 84A.55,  
 15.21 subdivision 9.

15.22 ~~(b) The amount determined under paragraph (a), clause (1), is payable for land~~  
 15.23 ~~that is acquired from a private owner and owned by the Department of Transportation~~  
 15.24 ~~for the purpose of replacing wetland losses caused by transportation projects, but only~~  
 15.25 ~~if the county contains more than 500 acres of such land at the time the certification is~~  
 15.26 ~~made under subdivision 2.~~

15.27 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 15.28 2013 and thereafter.

15.29 Sec. 22. Minnesota Statutes 2012, section 477A.12, subdivision 2, is amended to read:

15.30 Subd. 2. **Procedure.** ~~Lands for which payments in lieu are made pursuant to~~  
 15.31 ~~section 97A.061, subdivision 3, and Laws 1973, chapter 567, shall not be eligible for~~  
 15.32 ~~payments under this section.~~ Each county auditor shall certify to the Department of  
 15.33 Natural Resources during July of each year prior to the payment year the number of acres  
 15.34 of county-administered other natural resources land within the county. The Department of  
 15.35 Natural Resources may, in addition to the certification of acreage, require descriptive lists

16.1 of land so certified. The commissioner of natural resources shall determine and certify to  
 16.2 the commissioner of revenue by March 1 of the payment year:

16.3 (1) the number of acres and most recent appraised value of acquired natural  
 16.4 resources land, wildlife management land, and military refuge land within each county;

16.5 (2) the number of acres of commissioner-administered natural resources land within  
 16.6 each county;

16.7 (3) the number of acres of county-administered other natural resources land within  
 16.8 each county, based on the reports filed by each county auditor with the commissioner  
 16.9 of natural resources; and

16.10 (4) the number of acres of land utilization project land within each county.

16.11 The commissioner of transportation shall determine and certify to the commissioner  
 16.12 of revenue by March 1 of the payment year the number of acres of land transportation  
 16.13 wetland and the appraised value of the land ~~described in subdivision 1, paragraph (b)~~, but  
 16.14 only if it exceeds 500 acres in a county.

16.15 The commissioner of revenue shall determine the distributions provided for in this  
 16.16 section using the number of acres and appraised values certified by the commissioner of  
 16.17 natural resources and the commissioner of transportation by March 1 of the payment year.

16.18 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 16.19 2013 and thereafter.

16.20 Sec. 23. Minnesota Statutes 2012, section 477A.12, subdivision 3, is amended to read:

16.21 Subd. 3. **Determination of appraised value.** For the purposes of this section, the  
 16.22 appraised value of acquired natural resources land is the purchase price ~~for the first five~~  
 16.23 ~~years after acquisition~~ until the next six-year appraisal required under this subdivision.

16.24 The appraised value of acquired natural resources land received as a donation is the value  
 16.25 determined for the commissioner of natural resources by a licensed appraiser, or the  
 16.26 county assessor's estimated market value if no appraisal is done. The appraised value must  
 16.27 be determined by the county assessor every ~~five~~ six years ~~after the land is acquired.~~ All  
 16.28 reappraisals shall be done in the same year as county assessors are required to assess  
 16.29 exempt land under section 273.18.

16.30 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 16.31 2013 and thereafter.

16.32 Sec. 24. Minnesota Statutes 2012, section 477A.14, subdivision 1, is amended to read:

17.1 Subdivision 1. **General distribution.** Except as provided in ~~subdivision 2 or in~~  
 17.2 ~~section 97A.061, subdivision 5~~ subdivisions 2 and 3, 40 percent of the total payment to  
 17.3 the county shall be deposited in the county general revenue fund to be used to provide  
 17.4 property tax levy reduction. The remainder shall be distributed by the county in the  
 17.5 following priority:

17.6 (a) 64.2 cents, for each acre of county-administered other natural resources land shall  
 17.7 be deposited in a resource development fund to be created within the county treasury for  
 17.8 use in resource development, forest management, game and fish habitat improvement, and  
 17.9 recreational development and maintenance of county-administered other natural resources  
 17.10 land. Any county receiving less than \$5,000 annually for the resource development fund  
 17.11 may elect to deposit that amount in the county general revenue fund;

17.12 (b) from the funds remaining, within 30 days of receipt of the payment to the county,  
 17.13 the county treasurer shall pay each organized township ~~51.3 cents for each acre of acquired~~  
 17.14 ~~natural resources land and each acre of land described in section 477A.12, subdivision 1,~~  
 17.15 ~~paragraph (b), and 12.8 cents for each acre of other natural resources land and each acre of~~  
 17.16 ~~land utilization project land located within its boundaries~~ ten percent of the amount received  
 17.17 under section 477A.12, subdivision 1, clauses (1), (2), and (5) to (7). Payments for natural  
 17.18 resources lands not located in an organized township shall be deposited in the county  
 17.19 general revenue fund. Payments to counties and townships pursuant to this paragraph shall  
 17.20 be used to provide property tax levy reduction, except that of the payments for natural  
 17.21 resources lands not located in an organized township, the county may allocate the amount  
 17.22 determined to be necessary for maintenance of roads in unorganized townships. Provided  
 17.23 that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully  
 17.24 fund the distribution provided for in this clause, the amount available shall be distributed  
 17.25 to each township and the county general revenue fund on a pro rata basis; and

17.26 (c) any remaining funds shall be deposited in the county general revenue fund.  
 17.27 Provided that, if the distribution to the county general revenue fund exceeds \$35,000, the  
 17.28 excess shall be used to provide property tax levy reduction.

17.29 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 17.30 2013 and thereafter.

17.31 Sec. 25. Minnesota Statutes 2012, section 477A.14, is amended by adding a  
 17.32 subdivision to read:

17.33 **Subd. 3. Distribution for wildlife management lands and military refuge lands.**

17.34 (a) The county treasurer shall allocate the payment for wildlife management land and  
 17.35 military game refuge land among the county, towns, and school districts on the same basis

18.1 as if the payments were taxes on the land received in the year. Payment of a town's or a  
 18.2 school district's allocation must be made by the county treasurer to the town or school  
 18.3 district within 30 days of receipt of the payment to the county. The county's share of the  
 18.4 payment shall be deposited in the county general revenue fund.

18.5 (b) The county treasurer of a county with a population over 39,000, but less than  
 18.6 42,000, in the 1950 federal census shall allocate the payment only among the towns and  
 18.7 school districts on the same basis as if the payments were taxes on the lands received  
 18.8 in the current year.

18.9 (c) If a town received a payment in calendar year 2006 or thereafter under this  
 18.10 subdivision, and subsequently incorporated as a city, the city shall continue to receive any  
 18.11 future year's allocations of wildlife land payments that would have been made to the town  
 18.12 had it not incorporated, provided that the payments shall terminate if the governing body  
 18.13 of the city passes an ordinance that prohibits hunting within the boundaries of the city.

18.14 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 18.15 2013 and thereafter.

18.16 Sec. 26. Laws 2006, chapter 259, article 11, section 3, as amended by Laws 2008,  
 18.17 chapter 154, article 1, section 4, is amended to read:

18.18 Sec. 3. **MAHNOMEN COUNTY; COUNTY, CITY, SCHOOL DISTRICT,**  
 18.19 **PROPERTY TAX REIMBURSEMENT.**

18.20 Subdivision 1. **Aid appropriation.** ~~\$600,000~~ \$1,200,000 is appropriated annually  
 18.21 from the general fund to the commissioner of revenue to be used to make payments to  
 18.22 compensate for the loss of property tax revenue related to the trust conversion application  
 18.23 of the Shooting Star Casino. The commissioner shall pay the county of Mahnomen,  
 18.24 ~~\$450,000~~ \$900,000; the city of Mahnomen, ~~\$80,000~~ \$160,000; and Independent School  
 18.25 District No. 432, Mahnomen, ~~\$70,000~~ \$140,000. The payments shall be made on July 20,  
 18.26 of ~~2008~~ 2013 and each subsequent year.

18.27 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 18.28 2013 and thereafter.

18.29 Sec. 27. **REPEALER.**

18.30 Minnesota Statutes 2012, sections 477A.011, subdivisions 2a, 19, 29, 31, 32, 33, 36,  
 18.31 39, 40, 41, and 42; 477A.013, subdivisions 11 and 12; 477A.0133; and 477A.0134, are  
 18.32 repealed.

19.1 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year  
 19.2 2014 and thereafter.

19.3 **ARTICLE 2**

19.4 **PROPERTY TAX**

19.5 Section 1. Minnesota Statutes 2012, section 103B.102, subdivision 3, is amended to  
 19.6 read:

19.7 Subd. 3. **Evaluation and report.** The Board of Water and Soil Resources shall  
 19.8 evaluate performance, financial, and activity information for each local water management  
 19.9 entity. The board shall evaluate the entities' progress in accomplishing their adopted plans  
 19.10 on a regular basis as determined by the board based on budget and operations of the local  
 19.11 water management entity, but not less than once every ~~five~~ ten years. The board shall  
 19.12 maintain a summary of local water management entity performance on the board's Web site.  
 19.13 Beginning February 1, 2008, and annually thereafter, the board shall provide an analysis  
 19.14 of local water management entity performance to the chairs of the house of representatives  
 19.15 and senate committees having jurisdiction over environment and natural resources policy.

19.16 Sec. 2. Minnesota Statutes 2012, section 103B.335, is amended to read:

19.17 **103B.335 TAX LEVY AUTHORITY.**

19.18 Subdivision 1. **Local water planning and management.** The governing body of  
 19.19 any county, municipality, or township may levy a tax in an amount required to implement  
 19.20 sections 103B.301 to 103B.355 or a comprehensive watershed management plan as  
 19.21 defined in section 103B.3363.

19.22 Subd. 2. **Priority programs; conservation and watershed districts.** A county  
 19.23 may levy amounts necessary to pay the reasonable ~~increased~~ costs to soil and water  
 19.24 conservation districts and watershed districts of administering and implementing priority  
 19.25 programs identified in an approved and adopted plan or a comprehensive watershed  
 19.26 management plan as defined in section 103B.3363.

19.27 Sec. 3. Minnesota Statutes 2012, section 103B.3369, subdivision 5, is amended to read:

19.28 Subd. 5. **Financial assistance.** A base grant may be awarded to a county that  
 19.29 provides a match utilizing a water implementation tax or other local source. A water  
 19.30 implementation tax that a county intends to use as a match to the base grant must be  
 19.31 levied at a rate sufficient to generate a minimum amount determined by the board.  
 19.32 The board may award performance-based grants to local units of government that are

20.1 responsible for implementing elements of applicable portions of watershed management  
 20.2 plans, comprehensive plans, local water management plans, or comprehensive watershed  
 20.3 management plans, developed or amended, adopted and approved, according to chapter  
 20.4 103B, 103C, or 103D. Upon request by a local government unit, the board may also  
 20.5 award performance-based grants to local units of government to carry out TMDL  
 20.6 implementation plans as provided in chapter 114D, if the TMDL implementation plan has  
 20.7 been incorporated into the local water management plan according to the procedures for  
 20.8 approving comprehensive plans, watershed management plans, local water management  
 20.9 plans, or comprehensive watershed management plans under chapter 103B, 103C, or  
 20.10 103D, or if the TMDL implementation plan has undergone a public review process.  
 20.11 Notwithstanding section 16A.41, the board may award performance-based grants on an  
 20.12 advanced basis. The fee authorized in section 40A.152 may be used as a local match  
 20.13 or as a supplement to state funding to accomplish implementation of comprehensive  
 20.14 plans, watershed management plans, local water management plans, or comprehensive  
 20.15 watershed management plans under chapter 103B, 103C, or 103D.

20.16 Sec. 4. Minnesota Statutes 2012, section 103C.501, subdivision 4, is amended to read:

20.17 Subd. 4. **Cost-sharing funds.** (a) The state board shall allocate ~~at least 70 percent~~  
 20.18 ~~of~~ cost-sharing funds to areas with high priority erosion, sedimentation, or water quality  
 20.19 problems or water quantity problems due to altered hydrology. The areas must be selected  
 20.20 based on ~~the statewide~~ priorities established by the state board.

20.21 (b) The allocated funds must be used for conservation practices for high priority  
 20.22 problems identified in the comprehensive and annual work plans of the districts, for  
 20.23 the technical assistance portion of the grant funds to leverage federal or other nonstate  
 20.24 funds, or to address high-priority needs identified in local water management plans or  
 20.25 comprehensive watershed management plans.

20.26 ~~(b) The remaining cost-sharing funds may be allocated to districts as follows:~~

20.27 ~~(1) for technical and administrative assistance, not more than 20 percent of the~~  
 20.28 ~~funds; and~~

20.29 ~~(2) for conservation practices for lower priority erosion, sedimentation, or water~~  
 20.30 ~~quality problems.~~

20.31 Sec. 5. Minnesota Statutes 2012, section 103F.405, subdivision 1, is amended to read:

20.32 Subdivision 1. **Authority.** Each statutory or home rule charter city, town, or  
 20.33 county that has planning and zoning authority under sections 366.10 to 366.19, 394.21  
 20.34 to 394.37, or 462.351 to 462.365 is encouraged to adopt a soil loss ordinance. The soil

21.1 loss ordinance must use the soil loss tolerance for each soil series described in the United  
 21.2 States ~~Soil~~ Natural Resources Conservation Service Field Office Technical Guide, or  
 21.3 another method approved by the Board of Water and Soil Resources, to determine the  
 21.4 soil loss limits, but the soil loss limits must be attainable by the best practicable soil  
 21.5 conservation practice. Ordinances adopted by local governments ~~within the metropolitan~~  
 21.6 ~~area defined in section 473.121~~ must be consistent with ~~local water management plans~~  
 21.7 adopted under section 103B.235 a comprehensive plan, local water management plan, or  
 21.8 watershed management plan developed or amended, adopted and approved, according  
 21.9 to chapter 103B, 103C, or 103D.

21.10 Sec. 6. Minnesota Statutes 2012, section 168.012, subdivision 9, is amended to read:

21.11 Subd. 9. **Manufactured homes and park trailers.** Manufactured homes and park  
 21.12 trailers shall not be taxed as motor vehicles using the public streets and highways and shall  
 21.13 be exempt from the motor vehicle tax provisions of this chapter. Except as provided in  
 21.14 section 273.125, manufactured homes and park trailers shall be taxed as personal property.  
 21.15 The provisions of Minnesota Statutes 1957, section 272.02 or any other act providing for  
 21.16 tax exemption shall be inapplicable to manufactured homes and park trailers, except  
 21.17 such manufactured homes as are held by a licensed dealer or limited dealer, as defined  
 21.18 in section 327B.04, and exempted as inventory under subdivision 9a. Travel trailers not  
 21.19 conspicuously displaying current registration plates on the property tax assessment date  
 21.20 shall be taxed as manufactured homes if occupied as human dwelling places.

21.21 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
 21.22 thereafter.

21.23 Sec. 7. Minnesota Statutes 2012, section 168.012, is amended by adding a subdivision  
 21.24 to read:

21.25 Subd. 9a. **Manufactured home as dealer inventory.** Manufactured homes as  
 21.26 defined in section 327.31, subdivision 6, shall be considered as dealer inventory, on the  
 21.27 January 2 assessment date, if the home:

21.28 (1) is listed as inventory and held by a licensed or limited dealer;

21.29 (2) is unoccupied and not available for rent;

21.30 (3) may or may not be permanently connected to utilities when located in a  
 21.31 manufactured park; and

21.32 (4) may or may not be temporarily connected to utilities when located at a dealer's  
 21.33 sales center.

22.1 The exemption under this subdivision is allowable for up to five assessment years after  
 22.2 the date a home is initially claimed as dealer inventory.

22.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
 22.4 thereafter.

22.5 Sec. 8. **[270C.9901] ASSESSOR ACCREDITATION.**

22.6 Every individual that appraises or physically inspects real property for the purpose of  
 22.7 determining its valuation or classification for property tax purposes must obtain licensure  
 22.8 as an accredited assessor from the Minnesota State Board of Assessors by July 1, 2017, or  
 22.9 by the time the individual is licensed as a certified assessor, whichever is later.

22.10 **EFFECTIVE DATE.** This section is effective beginning January 1, 2014.

22.11 Sec. 9. Minnesota Statutes 2012, section 272.02, subdivision 10, is amended to read:

22.12 Subd. 10. **Personal property used for pollution control.** Personal property used  
 22.13 primarily for the abatement and control of air, water, or land pollution is exempt to the  
 22.14 extent that it is so used, ~~and real~~ but only if it is not required to be installed by a standard,  
 22.15 rule, criteria, guideline, policy, or order of the Minnesota Pollution Control Agency or if it  
 22.16 is part of a system for the abatement of pollution that was not required to be installed by  
 22.17 a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control  
 22.18 Agency when it was originally installed. Real property is exempt if it is used primarily for  
 22.19 abatement and control of air, water, or land pollution as part of an agricultural operation,  
 22.20 as a part of a centralized treatment and recovery facility operating under a permit  
 22.21 issued by the Minnesota Pollution Control Agency pursuant to chapters 115 and 116  
 22.22 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a  
 22.23 wastewater treatment facility and for the treatment, recovery, and stabilization of metals,  
 22.24 oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes,  
 22.25 or as part of an electric generation system. For purposes of this subdivision, personal  
 22.26 property includes ponderous machinery and equipment used in a business or production  
 22.27 activity that at common law is considered real property.

22.28 Any taxpayer requesting exemption of all or a portion of any real property or any  
 22.29 equipment or device, or part thereof, operated primarily for the control or abatement of  
 22.30 air, water, or land pollution shall file an application with the commissioner of revenue.  
 22.31 The Minnesota Pollution Control Agency shall upon request of the commissioner furnish  
 22.32 information and advice to the commissioner.

23.1 The information and advice furnished by the Minnesota Pollution Control Agency  
 23.2 must include statements as to whether the equipment, device, or real property meets  
 23.3 a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control  
 23.4 Agency, and whether the equipment, device, or real property is installed or operated  
 23.5 in accordance with it. On determining that property qualifies for exemption, the  
 23.6 commissioner shall issue an order exempting the property from taxation. The equipment,  
 23.7 device, or real property shall continue to be exempt from taxation as long as the order  
 23.8 issued by the commissioner remains in effect.

23.9 Sec. 10. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision  
 23.10 to read:

23.11 Subd. 98. **Certain property owned by an Indian tribe.** (a) Property is exempt that:

23.12 (1) was classified as 3a under section 273.13, subdivision 24, for taxes payable  
 23.13 in 2013;

23.14 (2) is located in a city of the first class with a population greater than 300,000 as of  
 23.15 the 2010 federal census;

23.16 (3) was, on January 2, 2012, and for the current assessment, is owned by a federally  
 23.17 recognized Indian tribe, or its instrumentality, that is located within the state of Minnesota;  
 23.18 and

23.19 (4) is used exclusively for tribal purposes or institutions of purely public charity as  
 23.20 defined in subdivision 7.

23.21 (b) For purposes of this subdivision, a "tribal purpose" means a public purpose  
 23.22 as defined in subdivision 8 and includes noncommercial tribal government activities.  
 23.23 Property that qualifies for the exemption under this subdivision is limited to no more than  
 23.24 two contiguous parcels and structures that do not exceed in the aggregate 20,000 square  
 23.25 feet. Property acquired for single-family housing, market-rate apartments, agricultural, or  
 23.26 forestry does not qualify for this exemption. The exemption created by this subdivision  
 23.27 expires with taxes payable in 2024.

23.28 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

23.29 Sec. 11. Minnesota Statutes 2012, section 272.02, is amended by adding a subdivision  
 23.30 to read:

23.31 Subd. 99. **Electric generation facility; personal property.** (a) Notwithstanding  
 23.32 subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and  
 23.33 other personal property which is part of an electric generation facility that exceeds five

24.1 megawatts of installed capacity and meets the requirements of this subdivision is exempt.

24.2 At the time of construction, the facility must be:

24.3 (1) designed to utilize natural gas as a primary fuel;

24.4 (2) owned and operated by a municipal power agency as defined in section 453.52,  
 24.5 subdivision 8;

24.6 (3) designed to utilize reciprocating engines paired with generators to produce  
 24.7 electrical power;

24.8 (4) located within the service territory of a municipal power agency's electrical  
 24.9 municipal utility that serves load exclusively in a metropolitan county as defined in  
 24.10 section 473.121, subdivision 4; and

24.11 (5) designed to connect directly with a municipality's substation.

24.12 (b) Construction of the facility must be commenced after June 1, 2013, and before  
 24.13 June 1, 2017. Property eligible for this exemption does not include electric transmission  
 24.14 lines and interconnections or gas pipelines and interconnections appurtenant to the  
 24.15 property or the facility.

24.16 **EFFECTIVE DATE.** This section is effective for assessment year 2013, taxes  
 24.17 payable in 2014, and thereafter.

24.18 Sec. 12. Minnesota Statutes 2012, section 272.025, subdivision 1, is amended to read:

24.19 Subdivision 1. **Statement of exemption.** (a) Except in the case of property owned  
 24.20 by the state of Minnesota or any political subdivision thereof, and property exempt from  
 24.21 taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to 25, and at  
 24.22 the times provided in subdivision 3, a taxpayer claiming an exemption from taxation  
 24.23 on property described in section 272.02, subdivisions 1 to 33, must file a statement of  
 24.24 exemption with the assessor of the assessment district in which the property is located.

24.25 (b) A taxpayer claiming an exemption from taxation on property described in section  
 24.26 272.02, subdivision 10, must file a statement of exemption with the commissioner of  
 24.27 revenue, and with the assessor of the assessment district in which the property is located,  
 24.28 on or before February 15 of each year for which the taxpayer claims an exemption.

24.29 (c) In case of sickness, absence or other disability or for good cause, the assessor  
 24.30 or the commissioner may extend the time for filing the statement of exemption for a  
 24.31 period not to exceed 60 days.

24.32 (d) The commissioner of revenue shall prescribe the form and contents of the  
 24.33 statement of exemption.

25.1 Sec. 13. Minnesota Statutes 2012, section 273.117, is amended to read:

25.2 **273.117 CONSERVATION PROPERTY TAX VALUATION.**

25.3 The value of real property which is subject to a conservation restriction or easement  
25.4 ~~may be adjusted~~ shall not be reduced by the assessor if:

25.5 (a) the restriction or easement is for a conservation purpose as defined in section  
25.6 84.64, subdivision 2, and is recorded on the property; and

25.7 (b) the property is being used in accordance with the terms of the conservation  
25.8 restriction or easement.

25.9 This section does not apply to (1) conservation restrictions or easements covering  
25.10 riparian buffers along lakes, rivers, and streams that are used for water quantity or quality  
25.11 control; or (2) parcels of land in excess of 1,920 acres that allow public motorized access.

25.12 **EFFECTIVE DATE.** This section is effective for assessment year 2013 and  
25.13 thereafter, and for taxes payable in 2014 and thereafter.

25.14 Sec. 14. Minnesota Statutes 2012, section 273.124, subdivision 14, is amended to read:

25.15 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than  
25.16 ten acres that is the homestead of its owner must be classified as class 2a under section  
25.17 273.13, subdivision 23, paragraph (a), if:

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

25.22 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least  
25.23 20 acres;

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

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

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

26.1 ~~(b)(i) Agricultural property shall be classified as the owner's homestead, to the same~~  
 26.2 ~~extent as other agricultural homestead property, if all of the following criteria are met:~~

26.3 ~~(1) the agricultural property consists of at least 40 acres including undivided~~  
 26.4 ~~government lots and correctional 40's;~~

26.5 ~~(2) the owner, the owner's spouse, or a grandchild, child, sibling, or parent of the~~  
 26.6 ~~owner or of the owner's spouse, is actively farming the agricultural property, either on the~~  
 26.7 ~~person's own behalf as an individual or on behalf of a partnership operating a family farm,~~  
 26.8 ~~family farm corporation, joint family farm venture, or limited liability company of which~~  
 26.9 ~~the person is a partner, shareholder, or member;~~

26.10 ~~(3) both the owner of the agricultural property and the person who is actively~~  
 26.11 ~~farming the agricultural property under clause (2), are Minnesota residents;~~

26.12 ~~(4) neither the owner nor the spouse of the owner claims another agricultural~~  
 26.13 ~~homestead in Minnesota; and~~

26.14 ~~(5) neither the owner nor the person actively farming the agricultural property lives~~  
 26.15 ~~farther than four townships or cities, or a combination of four townships or cities, from the~~  
 26.16 ~~agricultural property, except that if the owner or the owner's spouse is required to live in~~  
 26.17 ~~employer-provided housing, the owner or owner's spouse, whichever is actively farming~~  
 26.18 ~~the agricultural property, may live more than four townships or cities, or combination of~~  
 26.19 ~~four townships or cities from the agricultural property.~~

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

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

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

26.27 ~~(iv) As used in this paragraph, "agricultural property" means class 2a property and~~  
 26.28 ~~any class 2b property that is contiguous to and under the same ownership as the class 2a~~  
 26.29 ~~property.~~

26.30 ~~(e) (b) Noncontiguous land shall be included as part of a homestead under section~~  
 26.31 ~~273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a~~  
 26.32 ~~and the detached land is located in the same township or city, or not farther than four~~  
 26.33 ~~townships or cities or combination thereof from the homestead. Any taxpayer of these~~  
 26.34 ~~noncontiguous lands must notify the county assessor that the noncontiguous land is part of~~  
 26.35 ~~the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer~~  
 26.36 ~~must also notify the assessor of the other county.~~

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

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

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

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

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

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

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

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

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

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

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

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

28.1 ~~(5) the owner notifies the county assessor that the relocation was due to a March 29,~~  
 28.2 ~~1998, tornado, and the owner furnishes the assessor any information deemed necessary by~~  
 28.3 ~~the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the~~  
 28.4 ~~owner must notify the assessor by December 1, 1998. Further notifications to the assessor~~  
 28.5 ~~are not required if the property continues to meet all the requirements in this paragraph~~  
 28.6 ~~and any dwellings on the agricultural land remain uninhabited.~~

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

28.11 ~~(1) the property consists of at least 40 acres including undivided government lots~~  
 28.12 ~~and correctional 40's;~~

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

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

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

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

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

28.25 ~~(h) (e)~~ (e) To be eligible for the special agricultural homestead under this subdivision,  
 28.26 an initial full application must be submitted to the county assessor where the property is  
 28.27 located. Owners and the persons who are actively farming the property shall be required  
 28.28 to complete only a one-page abbreviated version of the application in each subsequent  
 28.29 year provided that none of the following items have changed since the initial application:

28.30 (1) the day-to-day operation, administration, and financial risks remain the same;

28.31 (2) the owners and the persons actively farming the property continue to live within  
 28.32 the four townships or city criteria and are Minnesota residents;

28.33 (3) the same operator of the agricultural property is listed with the Farm Service  
 28.34 Agency;

28.35 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

28.36 (5) the property's acreage is unchanged; and

29.1 (6) none of the property's acres have been enrolled in a federal or state farm program  
 29.2 since the initial application.

29.3 The owners and any persons who are actively farming the property must include  
 29.4 the appropriate Social Security numbers, and sign and date the application. If any of the  
 29.5 specified information has changed since the full application was filed, the owner must  
 29.6 notify the assessor, and must complete a new application to determine if the property  
 29.7 continues to qualify for the special agricultural homestead. The commissioner of revenue  
 29.8 shall prepare a standard reapplication form for use by the assessors.

29.9 ~~(i)~~ (f) Agricultural land and buildings that were class 2a homestead property under  
 29.10 section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain  
 29.11 classified agricultural homesteads for subsequent assessments if:

29.12 (1) the property owner abandoned the homestead dwelling located on the agricultural  
 29.13 homestead as a result of damage caused by the August 2007 floods;

29.14 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted,  
 29.15 Steele, Wabasha, or Winona;

29.16 (3) the agricultural land and buildings remain under the same ownership for the  
 29.17 current assessment year as existed for the 2007 assessment year;

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

29.20 (5) the owner notifies the county assessor that the relocation was due to the August  
 29.21 2007 floods, and the owner furnishes the assessor any information deemed necessary by  
 29.22 the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the  
 29.23 owner must notify the assessor by December 1, 2008. Further notifications to the assessor  
 29.24 are not required if the property continues to meet all the requirements in this paragraph  
 29.25 and any dwellings on the agricultural land remain uninhabited.

29.26 ~~(j) Agricultural land and buildings that were class 2a homestead property under~~  
 29.27 ~~section 273.13, subdivision 23, paragraph (a), for the 2008 assessment shall remain~~  
 29.28 ~~classified as agricultural homesteads for subsequent assessments if:~~

29.29 ~~(1) the property owner abandoned the homestead dwelling located on the agricultural~~  
 29.30 ~~homestead as a result of the March 2009 floods;~~

29.31 ~~(2) the property is located in the county of Marshall;~~

29.32 ~~(3) the agricultural land and buildings remain under the same ownership for the~~  
 29.33 ~~current assessment year as existed for the 2008 assessment year and continue to be used~~  
 29.34 ~~for agricultural purposes;~~

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

30.1 ~~(5) the owner notifies the county assessor that the relocation was due to the 2009~~  
 30.2 ~~floods, and the owner furnishes the assessor any information deemed necessary by the~~  
 30.3 ~~assessor in verifying the change in dwelling. Further notifications to the assessor are not~~  
 30.4 ~~required if the property continues to meet all the requirements in this paragraph and any~~  
 30.5 ~~dwellings on the agricultural land remain uninhabited.~~

30.6 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
 30.7 thereafter.

30.8 Sec. 15. Minnesota Statutes 2012, section 273.124, subdivision 21, is amended to read:

30.9 Subd. 21. **Trust property; homestead.** Real or personal property held by a trustee  
 30.10 under a trust is eligible for classification as homestead property if the property satisfies the  
 30.11 requirements of paragraph (a), (b), (c), or (d).

30.12 (a) The grantor or surviving spouse of the grantor of the trust occupies and uses the  
 30.13 property as a homestead.

30.14 (b) A relative or surviving relative of the grantor who meets the requirements  
 30.15 of subdivision 1, paragraph (c), in the case of residential real estate; or subdivision 1,  
 30.16 paragraph (d), in the case of agricultural property, occupies and uses the property as  
 30.17 a homestead.

30.18 (c) A family farm corporation, joint farm venture, limited liability company, or  
 30.19 partnership operating a family farm in which the grantor or the grantor's surviving spouse  
 30.20 is a shareholder, member, or partner rents the property; and, either (1) a shareholder,  
 30.21 member, or partner of the corporation, joint farm venture, limited liability company, or  
 30.22 partnership occupies and uses the property as a homestead; ~~or (2) the property is at least~~  
 30.23 ~~40 acres, including undivided government lots and correctional 40's, and a shareholder,~~  
 30.24 ~~member, or partner of the tenant-entity is actively farming the property on behalf of the~~  
 30.25 ~~corporation, joint farm venture, limited liability company, or partnership.~~

30.26 (d) A person who has received homestead classification for property taxes payable in  
 30.27 2000 on the basis of an unqualified legal right under the terms of the trust agreement to  
 30.28 occupy the property as that person's homestead and who continues to use the property as  
 30.29 a homestead; ~~or, a person who received the homestead classification for taxes payable~~  
 30.30 ~~in 2005 under paragraph (c) who does not qualify under paragraph (c) for taxes payable~~  
 30.31 ~~in 2006 or thereafter but who continues to qualify under paragraph (c) as it existed for~~  
 30.32 ~~taxes payable in 2005.~~

30.33 For purposes of this subdivision, "grantor" is defined as the person creating or  
 30.34 establishing a testamentary, inter Vivos, revocable or irrevocable trust by written  
 30.35 instrument or through the exercise of a power of appointment.

31.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and  
31.2 thereafter.

31.3 Sec. 16. Minnesota Statutes 2012, section 273.128, is amended by adding a subdivision  
31.4 to read:

31.5 Subd. 1a. **Determination of property tax maximum.** (a) Property taxes on the  
31.6 portion of a rental property certified as class 4d may not exceed ten percent of the gross  
31.7 potential rent for the calendar year in which an application is filed for the units that qualify  
31.8 for certification under this section. "Gross potential rent" means the maximum annual rent  
31.9 the owner of a property is authorized to charge for rental housing units subject to a legally  
31.10 binding rent restriction agreement, assuming that all of the units are occupied at all times.  
31.11 The Housing Finance Agency will adjust gross potential rent annually to the extent of and  
31.12 in accordance with changes in the rent restrictions set forth in the rent restriction agreement.

31.13 (b) In order to determine the gross potential rent for a rental property, a separate  
31.14 application must be filed with the Housing Finance Agency by March 31 of the assessment  
31.15 year to establish the maximum property taxes for the portion of a property certified under  
31.16 this section. In addition to the information required in subdivision 2, the application  
31.17 under this subdivision must include a true and correct copy of any regulatory agreements  
31.18 or other documents establishing the rent restrictions for the units eligible for class 4d  
31.19 classification, unless such documentation was provided to the Housing Finance Agency  
31.20 in a previous year and the owner certifies that the rent restrictions have not changed.  
31.21 The Housing Finance Agency may charge an application fee approximately equal to the  
31.22 costs of determining the gross potential rent for the property, any annual adjustments and  
31.23 processing, and reviewing the application. The applicant must pay the application fee to  
31.24 the Housing Finance Agency for deposit in the housing development fund. The application  
31.25 fee under this subdivision is in addition to the application fee under subdivision 2.

31.26 (c) By June 1 of each assessment year, the Housing Finance Agency must certify to  
31.27 the appropriate county or city assessors, the specific properties that are qualified for the  
31.28 maximum property tax limitation and the amount of the annual gross potential rent for the  
31.29 units in the building that qualify for class 4d certification. The auditor shall calculate the  
31.30 maximum property tax for the units that qualify based on the certification from the Housing  
31.31 Finance Agency for taxes payable the year following the assessment year certification.

31.32 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2015.

31.33 Sec. 17. Minnesota Statutes 2012, section 273.1398, subdivision 4, is amended to read:

32.1 Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989,  
 32.2 class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property  
 32.3 is located in a border city that has an enterprise zone, as defined in section 469.166; (2)  
 32.4 the property is located in a city with a population greater than 2,500 and less than 35,000  
 32.5 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or  
 32.6 immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city  
 32.7 in the other state has a population of greater than 5,000 and less than 75,000 according to  
 32.8 the 1980 decennial census.

32.9 (b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a  
 32.10 property to ~~2.3~~ 1.9 percent of the property's market value and (ii) the tax on class 3a  
 32.11 property to ~~2.3~~ 1.9 percent of market value.

32.12 (c) The county auditor shall annually certify the costs of the credits to the  
 32.13 Department of Revenue. The department shall reimburse local governments for the  
 32.14 property taxes forgone as the result of the credits in proportion to their total levies.

32.15 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

32.16 Sec. 18. Minnesota Statutes 2012, section 275.025, subdivision 1, is amended to read:

32.17 Subdivision 1. **Levy amount.** The state general levy is levied against  
 32.18 commercial-industrial property and seasonal residential recreational property, as defined  
 32.19 in this section. The state general levy base amount is \$592,000,000 for taxes payable in  
 32.20 2002. For taxes payable in subsequent years on seasonal residential recreational property,  
 32.21 the levy base amount is increased each year by multiplying the levy base amount for that  
 32.22 class of property for the prior year by the sum of one plus the rate of increase, if any, in the  
 32.23 implicit price deflator for government consumption expenditures and gross investment for  
 32.24 state and local governments prepared by the Bureau of Economic Analysts of the United  
 32.25 States Department of Commerce for the 12-month period ending March 31 of the year  
 32.26 prior to the year the taxes are payable. For taxes payable in 2014 and subsequent years  
 32.27 on commercial-industrial property, the tax is imposed under this subdivision at the rate  
 32.28 of the tax imposed under this subdivision for taxes payable in 2002. The tax under this  
 32.29 section is not treated as a local tax rate under section 469.177 and is not the levy of a  
 32.30 governmental unit under chapters 276A and 473F.

32.31 The commissioner shall increase or decrease the preliminary or final rate for a year  
 32.32 as necessary to account for errors and tax base changes that affected a preliminary or final  
 32.33 rate for either of the two preceding years. Adjustments are allowed to the extent that the  
 32.34 necessary information is available to the commissioner at the time the rates for a year must  
 32.35 be certified, and for the following reasons:

- 33.1 (1) an erroneous report of taxable value by a local official;
- 33.2 (2) an erroneous calculation by the commissioner; and
- 33.3 (3) an increase or decrease in taxable value for commercial-industrial or seasonal
- 33.4 residential recreational property reported on the abstracts of tax lists submitted under
- 33.5 section 275.29 that was not reported on the abstracts of assessment submitted under
- 33.6 section 270C.89 for the same year.

33.7 The commissioner may, but need not, make adjustments if the total difference in the tax

33.8 levied for the year would be less than \$100,000.

33.9 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and

33.10 thereafter.

33.11 Sec. 19. Minnesota Statutes 2012, section 275.025, subdivision 2, is amended to read:

33.12 Subd. 2. **Commercial-industrial tax capacity.** For the purposes of this section,

33.13 "commercial-industrial tax capacity" means the tax capacity of all taxable property

33.14 classified as class 3 or class 5(1) under section 273.13, except for ~~electric generation~~

33.15 ~~attached machinery under class 3 and~~ property described in section 473.625. County

33.16 commercial-industrial tax capacity amounts are not adjusted for the captured net tax

33.17 capacity of a tax increment financing district under section 469.177, subdivision 2, the

33.18 net tax capacity of transmission lines deducted from a local government's total net tax

33.19 capacity under section 273.425, or fiscal disparities contribution and distribution net

33.20 tax capacities under chapter 276A or 473F.

33.21 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and

33.22 thereafter.

33.23 Sec. 20. Minnesota Statutes 2012, section 279.37, subdivision 1a, is amended to read:

33.24 Subd. 1a. **Class 3a property.** (a) The delinquent taxes upon a parcel of property

33.25 which was classified class 3a, for the previous year's assessment ~~and had a total market~~

33.26 ~~value of \$500,000 or less for that same assessment~~ shall be eligible to be composed into a

33.27 confession of judgment with the approval of the county auditor. Property qualifying under

33.28 this subdivision shall be subject to the same provisions as provided in this section except

33.29 as provided in paragraphs (b) to ~~(d)~~ (f).

33.30 (b) Current year taxes and penalty due at the time the confession of judgment

33.31 is entered must be paid.

33.32 (c) The down payment must include all special assessments due in the current tax

33.33 year, all delinquent special assessments, and 20 percent of the ad valorem tax, penalties,

34.1 and interest accrued against the parcel. The balance remaining is payable in four equal  
 34.2 annual installments. A municipality as defined in section 429.011, cities of the first class,  
 34.3 and other special assessment authorities, who have certified special assessments against  
 34.4 any parcel of property, may, through resolution, waive the requirement of payment of all  
 34.5 current and delinquent special assessments at the time the confession is entered. If the  
 34.6 municipality, city, or authority grants the waiver, 100 percent of all current year taxes,  
 34.7 special assessments, and penalties due at the time, along with 20 percent of all delinquent  
 34.8 taxes, special assessments, penalties, interest, and fees must be paid. The balance  
 34.9 remaining shall be subject to and included in the installment plan.

34.10 (d) When there are current and delinquent special assessments certified and billed  
 34.11 against a parcel, the assessment authority or municipality as defined in section 429.011  
 34.12 may abate under section 375.192, subdivision 2, all special assessments and the penalty  
 34.13 and interest affiliated with the special assessments, and reassess the special assessments,  
 34.14 penalties, and interest accrued thereon, under section 429.071, subdivision 2. The  
 34.15 municipality shall notify the county auditor of its intent to reassess as a precondition  
 34.16 to the entry of the confession of judgment. Upon the notice to abate and reassess, the  
 34.17 municipality shall, through resolution, notify the county auditor to remove all current  
 34.18 and delinquent special assessments and the accrued penalty and interest on the special  
 34.19 assessments, and the payment of all or a portion of the current and delinquent assessments  
 34.20 shall not be required as part of the down payment due at the time the confession of  
 34.21 judgment is entered in accordance with paragraph (c).

34.22 ~~(d)~~ (e) The amounts entered in judgment bear interest at the rate provided in section  
 34.23 279.03, subdivision 1a, commencing with the date the judgment is entered. The interest  
 34.24 rate is subject to change each year on the unpaid balance in the manner provided in section  
 34.25 279.03, subdivision 1a.

34.26 (f) The county auditor may require conditions on properties including, but not  
 34.27 limited to, environmental remediation action plan requirements, restrictions, or covenants,  
 34.28 when considering a request for approval of eligibility for composition into a confession of  
 34.29 judgment for delinquent taxes upon a parcel of property which was classified class 3a, for  
 34.30 the previous year's assessment.

34.31 Sec. 21. Minnesota Statutes 2012, section 279.37, subdivision 2, is amended to read:

34.32 Subd. 2. **Installment payments.** The owner of any such parcel, or any person to  
 34.33 whom the right to pay taxes has been given by statute, mortgage, or other agreement, may  
 34.34 make and file with the county auditor of the county in which the parcel is located a written  
 34.35 offer to pay the current taxes each year before they become delinquent, or to contest the

35.1 taxes under Minnesota Statutes 1941, sections 278.01 to 278.13, and agree to confess  
 35.2 judgment for the amount provided, as determined by the county auditor. By filing the  
 35.3 offer, the owner waives all irregularities in connection with the tax proceedings affecting  
 35.4 the parcel and any defense or objection which the owner may have to the proceedings, and  
 35.5 also waives the requirements of any notice of default in the payment of any installment or  
 35.6 interest to become due pursuant to the composite judgment to be so entered. Unless the  
 35.7 property is subject to subdivision 1a, with the offer, the owner shall (i) tender one-tenth of  
 35.8 the amount of the delinquent taxes, costs, penalty, and interest, and ~~shall~~ (ii) tender all  
 35.9 current year taxes and penalty due at the time the confession of judgment is entered. In the  
 35.10 offer, the owner shall agree to pay the balance in nine equal installments, with interest as  
 35.11 provided in section 279.03, payable annually on installments remaining unpaid from time  
 35.12 to time, on or before December 31 of each year following the year in which judgment  
 35.13 was confessed. The offer must be substantially as follows:

35.14 "To the court administrator of the district court of ..... county, I, .....,  
 35.15 am the owner of the following described parcel of real estate located in .....  
 35.16 county, Minnesota:

35.17 ..... Upon that real estate there are delinquent taxes for the year ....., and  
 35.18 prior years, as follows: (here insert year of delinquency and the total amount of delinquent  
 35.19 taxes, costs, interest, and penalty). By signing this document I offer to confess judgment in  
 35.20 the sum of \$..... and waive all irregularities in the tax proceedings affecting these taxes and  
 35.21 any defense or objection which I may have to them, and direct judgment to be entered for  
 35.22 the amount stated above, minus the sum of \$....., to be paid with this document, which  
 35.23 is one-tenth or one-fifth of the amount of the taxes, costs, penalty, and interest stated above.  
 35.24 I agree to pay the balance of the judgment in nine or four equal, annual installments, with  
 35.25 interest as provided in section 279.03, payable annually, on the installments remaining  
 35.26 unpaid. I agree to pay the installments and interest on or before December 31 of each year  
 35.27 following the year in which this judgment is confessed and current taxes each year before  
 35.28 they become delinquent, or within 30 days after the entry of final judgment in proceedings  
 35.29 to contest the taxes under Minnesota Statutes, sections 278.01 to 278.13.

35.30 Dated ....., ....."

35.31 Sec. 22. Minnesota Statutes 2012, section 281.14, is amended to read:

35.32 **281.14 EXPIRATION OF TIME FOR REDEMPTION.**

35.33 The time for redemption from any tax sale, whether made to the state or to a private  
 35.34 person, shall not expire until notice of expiration of redemption, as provided in section  
 35.35 ~~281.13~~ 281.17, shall have been given.

36.1 Sec. 23. Minnesota Statutes 2012, section 281.17, is amended to read:

36.2 **281.17 PERIOD FOR REDEMPTION.**

36.3 Except for properties for which the period of redemption has been limited under  
36.4 sections 281.173 and 281.174, the following periods for redemption apply.

36.5 The period of redemption for all lands sold to the state at a tax judgment sale shall  
36.6 be three years from the date of sale to the state of Minnesota ~~if the land is within an~~  
36.7 ~~incorporated area unless it is: (a) nonagricultural homesteaded land as defined in section~~  
36.8 ~~273.13, subdivision 22; (b) homesteaded agricultural land as defined in section 273.13,~~  
36.9 ~~subdivision 23, paragraph (a); or (c) seasonal residential recreational land as defined in~~  
36.10 ~~section 273.13, subdivision 22, paragraph (c), or 25, paragraph (d), clause (1), for which~~  
36.11 ~~the period of redemption is five years from the date of sale to the state of Minnesota.~~

36.12 The period of redemption for homesteaded lands as defined in section 273.13,  
36.13 subdivision 22, located in a targeted neighborhood as defined in Laws 1987, chapter 386,  
36.14 article 6, section 4, and sold to the state at a tax judgment sale is three years from the date  
36.15 of sale. The period of redemption for all lands located in a targeted neighborhood as  
36.16 defined in Laws 1987, chapter 386, article 6, section 4, except (1) homesteaded lands as  
36.17 defined in section 273.13, subdivision 22, and (2) for periods of redemption beginning  
36.18 after June 30, 1991, but before July 1, 1996, lands located in the Loring Park targeted  
36.19 neighborhood on which a notice of lis pendens has been served, and sold to the state at a  
36.20 tax judgment sale is one year from the date of sale.

36.21 The period of redemption for all real property constituting a mixed municipal solid  
36.22 waste disposal facility that is a qualified facility under section 115B.39, subdivision 1, is  
36.23 one year from the date of the sale to the state of Minnesota.

36.24 ~~The period of redemption for all other lands sold to the state at a tax judgment~~  
36.25 ~~sale shall be five years from the date of sale, except that the period of redemption for~~  
36.26 ~~nonhomesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph~~  
36.27 ~~(b), shall be two years from the date of sale if at that time that property is owned by a~~  
36.28 ~~person who owns one or more parcels of property on which taxes are delinquent, and the~~  
36.29 ~~delinquent taxes are more than 25 percent of the prior year's school district levy.~~

36.30 Sec. 24. Minnesota Statutes 2012, section 290A.03, subdivision 3, is amended to read:

36.31 Subd. 3. **Income.** (1) "Income" means the sum of the following:

- 36.32 (a) federal adjusted gross income as defined in the Internal Revenue Code; and  
36.33 (b) the sum of the following amounts to the extent not included in clause (a):  
36.34 (i) all nontaxable income;

- 37.1 (ii) the amount of a passive activity loss that is not disallowed as a result of section  
37.2 469, paragraph (i) or (m) of the Internal Revenue Code and the amount of passive activity  
37.3 loss carryover allowed under section 469(b) of the Internal Revenue Code;
- 37.4 (iii) an amount equal to the total of any discharge of qualified farm indebtedness  
37.5 of a solvent individual excluded from gross income under section 108(g) of the Internal  
37.6 Revenue Code;
- 37.7 (iv) cash public assistance and relief;
- 37.8 (v) any pension or annuity (including railroad retirement benefits, all payments  
37.9 received under the federal Social Security Act, Supplemental Security Income, and  
37.10 veterans benefits), which was not exclusively funded by the claimant or spouse, or which  
37.11 was funded exclusively by the claimant or spouse and which funding payments were  
37.12 excluded from federal adjusted gross income in the years when the payments were made;
- 37.13 (vi) interest received from the federal or a state government or any instrumentality  
37.14 or political subdivision thereof;
- 37.15 (vii) workers' compensation;
- 37.16 (viii) nontaxable strike benefits;
- 37.17 (ix) the gross amounts of payments received in the nature of disability income or  
37.18 sick pay as a result of accident, sickness, or other disability, whether funded through  
37.19 insurance or otherwise;
- 37.20 (x) a lump-sum distribution under section 402(e)(3) of the Internal Revenue Code of  
37.21 1986, as amended through December 31, 1995;
- 37.22 (xi) contributions made by the claimant to an individual retirement account,  
37.23 including a qualified voluntary employee contribution; simplified employee pension plan;  
37.24 self-employed retirement plan; cash or deferred arrangement plan under section 401(k)  
37.25 of the Internal Revenue Code; or deferred compensation plan under section 457 of the  
37.26 Internal Revenue Code;
- 37.27 (xii) nontaxable scholarship or fellowship grants;
- 37.28 (xiii) the amount of deduction allowed under section 199 of the Internal Revenue  
37.29 Code;
- 37.30 (xiv) the amount of deduction allowed under section 220 or 223 of the Internal  
37.31 Revenue Code;
- 37.32 (xv) the amount of tuition expenses required to be added to income under section  
37.33 290.01, subdivision 19a, clause (12);
- 37.34 (xvi) the amount deducted for certain expenses of elementary and secondary school  
37.35 teachers under section 62(a)(2)(D) of the Internal Revenue Code; and
- 37.36 (xvii) unemployment compensation.

38.1 In the case of an individual who files an income tax return on a fiscal year basis, the  
 38.2 term "federal adjusted gross income" shall mean federal adjusted gross income reflected  
 38.3 in the fiscal year ending in the calendar year. Federal adjusted gross income shall not be  
 38.4 reduced by the amount of a net operating loss carryback or carryforward or a capital loss  
 38.5 carryback or carryforward allowed for the year.

38.6 (2) "Income" does not include:

38.7 (a) amounts excluded pursuant to the Internal Revenue Code, sections 101(a) and 102;

38.8 (b) amounts of any pension or annuity which was exclusively funded by the claimant  
 38.9 or spouse and which funding payments were not excluded from federal adjusted gross  
 38.10 income in the years when the payments were made;

38.11 (c) surplus food or other relief in kind supplied by a governmental agency;

38.12 (d) relief granted under this chapter;

38.13 (e) child support payments received under a temporary or final decree of dissolution  
 38.14 or legal separation; or

38.15 (f) restitution payments received by eligible individuals and excludable interest as  
 38.16 defined in section 803 of the Economic Growth and Tax Relief Reconciliation Act of  
 38.17 2001, Public Law 107-16.

38.18 (3) ~~The sum of the following amounts may be subtracted from income~~ A claimant,  
 38.19 other than one who has rent constituting property taxes, may subtract from income the  
 38.20 sum of the following amounts:

38.21 (a) for the claimant's first dependent, the exemption amount multiplied by 1.4;

38.22 (b) for the claimant's second dependent, the exemption amount multiplied by 1.3;

38.23 (c) for the claimant's third dependent, the exemption amount multiplied by 1.2;

38.24 (d) for the claimant's fourth dependent, the exemption amount multiplied by 1.1;

38.25 (e) for the claimant's fifth dependent, the exemption amount; and

38.26 (f) if the claimant or claimant's spouse who occupies the homestead was disabled  
 38.27 or attained the age of 65 on or before December 31 of the year for which the taxes were  
 38.28 levied or rent paid, the exemption amount.

38.29 (4) A claimant who has rent constituting property taxes may subtract from income  
 38.30 the sum of the following amounts:

38.31 (a) for the claimant's first dependent, the exemption amount multiplied by 1.5;

38.32 (b) for the claimant's second dependent, the exemption amount multiplied by 1.4;

38.33 (c) for the claimant's third dependent, the exemption amount multiplied by 1.3;

38.34 (d) for the claimant's fourth dependent, the exemption amount multiplied by 1.2;

38.35 (e) for the claimant's fifth dependent, the exemption amount multiplied by 1.1;

39.1 (f) if the claimant was disabled or attained the age of 65 on or before December 31  
 39.2 of the year for which the rent constituting property taxes was paid, the exemption amount  
 39.3 times 1.5; and

39.4 (g) if the claimant's spouse who occupies the homestead was disabled or attained the  
 39.5 age of 65 on or before December 31 of the year for which the rent constituting property  
 39.6 taxes were paid, the exemption amount.

39.7 For purposes of this subdivision, the "exemption amount" means the exemption  
 39.8 amount under section 151(d) of the Internal Revenue Code for the taxable year for which  
 39.9 the income is reported.

39.10 **EFFECTIVE DATE.** This section is effective beginning with refunds based on rent  
 39.11 constituting property taxes paid after December 31, 2012.

39.12 Sec. 25. Minnesota Statutes 2012, section 290A.04, subdivision 2a, is amended to read:

39.13 Subd. 2a. **Renters.** A claimant whose rent constituting property taxes exceeds the  
 39.14 percentage of the household income stated below must pay an amount equal to the percent  
 39.15 of income shown for the appropriate household income level along with the percent to  
 39.16 be paid by the claimant of the remaining amount of rent constituting property taxes. The  
 39.17 state refund equals the amount of rent constituting property taxes that remain, up to the  
 39.18 maximum state refund amount shown below.

39.19			Percent Paid by	Maximum
39.20			Claimant	State
39.21	Household Income	Percent of Income		Refund
39.22	\$0 to <del>3,589</del>			<del>1,190</del>
39.23	<u>4,910</u>	1.0 percent	5 percent	\$ <u>1,790</u>
39.24	<del>3,590 to 4,779</del>		<del>10</del>	<del>1,190</del>
39.25	<u>4,911 to 6,530</u>	1.0 percent	<u>5</u> percent	\$ <u>1,790</u>
39.26	<del>4,780 to 5,969</del>		<del>10</del>	<del>1,190</del>
39.27	<u>6,531 to 8,160</u>	1.1 percent	<u>5</u> percent	\$ <u>1,790</u>
39.28	<del>5,970 to 8,369</del>		<del>10</del>	<del>1,190</del>
39.29	<u>8,161 to 11,440</u>	1.2 percent	<u>5</u> percent	\$ <u>1,790</u>
39.30	<del>8,370 to 10,759</del>		<del>15</del>	<del>1,190</del>
39.31	<u>11,441 to 14,710</u>	1.3 percent	<u>10</u> percent	\$ <u>1,790</u>
39.32	<del>10,760 to 11,949</del>		<del>15</del>	<del>1,190</del>
39.33	<u>14,711 to 16,340</u>	1.4 percent	<u>10</u> percent	\$ <u>1,790</u>
39.34	<del>11,950 to 13,139</del>		<del>20</del>	<del>1,190</del>
39.35	<u>16,341 to 17,960</u>	1.4 percent	<u>15</u> percent	\$ <u>1,790</u>
39.36	<del>13,140 to 15,539</del>		<del>20</del>	<del>1,190</del>
39.37	<u>17,961 to 21,240</u>	1.5 percent	<u>15</u> percent	\$ <u>1,790</u>
39.38	<del>15,540 to 16,729</del>		<del>20</del>	<del>1,190</del>
39.39	<u>21,241 to 22,870</u>	1.6 percent	<u>15</u> percent	\$ <u>1,790</u>

40.1	<del>16,730 to 17,919</del>		25	<del>1,190</del>
40.2	<u>22,871 to 24,500</u>	1.7 percent	<u>20</u> percent	\$ <u>1,790</u>
40.3	<del>17,920 to 20,319</del>		25	<del>1,190</del>
40.4	<u>24,501 to 27,780</u>	1.8 percent	<u>20</u> percent	\$ <u>1,790</u>
40.5	<del>20,320 to 21,509</del>		30	<del>1,190</del>
40.6	<u>27,781 to 29,400</u>	1.9 percent	<u>25</u> percent	\$ <u>1,790</u>
40.7	<del>21,510 to 22,699</del>		30	<del>1,190</del>
40.8	<u>29,401 to 31,030</u>	2.0 percent	<u>25</u> percent	\$ <u>1,790</u>
40.9	<del>22,700 to 23,899</del>		30	<del>1,190</del>
40.10	<u>31,031 to 32,670</u>	2.2 percent	<u>25</u> percent	\$ <u>1,790</u>
40.11	<del>23,900 to 25,089</del>		30	<del>1,190</del>
40.12	<u>32,671 to 34,300</u>	2.4 percent	<u>25</u> percent	\$ <u>1,790</u>
40.13	<del>25,090 to 26,289</del>		35	<del>1,190</del>
40.14	<u>34,301 to 35,940</u>	2.6 percent	<u>30</u> percent	\$ <u>1,790</u>
40.15	<del>26,290 to 27,489</del>		35	<del>1,190</del>
40.16	<u>35,941 to 37,580</u>	2.7 percent	<u>30</u> percent	\$ <u>1,790</u>
40.17	<del>27,490 to 28,679</del>		35	<del>1,190</del>
40.18	<u>37,581 to 39,200</u>	2.8 percent	<u>30</u> percent	\$ <u>1,790</u>
40.19	<del>28,680 to 29,869</del>		40	<del>1,190</del>
40.20	<u>39,201 to 40,830</u>	2.9 percent	<u>35</u> percent	\$ <u>1,790</u>
40.21	<del>29,870 to 31,079</del>		40	<del>1,190</del>
40.22	<u>40,831 to 42,490</u>	3.0 percent	<u>35</u> percent	\$ <u>1,790</u>
40.23	<del>31,080 to 32,269</del>		40	<del>1,190</del>
40.24	<u>42,491 to 44,110</u>	3.1 percent	<u>35</u> percent	\$ <u>1,790</u>
40.25	<del>32,270 to 33,459</del>		40	<del>1,190</del>
40.26	<u>44,111 to 45,740</u>	3.2 percent	<u>35</u> percent	\$ <u>1,790</u>
40.27	<del>33,460 to 34,649</del>		45	<del>1,080</del>
40.28	<u>45,741 to 47,370</u>	3.3 percent	<u>40</u> percent	\$ <u>1,630</u>
40.29	<del>34,650 to 35,849</del>		45	<del>960</del>
40.30	<u>47,371 to 49,010</u>	3.4 percent	<u>40</u> percent	\$ <u>1,440</u>
40.31	<del>35,850 to 37,049</del>		45	<del>830</del>
40.32	<u>49,011 to 50,650</u>	3.5 percent	<u>40</u> percent	\$ <u>1,240</u>
40.33	<del>37,050 to 38,239</del>		50	<del>720</del>
40.34	<u>50,651 to 52,270</u>	3.5 percent	<u>45</u> percent	\$ <u>1,080</u>
40.35	<del>38,240 to 39,439</del>		50	<del>600</del>
40.36	<u>52,271 to 53,910</u>	3.5 percent	<u>45</u> percent	\$ <u>900</u>
40.37	<del>38,440 to 40,629</del>		50	<del>360</del>
40.38	<u>53,911 to 55,540</u>	3.5 percent	<u>45</u> percent	\$ <u>540</u>
40.39	<del>40,630 to 41,819</del>		50	<del>120</del>
40.40	<u>55,541 to 57,170</u>	3.5 percent	<u>45</u> percent	\$ <u>180</u>

40.41 The payment made to a claimant is the amount of the state refund calculated under  
 40.42 this subdivision. No payment is allowed if the claimant's household income is ~~\$41,820 or~~  
 40.43 more than \$57,170.

40.44 **EFFECTIVE DATE.** This section is effective beginning with refunds based on rent  
 40.45 constituting property taxes paid after December 31, 2012.

41.1 Sec. 26. Minnesota Statutes 2012, section 290A.04, subdivision 4, is amended to read:

41.2 Subd. 4. **Inflation adjustment.** (a) Beginning for property tax refunds payable in  
41.3 calendar year 2002, the commissioner shall annually adjust the dollar amounts of the  
41.4 income thresholds and the maximum refunds under subdivisions 2 and 2a for inflation.  
41.5 The commissioner shall make the inflation adjustments in accordance with section 1(f) of  
41.6 the Internal Revenue Code, except that for purposes of this subdivision the percentage  
41.7 increase shall be determined as provided in this subdivision.

41.8 (b) In adjusting the dollar amounts of the income thresholds and the maximum  
41.9 refunds under subdivision 2 for inflation, the percentage increase shall be determined from  
41.10 the year ending on June 30, 2011, to the year ending on June 30 of the year preceding that  
41.11 in which the refund is payable.

41.12 (c) In adjusting the dollar amounts of the income thresholds and the maximum  
41.13 refunds under subdivision 2a for inflation, the percentage increase shall be determined  
41.14 from the year ending on June 30, ~~2000~~ 2013, to the year ending on June 30 of the year  
41.15 preceding that in which the refund is payable.

41.16 (d) The commissioner shall use the appropriate percentage increase to annually  
41.17 adjust the income thresholds and maximum refunds under subdivisions 2 and 2a for  
41.18 inflation without regard to whether or not the income tax brackets are adjusted for inflation  
41.19 in that year. The commissioner shall round the thresholds and the maximum amounts,  
41.20 as adjusted to the nearest \$10 amount. If the amount ends in \$5, the commissioner shall  
41.21 round it up to the next \$10 amount.

41.22 (e) The commissioner shall annually announce the adjusted refund schedule at the  
41.23 same time provided under section 290.06. The determination of the commissioner under  
41.24 this subdivision is not a rule under the Administrative Procedure Act.

41.25 **EFFECTIVE DATE.** This section is effective beginning with refunds based on  
41.26 rent paid after December 31, 2013.

41.27 Sec. 27. Minnesota Statutes 2012, section 290C.02, subdivision 6, is amended to read:

41.28 Subd. 6. **Forest land.** "Forest land" means land containing a minimum of 20  
41.29 contiguous acres for which the owner has implemented a forest management plan that was  
41.30 prepared or updated within the past ten years by an approved plan writer. For purposes of  
41.31 this subdivision, acres are considered to be contiguous even if they are separated by a road,  
41.32 waterway, railroad track, or other similar intervening property. At least 50 percent of the  
41.33 contiguous acreage must meet the definition of forest land in section 88.01, subdivision  
41.34 7. For the purposes of sections 290C.01 to 290C.11, forest land does not include (i)  
41.35 land used for residential or agricultural purposes, (ii) land enrolled in the reinvest in

42.1 Minnesota program, a state or federal conservation reserve or easement reserve program  
 42.2 under sections 103F.501 to 103F.531, the Minnesota agricultural property tax law under  
 42.3 section 273.111, or land subject to agricultural land preservation controls or restrictions  
 42.4 as defined in section 40A.02 or under the Metropolitan Agricultural Preserves Act under  
 42.5 chapter 473H, ~~or~~ (iii) land exceeding 60,000 acres that is subject to a single conservation  
 42.6 easement funded under section 97A.056 or a comparable permanent easement conveyed  
 42.7 to a governmental nonprofit entity; or (iv) any land that becomes subject to a conservation  
 42.8 easement funded under section 97A.056 or a comparable permanent easement conveyed to  
 42.9 a governmental or nonprofit entity after the effective date of this act; or (v) land improved  
 42.10 with a structure, pavement, sewer, campsite, or any road, other than a township road, used  
 42.11 for purposes not prescribed in the forest management plan.

42.12 **EFFECTIVE DATE.** This section is effective for calculations made in 2013 and  
 42.13 thereafter.

42.14 Sec. 28. Minnesota Statutes 2012, section 290C.03, is amended to read:

42.15 **290C.03 ELIGIBILITY REQUIREMENTS.**

42.16 (a) Land may be enrolled in the sustainable forest incentive program under this  
 42.17 chapter if all of the following conditions are met:

42.18 (1) the land consists of at least 20 contiguous acres and at least 50 percent of the  
 42.19 land must meet the definition of forest land in section 88.01, subdivision 7, during the  
 42.20 enrollment;

42.21 (2) a forest management plan for the land must be prepared by an approved plan  
 42.22 writer and implemented during the period in which the land is enrolled;

42.23 (3) timber harvesting and forest management guidelines must be used in conjunction  
 42.24 with any timber harvesting or forest management activities conducted on the land during  
 42.25 the period in which the land is enrolled;

42.26 (4) the land must be enrolled for a minimum of eight years;

42.27 (5) there are no delinquent property taxes on the land; and

42.28 (6) claimants enrolling more than 1,920 acres in the sustainable forest incentive  
 42.29 program must allow year-round, nonmotorized access to fish and wildlife resources and  
 42.30 motorized access on established and maintained roads and trails, unless the road or trail is  
 42.31 temporarily closed for safety, natural resource, or road damage reasons on enrolled land  
 42.32 except within one-fourth mile of a permanent dwelling or during periods of high fire  
 42.33 hazard as determined by the commissioner of natural resources.

43.1 (b) Claimants required to allow access under paragraph (a), clause (6), do not by  
43.2 that action:

43.3 (1) extend any assurance that the land is safe for any purpose;

43.4 (2) confer upon the person the legal status of an invitee or licensee to whom a duty  
43.5 of care is owed; or

43.6 (3) assume responsibility for or incur liability for any injury to the person or property  
43.7 caused by an act or omission of the person.

43.8 **EFFECTIVE DATE.** This section is effective for calculations made in 2013 and  
43.9 thereafter.

43.10 Sec. 29. Minnesota Statutes 2012, section 290C.055, is amended to read:

43.11 **290C.055 LENGTH OF COVENANT.**

43.12 (a) The covenant remains in effect for a minimum of eight years. If land is removed  
43.13 from the program before it has been enrolled for four years, the covenant remains in  
43.14 effect for eight years from the date recorded.

43.15 (b) If land that has been enrolled for four years or more is removed from the program  
43.16 for any reason, there is a waiting period before the covenant terminates. The covenant  
43.17 terminates on January 1 of the fifth calendar year that begins after the date that:

43.18 (1) the commissioner receives notification from the claimant that the claimant wishes  
43.19 to remove the land from the program under section 290C.10; or

43.20 (2) the date that the land is removed from the program under section 290C.11.

43.21 (c) Notwithstanding the other provisions of this section, the covenant is terminated:

43.22 (1) at the same time that the land is removed from the program due to acquisition of  
43.23 title or possession for a public purpose under section 290C.10; or

43.24 (2) at the request of the claimant after a reduction in payments due to changes in the  
43.25 payment formula under section 290C.07.

43.26 **EFFECTIVE DATE.** This section is effective for calculations made in 2013 and  
43.27 thereafter.

43.28 Sec. 30. Minnesota Statutes 2012, section 290C.07, is amended to read:

43.29 **290C.07 CALCULATION OF INCENTIVE PAYMENT.**

43.30 (a) An approved claimant under the sustainable forest incentive program is eligible  
43.31 to receive an annual payment. The payment shall equal ~~\$7~~ \$7.25 per acre for each acre  
43.32 enrolled in the sustainable forest incentive program.

44.1 ~~(b) The annual payment for each Social Security number or state or federal business~~  
 44.2 ~~tax identification number must not exceed \$100,000.~~

44.3 **EFFECTIVE DATE.** This section is effective for calculations made in 2013 and  
 44.4 thereafter.

44.5 Sec. 31. Minnesota Statutes 2012, section 428A.101, is amended to read:

44.6 **428A.101 DEADLINE FOR SPECIAL SERVICE DISTRICT UNDER**  
 44.7 **GENERAL LAW.**

44.8 The establishment of a new special service district after June 30, ~~2013~~ 2018, requires  
 44.9 enactment of a special law authorizing the establishment.

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

44.11 Sec. 32. Minnesota Statutes 2012, section 428A.21, is amended to read:

44.12 **428A.21 DEADLINE FOR HOUSING IMPROVEMENT DISTRICTS UNDER**  
 44.13 **GENERAL LAW.**

44.14 The establishment of a new housing improvement area after June 30, ~~2013~~ 2018,  
 44.15 requires enactment of a special law authorizing the establishment of the area.

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

44.17 Sec. 33. Minnesota Statutes 2012, section 435.19, subdivision 2, is amended to read:

44.18 Subd. 2. **State property.** In the case of property owned by the state or any  
 44.19 instrumentality thereof, the governing body of the city or town ~~may~~ must determine  
 44.20 the amount that would have been assessed had the land been privately owned. ~~Such~~  
 44.21 The determination shall be made only after the governing body has held a hearing on  
 44.22 the proposed assessment after at least two weeks' notice of the hearing has been given  
 44.23 by registered or certified mail to the head of the instrumentality, department or agency  
 44.24 having jurisdiction over the property. The instrumentality, department, or agency may,  
 44.25 after consultation and agreement by the governing body of the city or town, pay an  
 44.26 amount less than the amount determined. The amount thus determined may be paid by  
 44.27 the instrumentality, department or agency from available funds. If no funds are available  
 44.28 and such instrumentality, department or agency is supported in whole or in part by  
 44.29 appropriations from the general fund, then it shall include in its next budget request the  
 44.30 amount thus determined. ~~No instrumentality, department or agency shall be bound by the~~  
 44.31 ~~determination of the governing body and may pay from available funds or recommend~~

45.1 ~~payment in such lesser amount as it determines is the measure of the benefit received by~~  
45.2 ~~the land from the improvement.~~

45.3 **EFFECTIVE DATE.** This section is effective for assessment year 2013 and  
45.4 thereafter, for taxes payable in 2014 and thereafter.

45.5 Sec. 34. Minnesota Statutes 2012, section 435.19, is amended by adding a subdivision  
45.6 to read:

45.7 Subd. 6. **Appropriation.** (a) There is annually appropriated from the general  
45.8 fund and credited to the agency assessment account in the special revenue fund,  
45.9 \$5,000,000 in fiscal year 2014 and each year thereafter. Money in the agency assessment  
45.10 account is appropriated annually to the commissioner of revenue for grants to reimburse  
45.11 instrumentalities, departments, or agencies for payment of special assessments, as required  
45.12 under subdivision 2.

45.13 (b) Of the amounts appropriated in paragraph (a), the commissioner shall first  
45.14 allocate \$2,000,000 in fiscal year 2014 only to the city of Moose Lake to reimburse for  
45.15 payments related to connection of state facilities to the sewer line.

45.16 (c) Notwithstanding the allocation under paragraph (b), the commissioner shall  
45.17 distribute the reimbursements equally between the metropolitan area and greater Minnesota.

45.18 **EFFECTIVE DATE.** This section is effective July 1, 2013.

45.19 Sec. 35. Minnesota Statutes 2012, section 473F.08, is amended by adding a subdivision  
45.20 to read:

45.21 Subd. 3c. **Bloomington computation.** Effective for property taxes payable in  
45.22 2014 through taxes payable in 2023, after the Hennepin County auditor has computed  
45.23 the areawide portion of the levy for the city of Bloomington pursuant to subdivision 3,  
45.24 clause (a), the auditor shall annually add \$4,000,000 to the city of Bloomington's areawide  
45.25 portion of the levy. The total areawide portion of the levy for the city of Bloomington,  
45.26 including the additional \$4,000,000 certified pursuant to this subdivision shall be certified  
45.27 by the Hennepin County auditor to the administrative auditor pursuant to subdivision 5.  
45.28 The Hennepin County auditor shall distribute to the city of Bloomington the additional  
45.29 areawide portion of the levy computed pursuant to this subdivision at the same time  
45.30 that payments are made to the other counties pursuant to subdivision 7a. The additional  
45.31 distribution to the city of Bloomington under this subdivision terminates effective for  
45.32 taxes payable year 2023.

46.1 **EFFECTIVE DATE.** This section is effective for taxes payable years 2014 through  
 46.2 2023.

46.3 Sec. 36. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243,  
 46.4 article 6, section 9, Laws 2000, chapter 490, article 6, section 15, and Laws 2008, chapter  
 46.5 154, article 2, section 30, is amended to read:

46.6 Sec. 3. **TAX; PAYMENT OF EXPENSES.**

46.7 (a) The tax levied by the hospital district under Minnesota Statutes, section 447.34,  
 46.8 must not be levied at a rate that exceeds the amount authorized to be levied under that  
 46.9 section. The proceeds of the tax may be used for all purposes of the hospital district,  
 46.10 except as provided in paragraph (b).

46.11 (b) 0.015 percent of taxable market value of the tax in paragraph (a) may be used  
 46.12 solely by the Cook ambulance service and the Orr ambulance service for the purpose of  
 46.13 capital expenditures as it relates to:

46.14 (1) ambulance acquisitions for the Cook ambulance service and the Orr ambulance  
 46.15 service and not;

46.16 (2) attached and portable equipment for use in and for the ambulances; and

46.17 (3) parts and replacement parts for maintenance and repair of the ambulances.

46.18 The money may not be used for administrative, operation, or salary expenses.

46.19 (c) The part of the levy referred to in paragraph (b) must be administered by the  
 46.20 Cook Hospital and passed on in equal amounts directly to the Cook area ambulance  
 46.21 service board and the city of Orr to be held in trust until funding for a new ambulance is  
 46.22 needed by either the Cook ambulance service or the Orr ambulance service used for the  
 46.23 purposes in paragraph (b).

46.24 Sec. 37. Laws 1999, chapter 243, article 6, section 11, is amended to read:

46.25 Sec. 11. **CEMETERY LEVY FOR SAWYER BY CARLTON COUNTY.**

46.26 ~~Subdivision 1. Levy authorized.~~ Notwithstanding other law to the contrary, the  
 46.27 Carlton county board of commissioners may annually levy in and for the unorganized  
 46.28 township of Sawyer an amount up to \$1,000 annually for cemetery purposes, ~~beginning~~  
 46.29 ~~with taxes payable in 2000 and ending with taxes payable in 2009.~~

46.30 ~~Subd. 2. Effective date.~~ This section is effective June 1, 1999, without local  
 46.31 approval.

46.32 **EFFECTIVE DATE.** This section applies to taxes payable in 2014 and thereafter,  
 46.33 and is effective the day after the Carlton county board of commissioners and its chief

47.1 clerical officer timely complete their compliance with Minnesota Statutes, section  
 47.2 645.021, subdivisions 2 and 3.

47.3 Sec. 38. Laws 2008, chapter 366, article 5, section 33, the effective date, is amended to  
 47.4 read:

47.5 **EFFECTIVE DATE.** This section is effective for taxes levied in 2008, payable in  
 47.6 2009, and is repealed effective for taxes levied in ~~2013~~ 2018, payable in ~~2014~~ 2019,  
 47.7 and thereafter.

47.8 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2014.

47.9 Sec. 39. Laws 2010, chapter 389, article 1, section 12, the effective date, is amended to  
 47.10 read:

47.11 **EFFECTIVE DATE.** This section is effective for assessment years 2010 ~~and 2011~~  
 47.12 through 2016, for taxes payable in 2011 ~~and 2012~~ through 2017.

47.13 **EFFECTIVE DATE.** This section is effective for assessment years 2012 through  
 47.14 2016.

47.15 Sec. 40. **REIMBURSEMENT FOR PROPERTY TAX ABATEMENTS;**  
 47.16 **APPROPRIATION.**

47.17 Subdivision 1. **Reimbursement.** The commissioner of revenue shall reimburse  
 47.18 taxing jurisdictions for property tax abatements granted in Hennepin County under Laws  
 47.19 2011, First Special Session chapter 7, article 5, section 13, notwithstanding the time limits  
 47.20 contained in that section. The reimbursements must be made to each taxing jurisdiction  
 47.21 pursuant to the certification of the Hennepin County auditor.

47.22 Subd. 2. **Appropriation.** In fiscal year 2014 only, \$336,000 is appropriated to the  
 47.23 commissioner of revenue from the general fund to make the payments required in this  
 47.24 section.

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

47.26 Sec. 41. **ST. PAUL BALL PARK, PROPERTY TAX EXEMPTION; SPECIAL**  
 47.27 **ASSESSMENT.**

47.28 Any real or personal property acquired, owned, leased, controlled, used, or occupied  
 47.29 by the city of St. Paul for the primary purpose of providing a ball park for a minor league  
 47.30 baseball team is declared to be acquired, owned, leased, controlled, used, and occupied for

48.1 public, governmental, and municipal purposes, and is exempt from ad valorem taxation  
 48.2 by the state or any political subdivision of the state, provided that the properties are  
 48.3 subject to special assessments levied by a political subdivision for a local improvement in  
 48.4 amounts proportionate to and not exceeding the special benefit received by the properties  
 48.5 from the improvement. In determining the special benefit received by the properties, no  
 48.6 possible use of any of the properties in any manner different from their intended use  
 48.7 for providing a minor league ballpark at the time may be considered. Notwithstanding  
 48.8 Minnesota Statutes, section 272.01, subdivision 2, or 273.19, real or personal property  
 48.9 subject to a lease or use agreement between the city and another person for uses related to  
 48.10 the purposes of the operation of the ballpark and related parking facilities is exempt from  
 48.11 taxation regardless of the length of the lease or use agreement. This section, insofar as it  
 48.12 provides an exemption or special treatment, does not apply to any real property that is  
 48.13 leased for residential, business, or commercial development or other purposes different  
 48.14 from those necessary to the provision and operation of the ball park.

48.15 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
 48.16 governing body of the city of St. Paul with Minnesota Statutes, section 645.021,  
 48.17 subdivisions 2 and 3.

48.18 Sec. 42. **PUBLIC ENTERTAINMENT FACILITY; PROPERTY TAX**  
 48.19 **EXEMPTION; SPECIAL ASSESSMENT.**

48.20 Any real or personal property acquired, owned, leased, controlled, used, or occupied  
 48.21 by the city of Minneapolis for the primary purpose of providing an arena for a professional  
 48.22 basketball team is declared to be acquired, owned, leased, controlled, used, and occupied  
 48.23 for public, governmental, and municipal purposes, and is exempt from ad valorem taxation  
 48.24 by the state or any political subdivision of the state, provided that the properties are  
 48.25 subject to special assessments levied by a political subdivision for a local improvement in  
 48.26 amounts proportionate to and not exceeding the special benefit received by the properties  
 48.27 from the improvement. In determining the special benefit received by the properties, no  
 48.28 possible use of any of the properties in any manner different from their intended use for  
 48.29 providing a professional basketball arena at the time may be considered. Notwithstanding  
 48.30 Minnesota Statutes, section 272.01, subdivision 2, or 273.19, real or personal property  
 48.31 subject to a lease or use agreement between the city and another person for uses related to  
 48.32 the purposes of the operation of the arena and related parking facilities is exempt from  
 48.33 taxation regardless of the length of the lease or use agreement. This section, insofar as  
 48.34 it provides an exemption or special treatment, does not apply to any real property that

49.1 is leased for residential, business, or commercial development, or for other purposes  
 49.2 different from those necessary to the provision and operation of the arena.

49.3 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
 49.4 governing body of the city of Minneapolis with Minnesota Statutes, section 645.021,  
 49.5 subdivisions 2 and 3.

49.6 Sec. 43. **PUBLIC ENTERTAINMENT FACILITY; CONSTRUCTION**  
 49.7 **MANAGER AT RISK.**

49.8 (a) For any real or personal property acquired, owned, leased, controlled, used, or  
 49.9 occupied by the city of Minneapolis for the primary purpose of providing an arena for  
 49.10 a professional basketball team, the city of Minneapolis may contract for construction,  
 49.11 materials, supplies, and equipment in accordance with Minnesota Statutes, section  
 49.12 471.345, except that the city may employ or contract with persons, firms, or corporations  
 49.13 to perform one or more or all of the functions of an engineer, architect, construction  
 49.14 manager, or program manager with respect to all or any part of a project to renovate,  
 49.15 refurbish, and remodel the arena under either the traditional design-bid-build or  
 49.16 construction manager at risk, or a combination thereof.

49.17 (b) The city may prepare a request for proposals for one or more of the functions  
 49.18 described in paragraph (a). The request must be published in a newspaper of general  
 49.19 circulation. The city may prequalify offerors by issuing a request for qualifications, in  
 49.20 advance of the request for proposals, and select a short list of responsible offerors to  
 49.21 submit proposals.

49.22 (c) As provided in the request for proposals, the city may conduct discussions and  
 49.23 negotiations with responsible offerors in order to determine which proposal is most  
 49.24 advantageous to the city and to negotiate the terms of an agreement. In conducting  
 49.25 discussions, there shall be no disclosure of any information derived from proposals  
 49.26 submitted by competing offerors and the content of all proposals is nonpublic data under  
 49.27 Minnesota Statutes, chapter 13, until such time as a notice to award a contract is given  
 49.28 by the city.

49.29 (d) Upon agreement on the guaranteed maximum price, the construction manager  
 49.30 or program manager may enter into contracts with subcontractors for labor, materials,  
 49.31 supplies, and equipment for the renovation project through the process of public bidding,  
 49.32 except that the construction manager or program manager may, with the consent of the city:

49.33 (1) narrow the listing of eligible bidders to those that the construction manager  
 49.34 or program manager determines to possess sufficient expertise to perform the intended  
 49.35 functions;

50.1 (2) award contracts to the subcontractors that the construction manager or program  
 50.2 manager determines provide the best value under a request for proposals, as described  
 50.3 in Minnesota Statutes, section 16C.28, subdivision 1, paragraph (a), clause (2)(c), that  
 50.4 are not required to be the lowest responsible bidder; and

50.5 (3) for work the construction manager or program manager determines to be  
 50.6 critical to the completion schedule, perform work with its own forces without soliciting  
 50.7 competitive bids or proposals, if the construction manager or program manager provides  
 50.8 evidence of competitive pricing.

50.9 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
 50.10 governing body of the city of Minneapolis with Minnesota Statutes, section 645.021,  
 50.11 subdivisions 2 and 3.

50.12 Sec. 44. **MORATORIUM ON CHANGES IN ASSESSMENT PRACTICE.**

50.13 (a) An assessor may not deviate from current practices or policies used generally in  
 50.14 assessing or determining the taxable status of property used in the production of biofuels,  
 50.15 wine, beer, distilled beverages, or dairy products.

50.16 (b) An assessor may not change the taxable status of any existing property involved  
 50.17 in the industrial processes identified in paragraph (a), unless the change is made as a result  
 50.18 of a change in the use of property, or to correct an error. For currently taxable properties,  
 50.19 the assessor may change the estimated market value of the property.

50.20 **EFFECTIVE DATE.** This section is effective for assessment years 2013 and 2014  
 50.21 only.

50.22 Sec. 45. **STUDY AND REPORT ON CERTAIN PROPERTY USED IN**  
 50.23 **BUSINESS AND PRODUCTION.**

50.24 In order to provide the legislature with information and recommendations related  
 50.25 to the past, present, and future options for assessment of property used in business  
 50.26 and production activities, the commissioner of revenue with the cooperation of the  
 50.27 commissioners of agriculture and economic development must study the impact of  
 50.28 alternative interpretations and application related to the real and personal property  
 50.29 provisions contained in Minnesota Statutes, section 272.03, subdivisions 1 and 2. The  
 50.30 commissioner must report a summary of findings and recommendations to the chairs and  
 50.31 ranking minority members of the agriculture, energy, and tax committees of the senate and  
 50.32 house of representatives by February 1, 2014. The commissioner shall provide for the  
 50.33 involvement and participation stakeholders from the business and production industry in

51.1 the study and recommendations. The study and recommendations shall include, but not  
 51.2 be limited to:

51.3 (1) the past and present tax application to process in the production of a product;

51.4 (2) exemption from real property for process components of production such as  
 51.5 tanks or containment vessels or other devices wherein a molecular, chemical, or biological  
 51.6 change occurs such that the intended output from the production process is a different  
 51.7 substance from that which was introduced into the tanks, vessels, or other devices  
 51.8 and removal of a tank, device or vessel from the process that would stop or harm the  
 51.9 production of the final intended product;

51.10 (3) definitions for process equipment;

51.11 (4) the potential economic and competitive impact in relation to other midwestern  
 51.12 states;

51.13 (5) the impact on state and local taxes from 2009 to the present and into the future;

51.14 (6) the past, present, and future impact on business and production industries;

51.15 (7) impact on Minnesota's renewable energy goal attainment; and

51.16 (8) other elements considered important for legislative consideration.

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

51.18 Sec. 46. **REENROLLMENT; SUSTAINABLE FOREST INCENTIVE**  
 51.19 **PROGRAM.**

51.20 A person who elected to terminate participation in the sustainable forest incentive  
 51.21 program, as provided in Laws 2011, First Special Session chapter 7, article 6, section 12,  
 51.22 may reenroll lands for which the claimant terminated participation. A person must apply  
 51.23 for reenrollment under this section within 60 days after the effective date of this section.

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

51.25 Sec. 47. **PROPERTY TAX SAVINGS REPORT.**

51.26 (a) In addition to the certification of its proposed property tax levy under Minnesota  
 51.27 Statutes, section 275.065, each city that has a population over 500 and each county shall  
 51.28 also include the amount of sales and use tax paid, or was estimated to be paid, in 2012.

51.29 (b) At the time the notice of the proposed property taxes is mailed as required under  
 51.30 Minnesota Statutes, section 275.065, subdivision 3, the county treasurer shall also include  
 51.31 a separate statement providing a list of sales and use tax certified by the county and cities  
 51.32 within their jurisdiction.

52.1 (c) At the public hearing required under Minnesota Statutes, section 275.065,  
 52.2 subdivision 3, the county and city must discuss the estimated savings realized to their  
 52.3 budgets that resulted from the sales tax exemption authorized under Minnesota Statutes,  
 52.4 section 297A.70, subdivision 2, and how those savings will be used for property tax levy  
 52.5 reductions, fee reductions, and other purposes as deemed appropriate.

52.6 Reasonable costs of preparing the notice required in this section must be apportioned  
 52.7 between taxing jurisdictions as follows:

52.8 (1) one-half is allocated to the county; and

52.9 (2) one-half is allocated among the cities.

52.10 The amount allocated in clause (2) must be further apportioned among all the cities  
 52.11 in the proportion that the number of parcels in the city bears to the number of parcels in all  
 52.12 the cities that have populations over 500.

52.13 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
 52.14 for taxes levied in 2013 and payable in 2014.

52.15 Sec. 48. **METROPOLITAN FISCAL DISPARITIES WORKING GROUP.**

52.16 (a) The commissioner of revenue shall convene a working group of interested  
 52.17 individuals to examine the issues faced by local governments that are required to pay for  
 52.18 services which are otherwise generally provided throughout the seven-county metropolitan  
 52.19 area by the Metropolitan Council. The commissioner of revenue shall chair the initial  
 52.20 meeting, and the working group shall elect a chair at that initial meeting. The working  
 52.21 group will meet at the call of the chair, but must meet at least three times during the  
 52.22 legislative interim. Members of the working group shall serve without compensation. The  
 52.23 commissioner of revenue must provide administrative support to the working group.

52.24 (b) The working group may make its advisory recommendations to the chairs of  
 52.25 house of representatives and senate tax committees on or before February 1, 2014, at  
 52.26 which time the working group shall expire.

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

52.28 Sec. 49. **REPEALER.**

52.29 Minnesota Statutes 2012, section 275.025, subdivision 4, is repealed.

52.30 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014.

53.1 **ARTICLE 3**

53.2 **EDUCATION AIDS AND LEVIES**

53.3 Section 1. Minnesota Statutes 2012, section 124D.11, subdivision 1, is amended to read:

53.4 Subdivision 1. **General education revenue.** ~~(a)~~ General education revenue must  
 53.5 be paid to a charter school as though it were a district. The general education revenue  
 53.6 for each adjusted ~~marginal cost~~ pupil unit is the state average general education revenue  
 53.7 per pupil unit, plus the referendum equalization aid allowance in the pupil's district of  
 53.8 residence, minus an amount equal to the product of the formula allowance according  
 53.9 to section 126C.10, subdivision 2, times ~~.0485~~ .0465, calculated without basic skills  
 53.10 revenue, extended time revenue, ~~alternative teacher compensation revenue~~, equity  
 53.11 revenue, pension adjustment revenue, transition revenue, education advancement revenue,  
 53.12 and transportation sparsity revenue, plus basic skills revenue, extended time revenue,  
 53.13 ~~basic alternative teacher compensation aid according to section 126C.10, subdivision 34,~~  
 53.14 equity revenue, pension adjustment revenue, and transition revenue as though the school  
 53.15 were a school district. The general education revenue for each extended time ~~marginal~~  
 53.16 ~~cost~~ pupil unit equals ~~\$4,378~~ \$4,722.

53.17 ~~(b) Notwithstanding paragraph (a), for charter schools in the first year of operation,~~  
 53.18 ~~general education revenue shall be computed using the number of adjusted pupil units~~  
 53.19 ~~in the current fiscal year.~~

53.20 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015  
 53.21 and later.

53.22 Sec. 2. **[124D.862] ACHIEVEMENT AND INTEGRATION REVENUE.**

53.23 Subdivision 1. **Eligibility.** A school district is eligible for achievement and  
 53.24 integration revenue under this section if the district has a biennial achievement and  
 53.25 integration plan approved by the department under section 124D.861. Priority for funding  
 53.26 must be given to eligible school districts that include methods that have been effective in  
 53.27 reducing disparities in student achievement in the district's biennial plan.

53.28 Subd. 2. **Achievement and integration revenue.** (a) For fiscal year 2014, initial  
 53.29 achievement and integration revenue for an eligible district equals the lesser of the  
 53.30 district's expenditure for the fiscal year under its budget according to subdivision 1a or the  
 53.31 greater of: (1) 90 percent of the district's integration revenue for fiscal year 2013 under  
 53.32 Minnesota Statutes 2012, section 124D.86, or (2) the sum of: (i) \$327 times the district's  
 53.33 adjusted pupil units for the prior fiscal year computed using the pupil unit weights effective  
 53.34 under section 126C.05 for fiscal year 2015 and later, times the district's enrollment of

54.1 protected students as a percent of its total enrollment on October 1 of the prior fiscal year,  
54.2 plus (ii) \$100 times the district's adjusted pupil units for the prior fiscal year computed  
54.3 using the pupil unit weights effective under section 126C.05 for fiscal year 2015 and later  
54.4 times the district's enrollment of protected students as a percent of its total enrollment on  
54.5 October 1 of the prior fiscal year times the district's focus rating for the prior fiscal year  
54.6 under Minnesota's 2012 Elementary and Secondary Education Act flexibility request.

54.7 (b) For fiscal year 2015 and later, initial achievement and integration revenue for  
54.8 an eligible district equals the lesser of the district's expenditure for the fiscal year under  
54.9 its budget according to subdivision 1a or the greater of: (1) 63 percent of the district's  
54.10 integration revenue for fiscal year 2013 under Minnesota Statutes 2012, section 124D.86,  
54.11 or (2) the sum of: (i) \$327 times the district's adjusted pupil units for the prior fiscal year  
54.12 computed using the pupil unit weights effective under section 126C.05 for fiscal year 2015  
54.13 and later, times the district's enrollment of protected students as a percent of its total  
54.14 enrollment on October 1 of the prior fiscal year, plus (ii) \$100 times the district's adjusted  
54.15 pupil units for the prior fiscal year computed using the pupil unit weights effective under  
54.16 section 126C.05 for fiscal year 2015 and later, times the district's enrollment of protected  
54.17 students as a percent of its total enrollment on October 1 of the prior fiscal year times the  
54.18 district's focus rating for the prior fiscal year under Minnesota's 2012 Elementary and  
54.19 Secondary Education Act flexibility request.

54.20 (c) In each year, .02 percent of each district's initial achievement and integration  
54.21 revenue is transferred to the Department of Education for the oversight and accountability  
54.22 activities required under this section and section 124D.861.

54.23 (d) A district that did not meet its achievement goals established in section 124D.861  
54.24 for the previous biennium must report to the commissioner the reasons why the goals were  
54.25 not met. The district must submit a two-year improvement plan to achieve the unmet goals  
54.26 from its achievement and integration plan. A district that does not meet its goals in the  
54.27 improvement plan must have its initial achievement and integration revenue reduced by  
54.28 20 percent for the current year.

54.29 (e) Any revenue saved by the reductions in paragraph (d) must be proportionately  
54.30 reallocated on a per adjusted pupil unit basis to all districts that met their achievement  
54.31 goals in the previous biennium.

54.32 Subd. 3. **Achievement and integration aid.** A district's achievement and  
54.33 integration aid for fiscal year 2014 and later equals the difference between the district's  
54.34 achievement and integration revenue and its achievement and integration levy.

54.35 Subd. 4. **Achievement and integration levy.** For fiscal year 2014 and later,  
54.36 a district may levy an amount equal to 30 percent of the district's achievement and

55.1 integration revenue as defined in subdivision 2. The Department of Education must adjust  
 55.2 the levy for taxes payable in 2014 by the difference between the levy under this section  
 55.3 and the amount levied by the district under Laws 2011, First Special Session chapter 11,  
 55.4 article 2, section 49, paragraph (f).

55.5 Subd. 5. **Revenue reserved.** Integration revenue received under this section must  
 55.6 be reserved and used only for the programs authorized in subdivision 6.

55.7 Subd. 6. **Revenue uses.** At least 80 percent of a district's achievement and  
 55.8 integration revenue received under this section must be used for innovative and integrated  
 55.9 learning environments, family engagement activities, and other approved programs  
 55.10 providing direct services to students. Up to 20 percent of the revenue may be used for  
 55.11 professional development and staff development activities, and not more than ten percent  
 55.12 of this share of the revenue may be used for administrative expenditures.

55.13 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014  
 55.14 and later.

55.15 Sec. 3. Minnesota Statutes 2012, section 126C.10, subdivision 1, is amended to read:

55.16 Subdivision 1. **General education revenue.** (a) For fiscal years 2013 and 2014, the  
 55.17 general education revenue for each district equals the sum of the district's basic revenue,  
 55.18 extended time revenue, gifted and talented revenue, small schools revenue, basic skills  
 55.19 revenue, training and experience revenue, secondary sparsity revenue, elementary sparsity  
 55.20 revenue, transportation sparsity revenue, total operating capital revenue, equity revenue,  
 55.21 alternative teacher compensation revenue, and transition revenue.

55.22 (b) For fiscal year 2015 and later, the general education revenue for each district  
 55.23 equals the sum of the district's basic revenue, extended time revenue, gifted and talented  
 55.24 revenue, declining enrollment revenue, small schools revenue, basic supplemental  
 55.25 revenue, basic skills revenue, secondary sparsity revenue, elementary sparsity revenue,  
 55.26 transportation sparsity revenue, total operating capital revenue, education advancement  
 55.27 revenue, equity revenue, pension adjustment revenue, safe schools revenue, and transition  
 55.28 revenue.

55.29 Sec. 4. Minnesota Statutes 2012, section 126C.10, subdivision 27, is amended to read:

55.30 Subd. 27. **District equity index.** (a) A district's equity index equals the greater  
 55.31 of zero or the ratio of the sum of the district equity gap amount to the regional equity  
 55.32 gap amount \$1,600 minus the district's referendum revenue under section 126C.17,  
 55.33 subdivision 4, per adjusted pupil unit to \$1,600.

56.1 (b) A charter school's equity index equals the greater of zero or the ratio of \$1,600  
 56.2 minus the school's general education revenue attributable to referendum equalization aid  
 56.3 under section 124D.11, subdivision 1, per adjusted pupil unit to \$1,600.

56.4 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015  
 56.5 and later.

56.6 Sec. 5. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision  
 56.7 to read:

56.8 Subd. 37. **Education advancement revenue.** The education advancement revenue  
 56.9 for each district equals the advancement allowance times the adjusted pupil units for the  
 56.10 school year. The advancement allowance for fiscal year 2015 and later years is \$300.

56.11 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015  
 56.12 and later.

56.13 Sec. 6. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision  
 56.14 to read:

56.15 Subd. 39. **Education advancement levy.** To obtain education advancement  
 56.16 revenue, a district may levy an amount not more than the product of its education  
 56.17 advancement revenue for the fiscal year times the lesser of one or the ratio of its  
 56.18 referendum market value per resident pupil unit to the education advancement revenue  
 56.19 equalizing factor. The education advancement revenue equalizing factor equals \$785,000.  
 56.20 If a district adopts a board resolution to levy less than the permitted levy, the district's  
 56.21 education advancement aid shall be reduced proportionately.

56.22 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015  
 56.23 and later.

56.24 Sec. 7. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision  
 56.25 to read:

56.26 Subd. 40. **Education advancement aid.** For fiscal year 2015 and later, a school  
 56.27 district's education advancement aid is the product of: (1) the difference between the  
 56.28 district's education advancement revenue and the education advancement levy; times (2)  
 56.29 the ratio of the actual amount levied to the permitted levy.

56.30 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015  
 56.31 and later.

57.1 Sec. 8. Minnesota Statutes 2012, section 126C.13, is amended by adding a subdivision  
57.2 to read:

57.3 Subd. 3c. **General education levy; districts off the formula.** (a) If the amount of  
57.4 the general education levy for a district exceeds the district's general education revenue,  
57.5 excluding equity revenue, transition revenue, and education advancement revenue, the  
57.6 amount of the general education levy must be limited to the district's general education  
57.7 revenue, excluding equity revenue, transition revenue, and education advancement revenue.

57.8 (b) A levy made according to this subdivision shall also be construed to be the levy  
57.9 made according to subdivision 3b.

57.10 Sec. 9. Minnesota Statutes 2012, section 126C.13, subdivision 4, is amended to read:

57.11 Subd. 4. **General education aid.** (a) For fiscal years ~~2007~~ 2013 and later 2014 only,  
57.12 a district's general education aid is the sum of the following amounts:

57.13 (1) general education revenue, excluding equity revenue, total operating capital  
57.14 revenue, alternative teacher compensation revenue, and transition revenue;

57.15 (2) operating capital aid under section 126C.10, subdivision 13b;

57.16 (3) equity aid under section 126C.10, subdivision 30;

57.17 (4) alternative teacher compensation aid under section 126C.10, subdivision 36;

57.18 (5) transition aid under section 126C.10, subdivision 33;

57.19 (6) shared time aid under section 126C.01, subdivision 7;

57.20 (7) referendum aid under section 126C.17, subdivisions 7 and 7a; and

57.21 (8) online learning aid according to section 124D.096.

57.22 (b) For fiscal year 2015 and later, a district's general education aid equals:

57.23 (1) general education revenue, excluding equity revenue, transition revenue, and  
57.24 education advancement revenue, minus the general education levy, multiplied times the  
57.25 ratio of the actual amount of general education levied to the permitted general education  
57.26 levy; plus

57.27 (2) equity aid under section 126C.10, subdivision 30; plus

57.28 (3) transition aid under section 126C.10, subdivision 33; plus

57.29 (4) education advancement aid under section 126C.10, subdivision 40; plus

57.30 (5) shared time aid under section 126C.10, subdivision 7; plus

57.31 (6) referendum aid under section 126C.17, subdivisions 7 and 7a; plus

57.32 (7) online learning aid under section 124D.096.

57.33 Sec. 10. Minnesota Statutes 2012, section 126C.17, is amended to read:

57.34 **126C.17 REFERENDUM REVENUE.**

58.1 Subdivision 1. **Referendum allowance.** ~~(a) For fiscal year 2003 and later, a district's~~  
 58.2 ~~initial referendum revenue allowance equals the sum of the allowance under section~~  
 58.3 ~~126C.16, subdivision 2, plus any additional allowance per resident marginal cost pupil~~  
 58.4 ~~unit authorized under subdivision 9 before May 1, 2001, for fiscal year 2002 and later,~~  
 58.5 ~~plus the referendum conversion allowance approved under subdivision 13, minus \$415.~~  
 58.6 ~~For districts with more than one referendum authority, the reduction must be computed~~  
 58.7 ~~separately for each authority. The reduction must be applied first to the referendum~~  
 58.8 ~~conversion allowance and next to the authority with the earliest expiration date. A~~  
 58.9 ~~district's initial referendum revenue allowance may not be less than zero.~~

58.10 ~~(b) For fiscal year 2003, a district's referendum revenue allowance equals the initial~~  
 58.11 ~~referendum allowance plus any additional allowance per resident marginal cost pupil unit~~  
 58.12 ~~authorized under subdivision 9 between April 30, 2001, and December 30, 2001, for~~  
 58.13 ~~fiscal year 2003 and later.~~

58.14 ~~(c) For fiscal year 2004 and later, a district's referendum revenue allowance equals~~  
 58.15 ~~the sum of:~~

58.16 ~~(1) the product of (i) the ratio of the resident marginal cost pupil units the district~~  
 58.17 ~~would have counted for fiscal year 2004 under Minnesota Statutes 2002, section 126C.05,~~  
 58.18 ~~to the district's resident marginal cost pupil units for fiscal year 2004, times (ii) the initial~~  
 58.19 ~~referendum allowance plus any additional allowance per resident marginal cost pupil unit~~  
 58.20 ~~authorized under subdivision 9 between April 30, 2001, and May 30, 2003, for fiscal~~  
 58.21 ~~year 2003 and later, plus~~

58.22 ~~(2) any additional allowance per resident marginal cost pupil unit authorized under~~  
 58.23 ~~subdivision 9 after May 30, 2003, for fiscal year 2005 and later.~~

58.24 (a) A district's initial referendum allowance for fiscal year 2015 equals the result of  
 58.25 the following calculations:

58.26 (1) multiply the referendum allowance the district would have received for fiscal  
 58.27 year 2015 under section 126C.17, subdivision 1, based on elections held before July 1,  
 58.28 2013, by the resident marginal cost pupil units the district would have counted for fiscal  
 58.29 year 2015 under section 126C.05;

58.30 (2) add to the result of clause (1) the adjustment the district would have received  
 58.31 under section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections  
 58.32 held before July 1, 2013;

58.33 (3) divide the result of clause (2) by the district's adjusted pupil units for fiscal  
 58.34 year 2015, notwithstanding section 126C.05, subdivision 1, paragraph (d), calculated as  
 58.35 though a kindergarten pupil not included in section 126C.05, subdivision 1, paragraph  
 58.36 (c), is counted as 0.55 pupil units, and subtract \$300; and

59.1 (4) if the result of clause (3) is less than zero, set the allowance to zero.

59.2 (b) A district's referendum allowance equals the sum of the district's initial  
 59.3 referendum allowance for fiscal year 2015, plus any additional referendum allowance per  
 59.4 adjusted pupil unit authorized after June 30, 2013, minus any allowances expiring in fiscal  
 59.5 year 2016 or later. For a district with more than one referendum allowance for fiscal year  
 59.6 2015 under section 126C.17, the allowance calculated under paragraph (a) must be divided  
 59.7 into components such that the same percentage of the district's allowance expires at the  
 59.8 same time as the old allowances would have expired under section 126C.17.

59.9 Subd. 2. **Referendum allowance limit.** (a) Notwithstanding subdivision 1, for fiscal  
 59.10 year ~~2007~~ 2015 and later, a district's referendum allowance ~~must not exceed the greater of:~~

59.11 ~~(1) the sum of: (i) a district's referendum allowance for fiscal year 1994 times 1.177~~  
 59.12 ~~times the annual inflationary increase as calculated under paragraph (b) plus (ii) its~~  
 59.13 ~~referendum conversion allowance for fiscal year 2003, minus (iii) \$215;~~

59.14 ~~(2) the greater of (i): 26 percent of the formula allowance or (ii) \$1,294 times is the~~  
 59.15 ~~base referendum amount calculated in paragraph (b) minus \$300. A district's referendum~~  
 59.16 ~~allowance under this subdivision must not be less than zero.~~

59.17 (b) The base referendum amount is the annual inflationary increase as calculated  
 59.18 under paragraph (b); or times the greatest of:

59.19 (1) \$1,845;

59.20 (2) the sum of the referendum revenue the district would have received for fiscal year  
 59.21 2015 under section 126C.17, subdivision 4, based on elections held before July 1, 2013,  
 59.22 and the adjustment the district would have received under section 127A.47, subdivision  
 59.23 7, paragraphs (a), (b), and (c), based on elections held before July 1, 2013, divided by  
 59.24 the district's adjusted pupil units for fiscal year 2015, notwithstanding section 126C.05,  
 59.25 subdivision 1, paragraph (d), calculated as though a kindergarten pupil not included in  
 59.26 section 126C.05, subdivision 1, paragraph (c), is counted as 0.55 pupil units; or

59.27 (3) the product of the referendum allowance limit the district would have received  
 59.28 for fiscal year 2015 under section 126C.17, subdivision 2, and the resident marginal cost  
 59.29 pupil units the district would have received for fiscal year 2015 under section 126C.05,  
 59.30 subdivision 6, plus the adjustment the district would have received under section 127A.47,  
 59.31 subdivision 7, paragraphs (a), (b), and (c), based on elections held before July 1, 2013,  
 59.32 divided by the district's adjusted pupil units for fiscal year 2015, notwithstanding section  
 59.33 126C.05, subdivision 1, paragraph (d), calculated as though a kindergarten pupil not  
 59.34 included in section 126C.05, subdivision 1, paragraph (c), is counted as 0.55 pupil units; or

60.1 ~~(3)~~ (4) for a newly reorganized district created after July 1, ~~2006~~ 2013, the referendum  
 60.2 revenue authority for each reorganizing district in the year preceding reorganization divided  
 60.3 by its ~~resident marginal cost~~ adjusted pupil units for the year preceding reorganization.

60.4 ~~(b)~~ (c) For purposes of this subdivision, for fiscal year ~~2005~~ 2016 and later,  
 60.5 "inflationary increase" means one plus the percentage change in the Consumer Price Index  
 60.6 for urban consumers, as prepared by the United States Bureau of Labor Standards, for the  
 60.7 current fiscal year to fiscal year ~~2004~~ 2015. For fiscal years ~~2009~~ year 2016 and later, for  
 60.8 purposes of paragraph (a), clause ~~(1)~~ (3), the inflationary increase equals the ~~inflationary~~  
 60.9 ~~increase for fiscal year 2008~~ plus one-fourth of the percentage increase in the formula  
 60.10 allowance for that year compared with the formula allowance for fiscal year ~~2008~~ 2015.

60.11 Subd. 3. **Sparsity exception.** A district that qualifies for sparsity revenue under  
 60.12 section 126C.10 is not subject to a referendum allowance limit.

60.13 Subd. 4. **Total referendum revenue.** The total referendum revenue for each district  
 60.14 equals the district's referendum allowance times the ~~resident marginal cost~~ adjusted pupil  
 60.15 units for the school year.

60.16 Subd. 5. **Referendum equalization revenue.** (a) For fiscal year ~~2003~~ and later,  
 60.17 A district's referendum equalization revenue equals the sum of the first tier referendum  
 60.18 equalization revenue and the second tier referendum equalization revenue.

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

60.22 (c) For fiscal year ~~2006~~, a district's first tier referendum equalization allowance  
 60.23 equals the lesser of the district's referendum allowance under subdivision 1 or \$500. For  
 60.24 fiscal year ~~2007~~, a district's first tier referendum equalization allowance equals the lesser  
 60.25 of the district's referendum allowance under subdivision 1 or \$600.

60.26 For fiscal year ~~2008~~ and later, A district's first tier referendum equalization allowance  
 60.27 equals the lesser of the district's referendum allowance under subdivision 1 or ~~\$700~~ \$775.

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

60.31 (e) For fiscal year ~~2006~~, a district's second tier referendum equalization allowance  
 60.32 equals the lesser of the district's referendum allowance under subdivision 1 or 18.6 percent  
 60.33 of the formula allowance, minus the district's first tier referendum equalization allowance.  
 60.34 For fiscal year ~~2007~~ and later, A district's second tier referendum equalization allowance  
 60.35 equals the lesser of the district's referendum allowance under subdivision 1 or ~~26~~ 25 percent  
 60.36 of the formula allowance, minus the district's first tier referendum equalization allowance.

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

61.6 Subd. 6. **Referendum equalization levy.** (a) For fiscal year 2003 and later,  
61.7 a district's referendum equalization levy equals the sum of the first tier referendum  
61.8 equalization levy and the second tier referendum equalization levy.

61.9 (b) A district's first tier referendum equalization levy equals the district's first tier  
61.10 referendum equalization revenue times the lesser of one or the ratio of the district's  
61.11 referendum market value per resident ~~marginal-cost~~ pupil unit to ~~\$476,000~~ \$538,200.

61.12 (c) A district's second tier referendum equalization levy equals the district's second  
61.13 tier referendum equalization revenue times the lesser of one or the ratio of the district's  
61.14 referendum market value per resident ~~marginal-cost~~ pupil unit to ~~\$270,000~~ \$259,415.

61.15 Subd. 7. **Referendum equalization aid.** (a) A district's referendum equalization aid  
61.16 equals the difference between its referendum equalization revenue and levy.

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

61.19 (c) Notwithstanding paragraph (a), the referendum equalization aid for a district,  
61.20 where the referendum equalization aid under paragraph (a) exceeds 90 percent of the  
61.21 referendum revenue, must not exceed ~~26~~ 25 percent of the formula allowance times the  
61.22 district's ~~resident marginal-cost~~ adjusted pupil units. A district's referendum levy is  
61.23 increased by the amount of any reduction in referendum aid under this paragraph.

61.24 Subd. 7a. **Referendum tax base replacement aid.** For each school district that  
61.25 had a referendum allowance for fiscal year 2002 exceeding \$415, for each separately  
61.26 authorized referendum levy, the commissioner of revenue, in consultation with the  
61.27 commissioner of education, shall certify the amount of the referendum levy in taxes  
61.28 payable year 2001 attributable to the portion of the referendum allowance exceeding \$415  
61.29 levied against property classified as class 2, noncommercial 4c(1), or 4c(4), under section  
61.30 273.13, excluding the portion of the tax paid by the portion of class 2a property consisting  
61.31 of the house, garage, and surrounding one acre of land. The resulting amount must be  
61.32 used to reduce the district's referendum levy amount otherwise determined, and must be  
61.33 paid to the district each year that the referendum authority remains in effect, is renewed,  
61.34 or new referendum authority is approved. The aid payable under this subdivision must  
61.35 be subtracted from the district's referendum equalization aid under subdivision 7. The  
61.36 referendum equalization aid after the subtraction must not be less than zero.

62.1 Subd. 7b. **Referendum aid guarantee.** (a) Notwithstanding subdivision 7, a  
 62.2 district's referendum equalization aid for fiscal year 2015 must not be less than the sum of  
 62.3 the referendum equalization aid the district would have received for fiscal year 2015 under  
 62.4 section 126C.17, subdivision 7, and the adjustment the district would have received under  
 62.5 section 127A.47, subdivision 7, paragraphs (a), (b), and (c).

62.6 (b) Notwithstanding subdivision 7, referendum equalization aid for fiscal year 2016  
 62.7 and later, for a district qualifying for additional aid under paragraph (a) for fiscal year  
 62.8 2015, must not be less than the product of (1) the district's referendum equalization aid  
 62.9 for fiscal year 2015, times (2) the lesser of one or the ratio of the district's referendum  
 62.10 revenue for that school year to the district's referendum revenue for fiscal year 2015, times  
 62.11 (3) the lesser of one or the ratio of the district's referendum market value used for fiscal  
 62.12 year 2015 referendum equalization calculations to the district's referendum market value  
 62.13 used for that year's referendum equalization calculations.

62.14 **Subd. 8. Unequalized referendum levy.** Each year, a district may levy an amount  
 62.15 equal to the difference between its total referendum revenue according to subdivision 4  
 62.16 and its referendum equalization revenue according to subdivision 5.

62.17 **Subd. 9. Referendum revenue.** (a) The revenue authorized by section 126C.10,  
 62.18 subdivision 1, may be increased in the amount approved by the voters of the district  
 62.19 at a referendum called for the purpose. The referendum may be called by the board.  
 62.20 The referendum must be conducted one or two calendar years before the increased levy  
 62.21 authority, if approved, first becomes payable. Only one election to approve an increase  
 62.22 may be held in a calendar year. Unless the referendum is conducted by mail under  
 62.23 subdivision 11, paragraph (a), the referendum must be held on the first Tuesday after the  
 62.24 first Monday in November. The ballot must state the maximum amount of the increased  
 62.25 revenue per ~~resident marginal cost~~ adjusted pupil unit. The ballot may state a schedule,  
 62.26 determined by the board, of increased revenue per ~~resident marginal cost~~ adjusted pupil  
 62.27 unit that differs from year to year over the number of years for which the increased revenue  
 62.28 is authorized or may state that the amount shall increase annually by the rate of inflation.  
 62.29 For this purpose, the rate of inflation shall be the annual inflationary increase calculated  
 62.30 under subdivision 2, paragraph (b). The ballot may state that existing referendum levy  
 62.31 authority is expiring. In this case, the ballot may also compare the proposed levy authority  
 62.32 to the existing expiring levy authority, and express the proposed increase as the amount, if  
 62.33 any, over the expiring referendum levy authority. The ballot must designate the specific  
 62.34 number of years, not to exceed ten, for which the referendum authorization applies. The  
 62.35 ballot, including a ballot on the question to revoke or reduce the increased revenue amount  
 62.36 under paragraph (c), must abbreviate the term "per ~~resident marginal cost~~ adjusted pupil

63.1 unit" as "per pupil." The notice required under section 275.60 may be modified to read, in  
 63.2 cases of renewing existing levies at the same amount per pupil as in the previous year:

63.3 "BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING  
 63.4 TO EXTEND AN EXISTING PROPERTY TAX REFERENDUM THAT IS  
 63.5 SCHEDULED TO EXPIRE."

63.6 The ballot may contain a textual portion with the information required in this  
 63.7 subdivision and a question stating substantially the following:

63.8 "Shall the increase in the revenue proposed by (petition to) the board of .....,  
 63.9 School District No. ..., be approved?"

63.10 If approved, an amount equal to the approved revenue per ~~resident marginal cost~~  
 63.11 adjusted pupil unit times the ~~resident marginal cost~~ adjusted pupil units for the school  
 63.12 year beginning in the year after the levy is certified shall be authorized for certification  
 63.13 for the number of years approved, if applicable, or until revoked or reduced by the voters  
 63.14 of the district at a subsequent referendum.

63.15 (b) The board must prepare and deliver by first class mail at least 15 days but no more  
 63.16 than 30 days before the day of the referendum to each taxpayer a notice of the referendum  
 63.17 and the proposed revenue increase. The board need not mail more than one notice to any  
 63.18 taxpayer. For the purpose of giving mailed notice under this subdivision, owners must be  
 63.19 those shown to be owners on the records of the county auditor or, in any county where  
 63.20 tax statements are mailed by the county treasurer, on the records of the county treasurer.  
 63.21 Every property owner whose name does not appear on the records of the county auditor  
 63.22 or the county treasurer is deemed to have waived this mailed notice unless the owner  
 63.23 has requested in writing that the county auditor or county treasurer, as the case may be,  
 63.24 include the name on the records for this purpose. The notice must project the anticipated  
 63.25 amount of tax increase in annual dollars for typical residential homesteads, agricultural  
 63.26 homesteads, apartments, and commercial-industrial property within the school district.

63.27 The notice for a referendum may state that an existing referendum levy is expiring  
 63.28 and project the anticipated amount of increase over the existing referendum levy in  
 63.29 the first year, if any, in annual dollars for typical residential homesteads, agricultural  
 63.30 homesteads, apartments, and commercial-industrial property within the district.

63.31 The notice must include the following statement: "Passage of this referendum will  
 63.32 result in an increase in your property taxes." However, in cases of renewing existing levies,  
 63.33 the notice may include the following statement: "Passage of this referendum extends an  
 63.34 existing operating referendum at the same amount per pupil as in the previous year."

63.35 (c) A referendum on the question of revoking or reducing the increased revenue  
 63.36 amount authorized pursuant to paragraph (a) may be called by the board. A referendum to

64.1 revoke or reduce the revenue amount must state the amount per resident marginal cost  
64.2 pupil unit by which the authority is to be reduced. Revenue authority approved by the  
64.3 voters of the district pursuant to paragraph (a) must be available to the school district at  
64.4 least once before it is subject to a referendum on its revocation or reduction for subsequent  
64.5 years. Only one revocation or reduction referendum may be held to revoke or reduce  
64.6 referendum revenue for any specific year and for years thereafter.

64.7 (d) The approval of 50 percent plus one of those voting on the question is required to  
64.8 pass a referendum authorized by this subdivision.

64.9 (e) At least 15 days before the day of the referendum, the district must submit a  
64.10 copy of the notice required under paragraph (b) to the commissioner and to the county  
64.11 auditor of each county in which the district is located. Within 15 days after the results  
64.12 of the referendum have been certified by the board, or in the case of a recount, the  
64.13 certification of the results of the recount by the canvassing board, the district must notify  
64.14 the commissioner of the results of the referendum.

64.15 Subd. 10. **School referendum levy; market value.** A school referendum levy must  
64.16 be levied against the referendum market value of all taxable property as defined in section  
64.17 126C.01, subdivision 3. Any referendum levy amount subject to the requirements of this  
64.18 subdivision must be certified separately to the county auditor under section 275.07.

64.19 Subd. 11. **Referendum date.** (a) Except for a referendum held under paragraph (b),  
64.20 any referendum under this section held on a day other than the first Tuesday after the first  
64.21 Monday in November must be conducted by mail in accordance with section 204B.46.  
64.22 Notwithstanding subdivision 9, paragraph (b), to the contrary, in the case of a referendum  
64.23 conducted by mail under this paragraph, the notice required by subdivision 9, paragraph (b),  
64.24 must be prepared and delivered by first-class mail at least 20 days before the referendum.

64.25 (b) In addition to the referenda allowed in subdivision 9, clause (a), the commissioner  
64.26 may grant authority to a district to hold a referendum on a different day if the district is in  
64.27 statutory operating debt and has an approved plan or has received an extension from the  
64.28 department to file a plan to eliminate the statutory operating debt.

64.29 (c) The commissioner must approve, deny, or modify each district's request for a  
64.30 referendum levy on a different day within 60 days of receiving the request from a district.

64.31 Subd. 13. **Referendum conversion allowance.** A school district that received  
64.32 supplemental or transition revenue in fiscal year 2002 may convert its supplemental  
64.33 revenue conversion allowance and transition revenue conversion allowance to additional  
64.34 referendum allowance under subdivision 1 for fiscal year 2003 and thereafter. A majority  
64.35 of the school board must approve the conversion at a public meeting before November 1,  
64.36 2001. For a district with other referendum authority, the referendum conversion allowance

65.1 approved by the board continues until the portion of the district's other referendum  
65.2 authority with the earliest expiration date after June 30, 2006, expires. For a district  
65.3 with no other referendum authority, the referendum conversion allowance approved by  
65.4 the board continues until June 30, 2012.

65.5 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015  
65.6 and later.

65.7 Sec. 11. **DIRECTION TO THE COMMISSIONER.**

65.8 In computing the reduction to a school district's referendum allowance, the  
65.9 commissioner of education must first reduce a district's referendum allowance with the  
65.10 earliest expiration date and then, if necessary, reduce additional referendum authority  
65.11 allowances based on the next earliest expiration date.

65.12 Sec. 12. **OPERATING REFERENDUM FREEZE, FISCAL YEAR 2015.**

65.13 Notwithstanding Minnesota Statutes, section 126C.17, subdivision 9, a school district  
65.14 may not authorize an increase to its operating referendum in fiscal year 2015. A school  
65.15 district may reauthorize an operating referendum that is expiring in fiscal year 2015. If a  
65.16 school district asks the voters to reauthorize operating referendum authority that is expiring  
65.17 in fiscal year 2015, it may request a reauthorization of that expiring authority minus \$300.

65.18 Sec. 13. **CURRENT YEAR AID PERCENTAGE; APPROPRIATION**  
65.19 **ADJUSTMENTS.**

65.20 (a) Notwithstanding Minnesota Statutes, section 127A.45, subdivision 2, paragraph  
65.21 (d), in fiscal year 2014 and later, the commissioner of education shall reduce the current  
65.22 year aid payment percentage under Minnesota Statutes, section 127A.45, subdivision  
65.23 2, paragraph (d), by 0.2.

65.24 (b) For fiscal year 2014 and later, the commissioner of education shall adjust all  
65.25 appropriations in 2013 Senate File No. 453, if enacted, that are calculated based on a  
65.26 current year aid payment percentage and a final adjustment payment to reflect the current  
65.27 year aid payment percentage, under Minnesota Statutes, section 127A.45, subdivision 2,  
65.28 paragraph (d), as modified by paragraph (a).

65.29 Sec. 14. **APPROPRIATIONS.**

65.30 Subdivision 1. **Department of Education.** The sums indicated in this section are  
65.31 appropriated from the general fund to the Department of Education for the fiscal years

66.1 designated and are in addition to any amounts appropriated in any other bill for the same  
 66.2 purpose.

66.3 Subd. 2. **General education aid.** For general education aid under Minnesota  
 66.4 Statutes, section 126C.13, subdivision 4:

66.5 \$ 36,460,000 ..... 2014

66.6 \$ 54,765,000 ..... 2015

66.7 The 2014 appropriation includes \$0 for fiscal year 2013 and \$36,460,000 for fiscal  
 66.8 year 2014.

66.9 The 2015 appropriation includes \$12,185,000 for fiscal year 2014 and \$42,580,000  
 66.10 for fiscal year 2015.

## 66.11 **ARTICLE 4**

### 66.12 **SPECIAL TAXES**

66.13 Section 1. Minnesota Statutes 2012, section 237.52, subdivision 3, is amended to read:

66.14 Subd. 3. **Collection.** Every provider of services capable of originating a TRS call,  
 66.15 including cellular communications and other nonwire access services, in this state shall,  
 66.16 except as provided in subdivision 3a, collect the charges established by the commission  
 66.17 under subdivision 2 and transfer amounts collected to the commissioner of public  
 66.18 safety in the same manner as provided in section 403.11, subdivision 1, paragraph (d).  
 66.19 The commissioner of public safety must deposit the receipts in the fund established in  
 66.20 subdivision 1.

66.21 **EFFECTIVE DATE.** This section is effective January 1, 2014.

66.22 Sec. 2. Minnesota Statutes 2012, section 237.52, is amended by adding a subdivision  
 66.23 to read:

66.24 Subd. 3a. **Fee for prepaid wireless telecommunications service.** The fee  
 66.25 established in subdivision 2 does not apply to prepaid wireless telecommunications  
 66.26 services as defined in section 403.02, subdivision 17b, which are instead subject to the  
 66.27 prepaid wireless telecommunications access Minnesota fee established in section 403.161,  
 66.28 subdivision 1, paragraph (b). Collection, remittance, and deposit of prepaid wireless  
 66.29 telecommunications access Minnesota fees are governed by sections 403.161 and 403.162.

66.30 **EFFECTIVE DATE.** This section is effective January 1, 2014.

66.31 Sec. 3. Minnesota Statutes 2012, section 270B.01, subdivision 8, is amended to read:

67.1 Subd. 8. **Minnesota tax laws.** For purposes of this chapter only, unless expressly  
67.2 stated otherwise, "Minnesota tax laws" means:

67.3 (1) the taxes, refunds, and fees administered by or paid to the commissioner under  
67.4 chapters 115B, 289A (except taxes imposed under sections 298.01, 298.015, and 298.24),  
67.5 290, 290A, 291, 295, 297A, 297B, ~~and~~ 297H, and 403, or any similar Indian tribal tax  
67.6 administered by the commissioner pursuant to any tax agreement between the state and  
67.7 the Indian tribal government, and includes any laws for the assessment, collection, and  
67.8 enforcement of those taxes, refunds, and fees; and

67.9 (2) section 273.1315.

67.10 **EFFECTIVE DATE.** This section is effective January 1, 2014.

67.11 Sec. 4. Minnesota Statutes 2012, section 270B.12, subdivision 4, is amended to read:

67.12 Subd. 4. **Department of Public Safety.** The commissioner may disclose return  
67.13 information to the Department of Public Safety for the purpose of and to the extent  
67.14 necessary to administer ~~section~~ sections 270C.725 and 403.16 to 403.162.

67.15 **EFFECTIVE DATE.** This section is effective January 1, 2014.

67.16 Sec. 5. Minnesota Statutes 2012, section 270C.03, subdivision 1, is amended to read:

67.17 Subdivision 1. **Powers and duties.** The commissioner shall have and exercise  
67.18 the following powers and duties:

67.19 (1) administer and enforce the assessment and collection of taxes;

67.20 (2) make determinations, corrections, and assessments with respect to taxes,  
67.21 including interest, additions to taxes, and assessable penalties;

67.22 (3) use statistical or other sampling techniques consistent with generally accepted  
67.23 auditing standards in examining returns or records and making assessments;

67.24 (4) investigate the tax laws of other states and countries, and formulate and submit  
67.25 to the legislature such legislation as the commissioner may deem expedient to prevent  
67.26 evasions of state revenue laws and to secure just and equal taxation and improvement in  
67.27 the system of state revenue laws;

67.28 (5) consult and confer with the governor upon the subject of taxation, the  
67.29 administration of the laws in regard thereto, and the progress of the work of the  
67.30 department, and furnish the governor, from time to time, such assistance and information  
67.31 as the governor may require relating to tax matters;

67.32 (6) execute and administer any agreement with the secretary of the treasury or the  
67.33 Bureau of Alcohol, Tobacco, Firearms and Explosives in the Department of Justice of the

68.1 United States or a representative of another state regarding the exchange of information  
68.2 and administration of the state revenue laws;

68.3 (7) require town, city, county, and other public officers to report information as to the  
68.4 collection of taxes received from licenses and other sources, and such other information  
68.5 as may be needful in the work of the commissioner, in such form as the commissioner  
68.6 may prescribe;

68.7 (8) authorize the use of unmarked motor vehicles to conduct seizures or criminal  
68.8 investigations pursuant to the commissioner's authority;

68.9 (9) authorize the participation in audits performed by the Multistate Tax Commission.  
68.10 For the purposes of chapter 270B, the Multistate Tax Commission will be considered to be  
68.11 a state for the purposes of auditing corporate sales, excise, and income tax returns.

68.12 (10) maintain toll-free telephone access for taxpayer assistance for calls from  
68.13 locations within the state; and

68.14 ~~(10)~~ (11) exercise other powers and authority and perform other duties required of or  
68.15 imposed upon the commissioner by law.

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

68.17 Sec. 6. Minnesota Statutes 2012, section 270C.56, subdivision 1, is amended to read:

68.18 Subdivision 1. **Liability imposed.** A person who, either singly or jointly with  
68.19 others, has the control of, supervision of, or responsibility for filing returns or reports,  
68.20 paying taxes, or collecting or withholding and remitting taxes and who fails to do so, or a  
68.21 person who is liable under any other law, is liable for the payment of taxes arising under  
68.22 chapters 295, 296A, 297A, 297F, and 297G, or sections ~~256.9658~~, 290.92, and 297E.02,  
68.23 and the applicable penalties and interest on those taxes.

68.24 **EFFECTIVE DATE.** This section is effective July 1, 2013.

68.25 Sec. 7. Minnesota Statutes 2012, section 287.05, is amended by adding a subdivision  
68.26 to read:

68.27 Subd. 10. **Hennepin and Ramsey County.** For properties located in Hennepin and  
68.28 Ramsey County, the county may impose an additional mortgage registry tax as defined in  
68.29 sections 383A.80 and 383B.80.

68.30 **EFFECTIVE DATE.** This section is effective for all deeds and mortgages  
68.31 acknowledged on or after July 1, 2013.

68.32 Sec. 8. **[287.40] HENNEPIN AND RAMSEY COUNTY.**

69.1 For properties located in Hennepin or Ramsey County, the county may impose an  
 69.2 additional deed tax as defined in sections 383A.80 and 383B.80.

69.3 **EFFECTIVE DATE.** This section is effective for all deeds and mortgages  
 69.4 acknowledged on or after July 1, 2013.

69.5 **Sec. 9. [295.61] SPORTS MEMORABILIA GROSS RECEIPTS TAX.**

69.6 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
 69.7 have the meanings given, unless the context clearly indicates otherwise.

69.8 (b) "Commissioner" means the commissioner of revenue.

69.9 (c) "Sale" means a transfer of title or possession of tangible personal property,  
 69.10 whether absolutely or conditionally.

69.11 (d) "Sports memorabilia" means items available for sale to the public that are sold  
 69.12 under a license granted by any professional or Collegiate Division I sports league or  
 69.13 association, a team that is a franchise of a professional sports league or association, or  
 69.14 a team that is an affiliate or subsidiary of a professional sports league or association,  
 69.15 including:

69.16 (1) one-of-a-kind items related to sports figures, teams, or events;

69.17 (2) trading cards;

69.18 (3) photographs;

69.19 (4) clothing;

69.20 (5) sports event licensed items;

69.21 (6) sports equipment; and

69.22 (7) similar items, but not food or beverage items.

69.23 (e) "Wholesale" or "sale at wholesale" means a sale to a retailer, as defined in  
 69.24 section 297A.61, subdivision 9, for the purpose of reselling the property to a third party.  
 69.25 Wholesale does not mean a sale to a wholesaler.

69.26 (f) "Wholesaler" means any person making wholesale sales of sports memorabilia  
 69.27 to purchasers in the state.

69.28 Subd. 2. **Imposition.** A tax is imposed on each sale at wholesale of sports  
 69.29 memorabilia equal to 13 percent of the gross revenues from the sale.

69.30 Subd. 3. **Quarterly returns.** Each wholesaler must file quarterly returns and make  
 69.31 payments by April 18 for the quarter ending March 31; July 18 for the quarter ending June  
 69.32 30; October 18 for the quarter ending September 30; and January 18 of the following  
 69.33 calendar year for the quarter ending December 31.

69.34 Subd. 4. **Compensating use tax.** If the tax is not paid under subdivision 2, a  
 69.35 compensating tax is imposed on a retailer or possessor for sale of sports memorabilia in

70.1 the state. The rate of tax equals the rate under subdivision 2 and must be paid by the  
 70.2 retailer or possessor for sale of the items.

70.3 Subd. 5. **Allocation for youth sports.** Five percent of the revenue collected  
 70.4 under subdivision 2 is appropriated to the commissioner for grants to counties for youth  
 70.5 and amateur sports.

70.6 Subd. 6. **Administrative provisions.** Unless specifically provided otherwise by this  
 70.7 section, the relevant audit, assessment, refund, penalty, interest, enforcement, collection  
 70.8 remedies, appeal, and administrative provisions of chapters 270C and 289A apply to  
 70.9 taxes imposed under this section.

70.10 Subd. 7. **Disposition of revenues.** The commissioner shall deposit the revenues  
 70.11 from the tax, less the amount allocated in under subdivision 5, in the general fund.

70.12 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 70.13 June 30, 2013.

70.14 Sec. 10. Minnesota Statutes 2012, section 296A.09, subdivision 2, is amended to read:

70.15 Subd. 2. **Jet fuel and special fuel tax imposed.** There is imposed an excise tax  
 70.16 of the same rate 15 cents per gallon as the aviation gasoline on all jet fuel or special  
 70.17 fuel received, sold, stored, or withdrawn from storage in this state, for use as substitutes  
 70.18 for aviation gasoline and not otherwise taxed as gasoline. Jet fuel is defined in section  
 70.19 296A.01, subdivision 8.

70.20 **EFFECTIVE DATE.** This section is effective July 1, 2014, and applied to sales  
 70.21 and purchases made on or after that date.

70.22 Sec. 11. Minnesota Statutes 2012, section 296A.17, subdivision 3, is amended to read:

70.23 Subd. 3. **Refund on graduated basis.** Any person who has directly or indirectly  
 70.24 paid the excise tax on aviation gasoline or special fuel for aircraft use ~~provided for by this~~  
 70.25 ~~chapter~~ under subdivision 2, and the airflight property tax under section 270.72, shall, as  
 70.26 to all such aviation gasoline and special fuel received, stored, or withdrawn from storage  
 70.27 by the person in this state in any calendar year and not sold or otherwise disposed of to  
 70.28 others, or intended for sale or other disposition to others, on which such tax has been so  
 70.29 paid, be entitled to the following graduated reductions in such tax for that calendar year, to  
 70.30 be obtained by means of the following refunds:

70.31 (1) on each gallon of such aviation gasoline or special fuel up to 50,000 gallons, all  
 70.32 but five cents per gallon;

71.1 (2) on each gallon of such aviation gasoline or special fuel above 50,000 gallons and  
71.2 not more than 150,000 gallons, all but two cents per gallon;

71.3 (3) on each gallon of such aviation gasoline or special fuel above 150,000 gallons  
71.4 and not more than 200,000 gallons, all but one cent per gallon;

71.5 (4) on each gallon of such aviation gasoline or special fuel above 200,000, all but  
71.6 one-half cent per gallon.

71.7 **EFFECTIVE DATE.** This section is effective July 1, 2014, and applied to sales  
71.8 and purchases made on or after that date.

71.9 Sec. 12. Minnesota Statutes 2012, section 297A.82, subdivision 4, is amended to read:

71.10 Subd. 4. **Exemptions.** (a) The following transactions are exempt from the tax  
71.11 imposed in this chapter to the extent provided.

71.12 (b) The purchase or use of aircraft previously registered in Minnesota by a  
71.13 corporation or partnership is exempt if the transfer constitutes a transfer within the  
71.14 meaning of section 351 or 721 of the Internal Revenue Code.

71.15 (c) The sale to or purchase, storage, use, or consumption by a licensed aircraft dealer  
71.16 of an aircraft for which a commercial use permit has been issued pursuant to section  
71.17 360.654 is exempt, if the aircraft is resold while the permit is in effect.

71.18 (d) Air flight equipment when sold to, or purchased, stored, used, or consumed by  
71.19 airline companies, as defined in section 270.071, subdivision 4, is exempt. For purposes  
71.20 of this subdivision, "air flight equipment" includes airplanes and parts necessary for the  
71.21 repair and maintenance of such air flight equipment, and flight simulators, but does  
71.22 not include airplanes with a gross weight of less than 30,000 pounds that are used on  
71.23 intermittent or irregularly timed flights.

71.24 (e) Sales of, and the storage, distribution, use, or consumption of aircraft, as defined  
71.25 in section 360.511 and approved by the Federal Aviation Administration, and which the  
71.26 seller delivers to a purchaser outside Minnesota or which, without intermediate use, is  
71.27 shipped or transported outside Minnesota by the purchaser are exempt, but only if the  
71.28 purchaser is not a resident of Minnesota and provided that the aircraft is not thereafter  
71.29 returned to a point within Minnesota, except in the course of interstate commerce or  
71.30 isolated and occasional use, and will be registered in another state or country upon its  
71.31 removal from Minnesota. This exemption applies even if the purchaser takes possession of  
71.32 the aircraft in Minnesota and uses the aircraft in the state exclusively for training purposes  
71.33 for a period not to exceed ten days prior to removing the aircraft from this state.

71.34 (f) The sale or purchase of the following items that relate to aircraft operated under  
71.35 Federal Aviation Regulations, Parts 91 and 135, and associated installation charges:

72.1 equipment and parts necessary for repair and maintenance of aircraft; and equipment  
 72.2 and parts to upgrade and improve aircraft.

72.3 **EFFECTIVE DATE.** This section is effective July 1, 2014, and applied to sales  
 72.4 and purchases made on or after that date.

72.5 Sec. 13. Minnesota Statutes 2012, section 297A.82, is amended by adding a  
 72.6 subdivision to read:

72.7 Subd. 4a. **Deposit in state airports fund.** Tax revenue collected from the sale or  
 72.8 purchase of an aircraft taxable under this chapter must be deposited in the state airports  
 72.9 fund, established in section 360.017.

72.10 **EFFECTIVE DATE.** This section is effective July 1, 2014, and applied to sales  
 72.11 and purchases made on or after that date.

72.12 Sec. 14. Minnesota Statutes 2012, section 297E.02, subdivision 1, is amended to read:

72.13 Subdivision 1. **Imposition.** (a) A tax is imposed on all lawful gambling other than  
 72.14 (1) paper or electronic pull-tab deals or games; (2) tipboard deals or games; (3) electronic  
 72.15 linked bingo; and (4) items listed in section 297E.01, subdivision 8, clauses (4) and (5), at  
 72.16 the rate of 8.5 percent on the gross receipts as defined in section 297E.01, subdivision 8,  
 72.17 less prizes actually paid.

72.18 (b) A tax is imposed on the conduct of paper pull-tabs, at the rate of 9 percent on  
 72.19 the gross receipts as defined in section 297E.01, subdivision 8, less prizes actually paid.

72.20 The tax imposed under this paragraph applies only to an organization that conducts lawful  
 72.21 gambling in a location where at least 50 percent of its annual gross receipts are received  
 72.22 from paper bingo as of January 1, 2013.

72.23 (c) The tax imposed by this subdivision is in lieu of the tax imposed by section  
 72.24 297A.62 and all local taxes and license fees except a fee authorized under section 349.16,  
 72.25 subdivision 8, or a tax authorized under subdivision 5.

72.26 (d) The tax imposed under this subdivision is payable by the organization or party  
 72.27 conducting, directly or indirectly, the gambling.

72.28 **EFFECTIVE DATE.** This section is effective July 1, 2013.

72.29 Sec. 15. Minnesota Statutes 2012, section 297E.02, subdivision 6, is amended to read:

72.30 Subd. 6. **Combined net receipts tax.** (a) In addition to the taxes imposed under  
 72.31 subdivision 1, a tax is imposed on the combined receipts of the organization. As used in  
 72.32 this section, "combined net receipts" is the sum of the organization's gross receipts from

73.1 lawful gambling less gross receipts directly derived from the conduct of paper bingo,  
 73.2 raffles, and paddle wheels, as defined in section 297E.01, subdivision 8, and less the net  
 73.3 prizes actually paid, other than prizes actually paid for paper bingo, raffles, and paddle  
 73.4 wheels, for the fiscal year. The combined net receipts of an organization are subject to a  
 73.5 tax computed according to the following schedule:

73.6	If the combined net	The tax is:
73.7	receipts for the fiscal year	
73.8	are:	
73.9	Not over \$87,500	nine percent
73.10	Over \$87,500, but not over	\$7,875 plus 18 percent of the amount
73.11	\$122,500	over \$87,500, but not over \$122,500
73.12	Over \$122,500, but not	\$14,175 plus 27 percent of the amount
73.13	over \$157,500	over \$122,500, but not over \$157,500
73.14	Over \$157,500	\$23,625 plus 36 percent of the
73.15		amount over \$157,500

73.16 (b) On or before April 1, 2016, the commissioner shall estimate the total amount of  
 73.17 revenue, including interest and penalties, that will be collected for fiscal year 2016 from  
 73.18 taxes imposed under this chapter. If the amount estimated by the commissioner equals  
 73.19 or exceeds \$94,800,000, the commissioner shall certify that effective July 1, 2016, the  
 73.20 rates under this paragraph apply in lieu of the rates under paragraph (a) and shall publish a  
 73.21 notice to that effect in the State Register and notify each taxpayer by June 1, 2016. If the  
 73.22 rates under this section apply, the combined net receipts of an organization are subject to a  
 73.23 tax computed according to the following schedule:

73.24	If the combined net	The tax is:
73.25	receipts for the fiscal year	
73.26	are:	
73.27	Not over \$87,500	8.5 percent
73.28	Over \$87,500, but not over	\$7,438 plus 17 percent of the amount
73.29	\$122,500	over \$87,500, but not over \$122,500
73.30	Over \$122,500, but not	\$13,388 plus 25.5 percent of the
73.31	over \$157,500	amount over \$122,500, but not over
73.32		\$157,500
73.33	Over \$157,500	\$22,313 plus 34 percent of the
73.34		amount over \$157,500

73.35 (c) Gross receipts derived from sports-themed tipboards are exempt from taxation  
 73.36 under this section. For purposes of this paragraph, a sports-themed tipboard means a  
 73.37 sports-themed tipboard as defined in section 349.12, subdivision 34, under which the  
 73.38 winning numbers are determined by the numerical outcome of a professional sporting event.

73.39 (d) If an organization conducts lawful gambling in a location where, as of January 1,  
 73.40 2013, at least 50 percent of its annual gross receipts are derived from paper bingo, the

74.1 organization is exempt from taxation under this subdivision with respect to its receipts  
74.2 from paper pull-tabs.

74.3 **EFFECTIVE DATE.** This section is effective July 1, 2013.

74.4 Sec. 16. Minnesota Statutes 2012, section 297F.01, is amended by adding a subdivision  
74.5 to read:

74.6 Subd. 9b. **Little cigar.** "Little cigar" means any roll for smoking made in whole or  
74.7 in part of tobacco if the product is wrapped in a substance containing tobacco other than  
74.8 natural leaf tobacco, uses an integrated cellulose acetate or other similar filter, and weighs  
74.9 not more than 4-1/2 pounds per thousand.

74.10 **EFFECTIVE DATE.** This section is effective July 1, 2013.

74.11 Sec. 17. Minnesota Statutes 2012, section 297F.01, is amended by adding a subdivision  
74.12 to read:

74.13 Subd. 10b. **Moist snuff.** "Moist snuff" means any finely cut, ground, or powdered  
74.14 smokeless tobacco that is intended to be placed or dipped in the mouth.

74.15 **EFFECTIVE DATE.** This section is effective July 1, 2013.

74.16 Sec. 18. Minnesota Statutes 2012, section 297F.01, is amended by adding a subdivision  
74.17 to read:

74.18 Subd. 13a. **Premium cigar.** "Premium cigar" means any cigar that is  
74.19 hand-constructed and hand-rolled, has a wrapper that is made entirely from whole tobacco  
74.20 leaf, has a filler and binder that is made entirely of tobacco, except for adhesives or other  
74.21 materials used to maintain size, texture, or flavor, and has a wholesale price of no less  
74.22 than \$2.

74.23 **EFFECTIVE DATE.** This section is effective July 1, 2013.

74.24 Sec. 19. Minnesota Statutes 2012, section 297F.01, subdivision 19, is amended to read:

74.25 Subd. 19. **Tobacco products.** (a) "Tobacco products" means any product  
74.26 containing, made, or derived from tobacco that is intended for human consumption,  
74.27 whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, or ingested by  
74.28 any other means, or any component, part, or accessory of a tobacco product, including,  
74.29 but not limited to, cigars; little cigars; cheroots; stogies; periques; granulated, plug cut,  
74.30 crimp cut, ready rubbed, and other smoking tobacco; snuff; snuff flour; cavendish; plug

75.1 and twist tobacco; fine-cut and other chewing tobacco; shorts; refuse scraps, clippings,  
 75.2 cuttings and sweepings of tobacco, and other kinds and forms of tobacco; but does not  
 75.3 include cigarettes as defined in this section. Tobacco products excludes any tobacco  
 75.4 product that has been approved by the United States Food and Drug Administration for  
 75.5 sale as a tobacco cessation product, as a tobacco dependence product, or for other medical  
 75.6 purposes, and is being marketed and sold solely for such an approved purpose.

75.7 (b) Except for the imposition of tax under section 297F.05, subdivisions 3 and 4,  
 75.8 tobacco products includes a premium cigar, as defined in subdivision 13a.

75.9 **EFFECTIVE DATE.** This section is effective July 1, 2013.

75.10 Sec. 20. Minnesota Statutes 2012, section 297F.05, subdivision 1, is amended to read:

75.11 Subdivision 1. **Rates; cigarettes.** A tax is imposed upon the sale of cigarettes in  
 75.12 this state, upon having cigarettes in possession in this state with intent to sell, upon any  
 75.13 person engaged in business as a distributor, and upon the use or storage by consumers, at  
 75.14 the following rates:

75.15 (1) on cigarettes weighing not more than three pounds per thousand, ~~24~~ 108.5 mills,  
 75.16 or 10.85 cents, on each such cigarette; and

75.17 (2) on cigarettes weighing more than three pounds per thousand, ~~48~~ 217 mills, or  
 75.18 21.7 cents, on each such cigarette.

75.19 **EFFECTIVE DATE.** This section is effective July 1, 2013.

75.20 Sec. 21. Minnesota Statutes 2012, section 297F.05, is amended by adding a subdivision  
 75.21 to read:

75.22 Subd. 1a. **Annual indexing.** (a) Each year the commissioner shall adjust the  
 75.23 tax rates under subdivision 1, including any adjustment made in prior years under this  
 75.24 subdivision, by multiplying the mill rates for the current calendar year by an adjustment  
 75.25 factor. The adjustment factor equals the in-lieu sales tax rate that applies to the following  
 75.26 calendar year divided by the in-lieu sales tax rate for the current calendar year. For  
 75.27 purposes of this subdivision, "in-lieu sales tax rate" means the tax rate established under  
 75.28 section 297F.25, subdivision 1, rounded to 1/100 of one cent per cigarette.

75.29 (b) The commissioner shall publish the resulting rate by November 1 and the rate  
 75.30 applies to sales made on or after January 1 of the following year.

75.31 (c) The determination of the commissioner under this subdivision is not a rule and is  
 75.32 not subject to the Administrative Procedure Act in chapter 14.

75.33 **EFFECTIVE DATE.** This section is effective July 1, 2013.

76.1 Sec. 22. Minnesota Statutes 2012, section 297F.05, subdivision 3, is amended to read:

76.2 Subd. 3. **Rates; tobacco products.** (a) Except as provided in subdivision 3a, a tax is  
 76.3 imposed upon all tobacco products in this state and upon any person engaged in business  
 76.4 as a distributor, at the rate of 35 90 percent of the wholesale sales price of the tobacco  
 76.5 products. The tax is imposed at the time the distributor:

76.6 (1) brings, or causes to be brought, into this state from outside the state tobacco  
 76.7 products for sale;

76.8 (2) makes, manufactures, or fabricates tobacco products in this state for sale in  
 76.9 this state; or

76.10 (3) ships or transports tobacco products to retailers in this state, to be sold by those  
 76.11 retailers.

76.12 (b) Notwithstanding paragraph (a), a minimum tax equal to the rate imposed on a pack  
 76.13 of 20 cigarettes weighing not more than three pounds per thousand, as established under  
 76.14 subdivision 1, and adjusted by subdivision 1a, is imposed on each container of moist snuff.

76.15 For purposes of this subdivision, a "container" means the smallest consumer-size can,  
 76.16 package, or other container that is marketed or packaged by the manufacturer, distributor,  
 76.17 or retailer for separate sale to a retail purchaser.

76.18 (c) Notwithstanding paragraph (a), for little cigars, the tax on each little cigar shall  
 76.19 be equal to the tax imposed per cigarette under subdivision 1, clause (1), and adjusted by  
 76.20 subdivision 1a, and any successor provision taxing cigarettes.

76.21 **EFFECTIVE DATE.** This section is effective July 1, 2013, except the minimum  
 76.22 tax under paragraph (b) is effective January 1, 2014.

76.23 Sec. 23. Minnesota Statutes 2012, section 297F.05, is amended by adding a subdivision  
 76.24 to read:

76.25 Subd. 3a. **Rates; tobacco.** (a) A tax is imposed upon all premium cigars in this state  
 76.26 and upon any person engaged in business as a tobacco product distributor, at the lesser of:

76.27 (1) the rate of 70 percent of the wholesale sales price of the premium cigars; or

76.28 (2) \$3.50 per premium cigar.

76.29 (b) The tax imposed under paragraph (a) is imposed at the time the tobacco products  
 76.30 distributor:

76.31 (1) brings, or causes to be brought, into this state from outside the state premium  
 76.32 cigars for sale;

76.33 (2) makes, manufactures, or fabricates premium cigars in this state for sale in this  
 76.34 state; or

77.1 (3) ships or transports premium cigars to retailers in this state, to be sold by those  
 77.2 retailers.

77.3 **EFFECTIVE DATE.** This section is effective July 1, 2013.

77.4 Sec. 24. Minnesota Statutes 2012, section 297F.05, subdivision 4, is amended to read:

77.5 Subd. 4. **Use tax; tobacco products.** (a) Except as provided in subdivision 4a, a tax  
 77.6 is imposed upon the use or storage by consumers of tobacco products in this state, and  
 77.7 upon such consumers, at the rate of ~~35~~ 90 percent of the cost to the consumer of the tobacco  
 77.8 products or the minimum tax under subdivision 3, paragraph (b), whichever is greater.

77.9 (b) Notwithstanding paragraph (a), for little cigars, the tax on each little cigar  
 77.10 shall be equal to the tax imposed per cigarette under subdivision 1, clause (1), and any  
 77.11 successor provision taxing cigarettes.

77.12 **EFFECTIVE DATE.** This section is effective July 1, 2013.

77.13 Sec. 25. Minnesota Statutes 2012, section 297F.05, is amended by adding a subdivision  
 77.14 to read:

77.15 Subd. 4a. **Use tax; premium cigars.** A tax is imposed upon the use or storage by  
 77.16 consumers of all premium cigars in this state, and upon such consumers, at the lesser of:

77.17 (1) the rate of 70 percent of the cost to the consumer of the premium cigars; or

77.18 (2) \$3.50 per premium cigar.

77.19 **EFFECTIVE DATE.** This section is effective July 1, 2013.

77.20 Sec. 26. Minnesota Statutes 2012, section 297F.24, subdivision 1, is amended to read:

77.21 Subdivision 1. **Fee imposed.** (a) A fee is imposed upon the sale of nonsettlement  
 77.22 cigarettes in this state, upon having nonsettlement cigarettes in possession in this state  
 77.23 with intent to sell, upon any person engaged in business as a distributor, and upon the use  
 77.24 or storage by consumers of nonsettlement cigarettes. The fee equals a rate of ~~1.75~~ 2.5  
 77.25 cents per cigarette.

77.26 (b) The purpose of this fee is to:

77.27 (1) ensure that manufacturers of nonsettlement cigarettes pay fees to the state that  
 77.28 are comparable to costs attributable to the use of the cigarettes;

77.29 (2) prevent manufacturers of nonsettlement cigarettes from undermining the state's  
 77.30 policy of discouraging underage smoking by offering nonsettlement cigarettes at prices  
 77.31 substantially below the cigarettes of other manufacturers; and

77.32 (3) fund such other purposes as the legislature determines appropriate.

78.1 Sec. 27. Minnesota Statutes 2012, section 297F.25, subdivision 1, is amended to read:

78.2 Subdivision 1. **Imposition.** (a) A tax is imposed on distributors on the sale of  
78.3 cigarettes by a cigarette distributor to a retailer or cigarette subjobber for resale in this  
78.4 state. The tax is equal to 6.5 percent of the weighted average retail price and must be  
78.5 expressed in cents per pack rounded to the nearest one-tenth of a cent. The weighted  
78.6 average retail price must be determined annually, with new rates published by November  
78.7 1, and effective for sales on or after January 1 of the following year. The weighted average  
78.8 retail price must be established by surveying cigarette retailers statewide in a manner  
78.9 and time determined by the commissioner. The commissioner shall make an inflation  
78.10 adjustment in accordance with the Consumer Price Index for all urban consumers inflation  
78.11 indicator as published in the most recent state budget forecast. The commissioner shall use  
78.12 the inflation factor for the calendar year in which the new tax rate takes effect. If the survey  
78.13 indicates that the average retail price of cigarettes has not increased relative to the average  
78.14 retail price in the previous year's survey, then the commissioner shall not make an inflation  
78.15 adjustment. The determination of the commissioner pursuant to this subdivision is not a  
78.16 "rule" and is not subject to the Administrative Procedure Act contained in chapter 14. For  
78.17 packs of cigarettes with other than 20 cigarettes, the tax must be adjusted proportionally.

78.18 (b) Notwithstanding paragraph (a), ~~and in lieu of a survey of cigarette retailers, the~~  
78.19 ~~tax calculation of the weighted average retail price for the sales of cigarettes from August~~  
78.20 ~~1, 2011, through December 31, 2011, shall be calculated by: (1) increasing the average~~  
78.21 ~~retail price per pack of 20 cigarettes from the most recent survey by the percentage change~~  
78.22 ~~in a weighted average of the presumed legal prices for cigarettes during the year after~~  
78.23 ~~completion of that survey, as reported and published by the Department of Commerce~~  
78.24 ~~under section 325D.371; (2) subtracting the sales tax included in the retail price; and (3)~~  
78.25 ~~adjusting for expected inflation. The rate must be published by May 1 and is effective for~~  
78.26 ~~sales after July 31. If the weighted average of the presumed legal prices indicates that the~~  
78.27 ~~average retail price of cigarettes has not increased relative to the average retail price in the~~  
78.28 ~~most recent survey, then no inflation adjustment must be made~~ for any period that a rate  
78.29 change in section 297F.05, subdivision 1, is enacted after the current effective January 1  
78.30 rate and prior to the following January 1, the commissioner of revenue shall make a  
78.31 proportionate adjustment to the sales tax rate. For packs of cigarettes with other than 20  
78.32 cigarettes, the sales tax must be adjusted proportionally.

78.33 **EFFECTIVE DATE.** This section is effective July 1, 2013.

78.34 Sec. 28. Minnesota Statutes 2012, section 325F.781, subdivision 1, is amended to read:

79.1 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
79.2 have the meanings given, unless the language or context clearly provides otherwise.

79.3 (b) "Consumer" means an individual who purchases, receives, or possesses tobacco  
79.4 products for personal consumption and not for resale.

79.5 (c) "Delivery sale" means:

79.6 (1) a sale of tobacco products to a consumer in this state when:

79.7 (i) the purchaser submits the order for the sale by means of a telephonic or other  
79.8 method of voice transmission, the mail or any other delivery service, or the Internet or  
79.9 other online service; or

79.10 (ii) the tobacco products are delivered by use of the mail or other delivery service; or

79.11 (2) a sale of tobacco products that satisfies the criteria in clause (1), item (i),  
79.12 regardless of whether the seller is located inside or outside of the state.

79.13 A sale of tobacco products to an individual in this state must be treated as a sale to a  
79.14 consumer, unless the individual is licensed as a distributor or retailer of tobacco products.

79.15 (d) "Delivery service" means a person, including the United States Postal Service,  
79.16 that is engaged in the commercial delivery of letters, packages, or other containers.

79.17 (e) "Distributor" means a person, whether located inside or outside of this state,  
79.18 other than a retailer, who sells or distributes tobacco products in the state. Distributor does  
79.19 not include a tobacco products manufacturer, export warehouse proprietor, or importer  
79.20 with a valid permit under United States Code, title 26, section 5712 (1997), if the person  
79.21 sells or distributes tobacco products in this state only to distributors who hold valid and  
79.22 current licenses under the laws of a state, or to an export warehouse proprietor or another  
79.23 manufacturer. Distributor does not include a common or contract carrier that is transporting  
79.24 tobacco products under a proper bill of lading or freight bill that states the quantity, source,  
79.25 and destination of tobacco products, or a person who ships tobacco products through this  
79.26 state by common or contract carrier under a bill of lading or freight bill.

79.27 (f) "Retailer" means a person, whether located inside or outside this state, who sells  
79.28 or distributes tobacco products to a consumer in this state.

79.29 (g) "Tobacco products" means:

79.30 (1) cigarettes, as defined in section 297F.01, subdivision 3; ~~and~~

79.31 (2) smokeless tobacco as defined in section 325F.76; and

79.32 (3) premium cigars as defined in section 297F.01, subdivision 13a.

79.33 **EFFECTIVE DATE.** This section is effective July 1, 2013.

80.1 Sec. 29. Minnesota Statutes 2012, section 349.166, is amended to read:

80.2 **349.166 EXCLUSIONS; EXEMPTIONS.**

80.3 Subdivision 1. **Exclusions.** (a) Bingo, with the exception of linked bingo games, may  
80.4 be conducted without a license and without complying with sections 349.168, subdivisions  
80.5 1 and 2; 349.17, subdivisions 4 and 5; 349.18, subdivision 1; and 349.19, if it is conducted:

80.6 (1) by an organization in connection with a county fair, the state fair, or a civic  
80.7 celebration and is not conducted for more than 12 consecutive days and is limited to no more  
80.8 than four separate applications for activities applied for and approved in a calendar year; or

80.9 (2) by an organization that conducts bingo on four or fewer days in a calendar year.

80.10 An organization that holds a license to conduct lawful gambling under this chapter  
80.11 may not conduct bingo under this subdivision.

80.12 (b) Bingo may be conducted within a nursing home or a senior citizen housing  
80.13 project or by a senior citizen organization if the prizes for a single bingo game do not  
80.14 exceed \$10, total prizes awarded at a single bingo occasion do not exceed \$200, no more  
80.15 than two bingo occasions are held by the organization or at the facility each week, only  
80.16 members of the organization or residents of the nursing home or housing project are  
80.17 allowed to play in a bingo game, no compensation is paid for any persons who conduct the  
80.18 bingo, and a manager is appointed to supervise the bingo. Bingo conducted under this  
80.19 paragraph is exempt from sections 349.11 to 349.23, and the board may not require an  
80.20 organization that conducts bingo under this paragraph, or the manager who supervises the  
80.21 bingo, to register or file a report with the board. The gross receipts from bingo conducted  
80.22 under the limitations of this subdivision are exempt from taxation under chapter 297A.

80.23 (c) Raffles may be conducted by an organization without registering with the board  
80.24 if the value of all raffle prizes awarded by the organization in a calendar year does not  
80.25 exceed \$1,500 or, if the organization is a 501(c)(3) organization, if the value of all raffle  
80.26 prizes awarded by the organization in a calendar year does not exceed \$50,000.

80.27 (d) Except as provided in paragraph (b), the organization must maintain all required  
80.28 records of excluded gambling activity for 3-1/2 years.

80.29 Subd. 2. **Exemptions.** (a) Lawful gambling, with the exception of linked bingo  
80.30 games, may be conducted by an organization without a license and without complying  
80.31 with sections 349.168, subdivisions 1 and 2; 349.17, subdivision 4; 349.18, subdivision 1;  
80.32 and 349.19 if:

80.33 (1) ~~the organization conducts lawful gambling on five or fewer days in a calendar year;~~

80.34 (2) the organization does not award more than \$50,000 in prizes for lawful gambling  
80.35 in a calendar year;

81.1           ~~(3)~~ (2) the organization submits a board-prescribed application and pays a fee of  
81.2 \$50 to the board for each gambling occasion, and receives an exempt permit number  
81.3 from the board. If the application is postmarked or received less than 30 days before the  
81.4 gambling occasion, the fee is \$100 for that application. The application must include the  
81.5 date and location of the occasion, the types of lawful gambling to be conducted, and  
81.6 the prizes to be awarded;

81.7           ~~(4)~~ (3) the organization notifies the local government unit 30 days before the lawful  
81.8 gambling occasion, or 60 days for an occasion held in a city of the first class;

81.9           ~~(5)~~ (4) the organization purchases all gambling equipment and supplies from a  
81.10 licensed distributor; and

81.11           ~~(6)~~ (5) the organization reports to the board, on a single-page form prescribed by  
81.12 the board, within 30 days of each gambling occasion, the gross receipts, prizes, expenses,  
81.13 expenditures of net profits from the occasion, and the identification of the licensed  
81.14 distributor from whom all gambling equipment was purchased.

81.15           (b) If the organization fails to file a timely report as required by paragraph (a), clause  
81.16 (6), the board shall not issue any authorization, license, or permit to the organization to  
81.17 conduct lawful gambling on an exempt, excluded, or licensed basis until the report has  
81.18 been filed and the organization may be subject to penalty as determined by the board. The  
81.19 board may refuse to issue any authorization, license, or permit if a report or application is  
81.20 determined to be incomplete or knowingly contains false or inaccurate information.

81.21           (c) Merchandise prizes must be valued at their fair market value.

81.22           (d) Organizations that qualify to conduct exempt raffles under paragraph (a), are  
81.23 exempt from section 349.173, paragraph (b), clause (2), if the raffle tickets are sold  
81.24 only in combination with an organization's membership or a ticket for an organization's  
81.25 membership dinner and are not included with any other raffle conducted under the exempt  
81.26 permit.

81.27           (e) Unused pull-tab and tipboard deals must be returned to the distributor within  
81.28 seven working days after the end of the lawful gambling occasion. The distributor must  
81.29 accept and pay a refund for all returns of unopened and undamaged deals returned under  
81.30 this paragraph.

81.31           (f) The organization must maintain all required records of exempt gambling activity  
81.32 for 3-1/2 years.

81.33           **EFFECTIVE DATE.** This section is effective July 1, 2013.

82.1 Sec. 30. Minnesota Statutes 2012, section 360.531, is amended to read:

82.2 **360.531 TAXATION.**

82.3 Subdivision 1. **In lieu tax.** All aircraft using the air space overlying the state of  
82.4 Minnesota or the airports thereof, except as set forth in section 360.55, shall be taxed in  
82.5 lieu of all other taxes thereon, on the basis and at the rate for the period January 1, 1966, to  
82.6 June 30, 1967, and for each fiscal year as follows.

82.7 Subd. 2. **Rate.** The tax shall be ~~at the rate of one percent of value; provided that~~  
82.8 ~~the minimum tax on an aircraft subject to the provisions of sections 360.511 to 360.67~~  
82.9 ~~shall not be less than 25 percent of the tax on said aircraft computed on its base price or~~  
82.10 ~~\$50 whichever is the higher.~~ as follows:

82.11 <u>Base Price</u>	<u>Tax</u>
82.12 <u>Under \$499,999</u>	<u>\$100</u>
82.13 <u>\$500,000 to \$999,999</u>	<u>\$200</u>
82.14 <u>\$1,000,000 to \$2,499,999</u>	<u>\$2,000</u>
82.15 <u>\$2,500,000 to \$4,999,999</u>	<u>\$4,000</u>
82.16 <u>\$5,000,000 to \$7,499,999</u>	<u>\$7,500</u>
82.17 <u>\$7,500,000 to \$9,999,999</u>	<u>\$10,000</u>
82.18 <u>\$10,000,000 to \$12,499,999</u>	<u>\$12,500</u>
82.19 <u>\$12,500,000 to \$14,999,999</u>	<u>\$15,000</u>
82.20 <u>\$15,000,000 to \$17,499,999</u>	<u>\$17,500</u>
82.21 <u>\$17,500,000 to \$19,999,999</u>	<u>\$20,000</u>
82.22 <u>\$20,000,000 to \$22,499,999</u>	<u>\$22,500</u>
82.23 <u>\$22,500,000 to \$24,999,999</u>	<u>\$25,000</u>
82.24 <u>\$25,000,000 to \$27,499,999</u>	<u>\$27,500</u>
82.25 <u>\$27,500,000 to \$29,999,999</u>	<u>\$30,000</u>
82.26 <u>\$30,000,000 to \$39,999,999</u>	<u>\$50,000</u>
82.27 <u>\$40,000,000 and over</u>	<u>\$75,000</u>

82.28 Subd. 3. **First year of life.** "First year of life" means the year the aircraft was  
82.29 manufactured.

82.30 Subd. 4. **Base price for taxation.** For the purpose of fixing a base price for taxation  
82.31 ~~from which depreciation in value at a fixed percent per annum can be counted, such , the~~  
82.32 base price is defined as follows:

82.33 (a) The base price for taxation of an aircraft shall be the manufacturer's list price.

82.34 (b) The commissioner shall have authority to fix the base value for taxation purposes  
82.35 of any aircraft of which no such similar or corresponding model has been manufactured,  
82.36 and of any rebuilt or foreign aircraft, any aircraft on which a record of the list price is not  
82.37 available, or any military aircraft converted for civilian use, using as a basis for ~~such~~

83.1 valuation the list price of aircraft with comparable performance characteristics, and taking  
83.2 into consideration the age and condition of the aircraft.

83.3 Subd. 5. **Similarity of corresponding model.** Models shall be deemed similar if  
83.4 substantially alike and of the same make. Models shall be deemed to be corresponding  
83.5 models for the purpose of taxation under sections 360.54 to 360.67 if of the same make  
83.6 and having approximately the same weight and type of frame and the same style and  
83.7 size of motor.

83.8 Subd. 6. **Depreciation.** ~~After the first year of aircraft life the base value for taxation~~  
83.9 ~~purposes shall be reduced as follows: ten percent the second year, and 15 percent the third~~  
83.10 ~~and each succeeding year thereafter, but in no event shall such tax be reduced below~~  
83.11 ~~the minimum.~~

83.12 Subd. 7. **Prorating tax.** When an aircraft first becomes subject to taxation during the  
83.13 period for which the tax is to be paid, the tax on it shall be for the remainder of that period,  
83.14 prorated on a monthly basis of 1/12 of the annual tax for each calendar month counting the  
83.15 month during which it becomes subject to the tax as the first month of such period.

83.16 Subd. 8. **Tax, fiscal year.** Every aircraft subject to the provisions of sections  
83.17 360.511 to 360.67 which has at any time since April 19, 1945, used the air space overlying  
83.18 the state of Minnesota or the airports thereof shall be taxed for the period from January 1,  
83.19 1966, through June 30, 1967, and for each fiscal year thereafter in which it is so used. Any  
83.20 aircraft which does not use the air space overlying the state of Minnesota or the airports  
83.21 thereof at any time during the period of January 1, 1966, to and including June 30, 1967,  
83.22 or at any time during any fiscal year thereafter shall not be subject to the tax provided by  
83.23 sections 360.511 to 360.67 for such period. Rebuilt aircraft shall be subject to the tax  
83.24 provided by sections 360.511 to 360.67 for that portion of the aforesaid periods remaining  
83.25 after the aircraft has been rebuilt, prorated on a monthly basis.

83.26 Subd. 9. **Assessed as personal property in certain cases.** Aircraft subject to  
83.27 taxation under the provisions of sections 360.54 to 360.67 shall not be assessed as personal  
83.28 property and shall be subject to no tax except as provided for by these sections. Aircraft  
83.29 not subject to taxation as provided in these sections, but subject to taxation as personal  
83.30 property within the state of Minnesota shall be assessed and valued at 33-1/3 percent of  
83.31 the market value thereof and taxed at the rate and in the manner provided by law for the  
83.32 taxation of ordinary personal property. If the person against whom any tax has been levied  
83.33 on the ad valorem basis because of any aircraft shall, during the calendar year for which  
83.34 such ad valorem tax is levied, be also taxed under provisions of these sections, then and in  
83.35 that event, upon proper showing, the commissioner of revenue shall grant to the person  
83.36 against whom said ad valorem tax was levied, such reduction or abatement of net tax

84.1 capacity or taxes as was occasioned by the so-called ad valorem tax imposed. If the ad  
 84.2 valorem tax upon any aircraft has been assessed against a dealer in new and used aircraft,  
 84.3 and the tax imposed by these sections for the required period is thereafter paid by the  
 84.4 owner, then and in that event, upon proper showing, the commissioner of revenue, upon  
 84.5 the application of said dealer, shall grant to such dealer against whom said ad valorem tax  
 84.6 was levied such reduction or abatement of net tax capacity or taxes as was occasioned  
 84.7 by the so-called ad valorem tax imposed.

84.8 **EFFECTIVE DATE.** This section is effective July 1, 2014, and applies to aircraft  
 84.9 tax due on or after that date.

84.10 Sec. 31. Minnesota Statutes 2012, section 360.66, is amended to read:

84.11 **360.66 STATE AIRPORTS FUND.**

84.12 Subdivision 1. **Tax credited to fund.** The proceeds of the tax imposed on aircraft  
 84.13 under sections ~~360.54~~ 360.531 to 360.67 and all fees and penalties provided for therein  
 84.14 shall be collected by the commissioner and paid into the state treasury and credited to the  
 84.15 state airports fund created by other statutes of this state.

84.16 Subd. 2. **Reimbursement for expenses.** There shall be transferred by the  
 84.17 commissioner of management and budget each year from the state airports fund to the  
 84.18 general fund in the state treasury the amount expended from the latter fund for expenses of  
 84.19 administering the provisions of sections ~~360.54~~ 360.531 to 360.67.

84.20 **EFFECTIVE DATE.** This section is effective July 1, 2014, and applies to aircraft  
 84.21 tax due on or after that date.

84.22 Sec. 32. Minnesota Statutes 2012, section 383A.80, subdivision 4, is amended to read:

84.23 Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
 84.24 January 1, ~~2013~~ 2023.

84.25 **EFFECTIVE DATE.** This section is effective for all deeds and mortgages  
 84.26 acknowledged on or after July 1, 2013.

84.27 Sec. 33. Minnesota Statutes 2012, section 383B.80, subdivision 4, is amended to read:

84.28 Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
 84.29 January 1, ~~2013~~ 2023.

84.30 **EFFECTIVE DATE.** This section is effective for all deeds and mortgages  
 84.31 acknowledged on or after July 1, 2013.

85.1 Sec. 34. Minnesota Statutes 2012, section 403.02, is amended by adding a subdivision  
85.2 to read:

85.3 Subd. 17b. **Prepaid wireless telecommunications service.** "Prepaid wireless  
85.4 telecommunications service" means a wireless telecommunications service that allows the  
85.5 caller to dial 911 to access the 911 system, which service must be paid for in advance and is:

85.6 (1) sold in predetermined units or dollars of which the number declines with use in a  
85.7 known amount; or

85.8 (2) provides unlimited use for a predetermined time period.

85.9 The inclusion of nontelecommunications services, including the download of digital  
85.10 products delivered electronically, content, and ancillary services, with a prepaid wireless  
85.11 telephone service does not preclude that service from being considered a prepaid wireless  
85.12 telephone service under this chapter.

85.13 **EFFECTIVE DATE.** This section is effective January 1, 2014.

85.14 Sec. 35. Minnesota Statutes 2012, section 403.02, is amended by adding a subdivision  
85.15 to read:

85.16 Subd. 20a. **Wireless telecommunications service.** "Wireless telecommunications  
85.17 service" means a commercial mobile radio service, as that term is defined in United  
85.18 States Code, title 47, section 332, subsection (d), including all broadband personal  
85.19 communication services, wireless radio telephone services, and geographic area  
85.20 specialized mobile radio licensees, that offer real-time, two-way voice service  
85.21 interconnected with the public switched telephone network.

85.22 **EFFECTIVE DATE.** This section is effective January 1, 2014.

85.23 Sec. 36. Minnesota Statutes 2012, section 403.02, subdivision 21, is amended to read:

85.24 Subd. 21. **Wireless telecommunications service provider.** "Wireless  
85.25 telecommunications service provider" means a provider of ~~commercial mobile radio~~  
85.26 services, as that term is defined in United States Code, title 47, section 332, subsection  
85.27 (d), including all broadband personal communications services, wireless radio telephone  
85.28 services, geographic area specialized and enhanced specialized mobile radio services, and  
85.29 incumbent wide area specialized mobile radio licensees, that offers real-time, two-way  
85.30 voice service interconnected with the public switched telephone network and that is doing  
85.31 business in the state of Minnesota wireless telecommunications service.

85.32 **EFFECTIVE DATE.** This section is effective January 1, 2014.

86.1 Sec. 37. Minnesota Statutes 2012, section 403.06, subdivision 1a, is amended to read:

86.2 Subd. 1a. **Biennial budget; annual financial report.** The commissioner shall  
86.3 prepare a biennial budget for maintaining the 911 system. By December 15 of each year,  
86.4 the commissioner shall submit a report to the legislature detailing the expenditures for  
86.5 maintaining the 911 system, the 911 fees collected, the balance of the 911 fund, ~~and~~ the  
86.6 911-related administrative expenses of the commissioner, and of a separate accounting  
86.7 of E911 fees from prepaid wireless customers. The commissioner is authorized to  
86.8 expend money that has been appropriated to pay for the maintenance, enhancements,  
86.9 and expansion of the 911 system.

86.10 **EFFECTIVE DATE.** This section is effective January 1, 2014.

86.11 Sec. 38. Minnesota Statutes 2012, section 403.11, subdivision 1, is amended to read:

86.12 Subdivision 1. **Emergency telecommunications service fee; account.** (a) Each  
86.13 customer of a wireless or wire-line switched or packet-based telecommunications service  
86.14 provider connected to the public switched telephone network that furnishes service capable  
86.15 of originating a 911 emergency telephone call is assessed a fee based upon the number  
86.16 of wired or wireless telephone lines, or their equivalent, to cover the costs of ongoing  
86.17 maintenance and related improvements for trunking and central office switching equipment  
86.18 for 911 emergency telecommunications service, to offset administrative and staffing costs  
86.19 of the commissioner related to managing the 911 emergency telecommunications service  
86.20 program, to make distributions provided for in section 403.113, and to offset the costs,  
86.21 including administrative and staffing costs, incurred by the State Patrol Division of the  
86.22 Department of Public Safety in handling 911 emergency calls made from wireless phones.

86.23 (b) Money remaining in the 911 emergency telecommunications service account  
86.24 after all other obligations are paid must not cancel and is carried forward to subsequent  
86.25 years and may be appropriated from time to time to the commissioner to provide financial  
86.26 assistance to counties for the improvement of local emergency telecommunications  
86.27 services. The improvements may include providing access to 911 service for  
86.28 telecommunications service subscribers currently without access and upgrading existing  
86.29 911 service to include automatic number identification, local location identification,  
86.30 automatic location identification, and other improvements specified in revised county  
86.31 911 plans approved by the commissioner.

86.32 (c) The fee may not be less than eight cents nor more than 65 cents a month until  
86.33 June 30, 2008, not less than eight cents nor more than 75 cents a month until June 30,  
86.34 2009, not less than eight cents nor more than 85 cents a month until June 30, 2010, and  
86.35 not less than eight cents nor more than 95 cents a month on or after July 1, 2010, for

87.1 each customer access line or other basic access service, including trunk equivalents as  
87.2 designated by the Public Utilities Commission for access charge purposes and including  
87.3 wireless telecommunications services. With the approval of the commissioner of  
87.4 management and budget, the commissioner of public safety shall establish the amount of  
87.5 the fee within the limits specified and inform the companies and carriers of the amount to  
87.6 be collected. When the revenue bonds authorized under section 403.27, subdivision 1,  
87.7 have been fully paid or defeased, the commissioner shall reduce the fee to reflect that debt  
87.8 service on the bonds is no longer needed. The commissioner shall provide companies and  
87.9 carriers a minimum of 45 days' notice of each fee change. The fee must be the same for all  
87.10 customers, except that the fee imposed under this subdivision does not apply to prepaid  
87.11 wireless telecommunications service, which is instead subject to the fee imposed under  
87.12 section 403.161, subdivision 1, paragraph (a).

87.13 (d) The fee must be collected by each wireless or wire-line telecommunications  
87.14 service provider subject to the fee. Fees are payable to and must be submitted to the  
87.15 commissioner monthly before the 25th of each month following the month of collection,  
87.16 except that fees may be submitted quarterly if less than \$250 a month is due, or annually if  
87.17 less than \$25 a month is due. Receipts must be deposited in the state treasury and credited  
87.18 to a 911 emergency telecommunications service account in the special revenue fund. The  
87.19 money in the account may only be used for 911 telecommunications services.

87.20 (e) This subdivision does not apply to customers of interexchange carriers.

87.21 (f) The installation and recurring charges for integrating wireless 911 calls into  
87.22 enhanced 911 systems are eligible for payment by the commissioner if the 911 service  
87.23 provider is included in the statewide design plan and the charges are made pursuant to  
87.24 contract.

87.25 (g) Competitive local exchanges carriers holding certificates of authority from the  
87.26 Public Utilities Commission are eligible to receive payment for recurring 911 services.

87.27 **EFFECTIVE DATE.** This section is effective January 1, 2014.

87.28 Sec. 39. Minnesota Statutes 2012, section 403.11, is amended by adding a subdivision  
87.29 to read:

87.30 **Subd. 6. Report.** (a) Beginning September 1, 2013, and continuing semiannually  
87.31 thereafter, each wireless telecommunications service provider shall report to the  
87.32 commissioner, based on the mobile telephone number, both the total number of prepaid  
87.33 wireless telecommunications subscribers sourced to Minnesota and the total number of  
87.34 wireless telecommunications subscribers sourced to Minnesota. The report must be filed  
87.35 on the same schedule as Federal Communications Commission Form 477.

88.1 (b) The commissioner shall make a standard form available to all wireless  
88.2 telecommunications service providers for submitting information required to compile  
88.3 the report required under this subdivision.

88.4 (c) The information provided to the commissioner under this subdivision is  
88.5 considered trade secret data under section 13.37 and may only be used for purposes of  
88.6 administering this chapter.

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

88.8 Sec. 40. **[403.16] DEFINITIONS.**

88.9 Subdivision 1. **Scope.** For the purposes of sections 403.16 to 403.164, the terms  
88.10 defined in this section have the meanings given them.

88.11 Subd. 2. **Consumer.** "Consumer" means a person who purchases prepaid wireless  
88.12 telecommunications service in a retail transaction.

88.13 Subd. 3. **Department.** "Department" means the Department of Revenue.

88.14 Subd. 4. **Prepaid wireless E911 fee.** "Prepaid wireless E911 fee" means the fee that  
88.15 is required to be collected by a seller from a consumer as established in section 403.161,  
88.16 subdivision 1, paragraph (a).

88.17 Subd. 5. **Prepaid wireless telecommunications access Minnesota fee.** "Prepaid  
88.18 wireless telecommunications access Minnesota fee" means the fee that is required to be  
88.19 collected by a seller from a consumer as established in section 403.161, subdivision 1,  
88.20 paragraph (b).

88.21 Subd. 6. **Provider.** "Provider" means a person that provides prepaid wireless  
88.22 telecommunications service under a license issued by the Federal Communications  
88.23 Commission.

88.24 Subd. 7. **Retail transaction.** "Retail transaction" means the purchase of prepaid  
88.25 wireless telecommunications service from a seller for any purpose other than resale.

88.26 Subd. 8. **Seller.** "Seller" means a person who sells prepaid wireless  
88.27 telecommunications service to another person.

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

88.29 Sec. 41. **[403.161] PREPAID WIRELESS FEES IMPOSED; COLLECTION;**  
88.30 **REMITTANCE.**

88.31 Subdivision 1. **Fees imposed.** (a) A prepaid wireless E911 fee of 80 cents per retail  
88.32 transaction is imposed on prepaid wireless telecommunications service until the fee is  
88.33 adjusted as an amount per retail transaction under subdivision 6.

89.1 (b) A prepaid wireless telecommunications access Minnesota fee, in the amount of  
89.2 the monthly charge provided for in section 237.52, subdivision 2, is imposed on each  
89.3 retail transaction for prepaid wireless telecommunications service until the fee is adjusted  
89.4 as an amount per retail transaction under subdivision 6.

89.5 Subd. 2. **Exemption.** The fees established under subdivision 1 are not imposed on a  
89.6 minimal amount of prepaid wireless telecommunications service that is sold with a prepaid  
89.7 wireless device and is charged a single nonitemized price, and a seller may not apply the  
89.8 fees to such a transaction. For purposes of this subdivision, a minimal amount of service  
89.9 means an amount of service denominated as either ten minutes or less or \$5 or less.

89.10 Subd. 3. **Fee collected.** The prepaid wireless E911 and telecommunications  
89.11 access Minnesota fees must be collected by the seller from the consumer for each retail  
89.12 transaction occurring in this state. The amount of each fee must be combined into one  
89.13 amount, which must be separately stated on an invoice, receipt, or other similar document  
89.14 that is provided to the consumer by the seller, or otherwise disclosed to the consumer.

89.15 Subd. 4. **Sales and use tax treatment.** For purposes of this section, a retail  
89.16 transaction conducted in person by a consumer at a business location of the seller must  
89.17 be treated as occurring in this state if that business location is in this state, and any other  
89.18 retail transaction must be treated as occurring in this state if the retail transaction is treated  
89.19 as occurring in this state for purposes of the sales and use tax as specified in section  
89.20 297A.669, subdivision 3, paragraph (c).

89.21 Subd. 5. **Remittance.** The prepaid wireless E911 and telecommunications access  
89.22 Minnesota fees are the liability of the consumer and not of the seller or of any provider,  
89.23 except that the seller is liable to remit all fees that the seller collects from consumers as  
89.24 provided in section 403.162, including all fees that the seller is deemed to collect in which  
89.25 the amount of the fee has not been separately stated on an invoice, receipt, or other similar  
89.26 document provided to the consumer by the seller.

89.27 Subd. 6. **Exclusion for calculating other charges.** The combined amount of the  
89.28 prepaid wireless E911 and telecommunications access Minnesota fees collected by a seller  
89.29 from a consumer must not be included in the base for measuring any tax, fee, surcharge,  
89.30 or other charge that is imposed by this state, any political subdivision of this state, or  
89.31 any intergovernmental agency.

89.32 Subd. 7. **Fee changes.** (a) The prepaid wireless E911 and telecommunications  
89.33 access Minnesota fee must be proportionately increased or reduced upon any change to  
89.34 the fee imposed under section 403.11, subdivision 1, paragraph (c), after July 1, 2013, or  
89.35 the fee imposed under section 237.52, subdivision 2, as applicable.

90.1 (b) The department shall post notice of any fee changes on its Web site at least 30  
 90.2 days in advance of the effective date of the fee changes. It is the responsibility of sellers to  
 90.3 monitor the department's Web site for notice of fee changes.

90.4 (c) Fee changes are effective 60 days after the first day of the first calendar month  
 90.5 after the commissioner of public safety or the Public Utilities Commission, as applicable,  
 90.6 changes the fee.

90.7 **EFFECTIVE DATE.** This section is effective January 1, 2014.

90.8 Sec. 42. **[403.162] ADMINISTRATION OF PREPAID WIRELESS E911 FEES.**

90.9 Subdivision 1. **Remittance.** Prepaid wireless E911 and telecommunications access  
 90.10 Minnesota fees collected by sellers must be remitted to the commissioner of revenue  
 90.11 at the times and in the manner provided by chapter 297A with respect to the general  
 90.12 sales and use tax. The commissioner of revenue shall establish registration and payment  
 90.13 procedures that substantially coincide with the registration and payment procedures that  
 90.14 apply in chapter 297A.

90.15 Subd. 2. **Seller's fee retention.** A seller may deduct and retain three percent of  
 90.16 prepaid wireless E911 and telecommunications access Minnesota fees collected by the  
 90.17 seller from consumers.

90.18 Subd. 3. **Audit; appeal.** The audit and appeal procedures applicable under chapter  
 90.19 297A apply to any fee imposed under section 403.161.

90.20 Subd. 4. **Procedures for resale transactions.** The commissioner of revenue shall  
 90.21 establish procedures by which a seller of prepaid wireless telecommunications service  
 90.22 may document that a sale is not a retail transaction. These procedures must substantially  
 90.23 coincide with the procedures for documenting sale for resale transactions as provided in  
 90.24 chapter 297A.

90.25 Subd. 5. **Fees deposited.** (a) The commissioner of revenue shall, based on  
 90.26 the relative proportion of the prepaid wireless E911 fee and the prepaid wireless  
 90.27 telecommunications access Minnesota fee imposed per retail transaction, divide the fees  
 90.28 collected in corresponding proportions. Within 30 days of receipt of the collected fees,  
 90.29 the commissioner shall:

90.30 (1) deposit the proportion of the collected fees attributable to the prepaid wireless  
 90.31 E911 fee in the 911 emergency telecommunications service account in the special revenue  
 90.32 fund; and

90.33 (2) deposit the proportion of collected fees attributable to the prepaid wireless  
 90.34 telecommunications access Minnesota fee in the telecommunications access fund  
 90.35 established in section 237.52, subdivision 1.

91.1 (b) The department may deduct and retain an amount, not to exceed two percent of  
 91.2 collected fees, to reimburse its direct costs of administering the collection and remittance  
 91.3 of prepaid wireless E911 fees and prepaid wireless telecommunications access Minnesota  
 91.4 fees.

91.5 **EFFECTIVE DATE.** This section is effective January 1, 2014.

91.6 Sec. 43. **[403.163] LIABILITY PROTECTION FOR SELLERS AND**  
 91.7 **PROVIDERS.**

91.8 (a) A provider or seller of prepaid wireless telecommunications service is not liable  
 91.9 for damages to any person resulting from or incurred in connection with providing any  
 91.10 lawful assistance in good faith to any investigative or law enforcement officer of the  
 91.11 United States, this or any other state, or any political subdivision of this or any other state.

91.12 (b) In addition to the protection from liability provided by paragraphs (a) and (b),  
 91.13 section 403.08, subdivision 11, applies to sellers and providers.

91.14 **EFFECTIVE DATE.** This section is effective January 1, 2014.

91.15 Sec. 44. **[403.164] EXCLUSIVITY OF PREPAID WIRELESS E911 FEE.**

91.16 The prepaid wireless E911 fee imposed by section 403.161 is the only E911 funding  
 91.17 obligation imposed with respect to prepaid wireless telecommunications service in this  
 91.18 state, and no tax, fee, surcharge, or other charge may be imposed by this state, any political  
 91.19 subdivision of this state, or any intergovernmental agency, for E911 funding purposes,  
 91.20 upon any provider, seller, or consumer with respect to the sale, purchase, use, or provision  
 91.21 of prepaid wireless telecommunications service.

91.22 **EFFECTIVE DATE.** This section is effective January 1, 2014.

91.23 Sec. 45. **FLOOR STOCKS TAX.**

91.24 (a) A floor stocks cigarette tax is imposed on every person engaged in the business  
 91.25 in this state as a distributor, retailer, subjobber, vendor, manufacturer, or manufacturer's  
 91.26 representative of cigarettes, on the stamped cigarettes and unaffixed stamps in the person's  
 91.27 possession or under the person's control at 12:01 a.m. on July 1, 2013. The tax is imposed  
 91.28 at the following rates:

91.29 (1) on cigarettes weighing not more than three pounds per thousand, 47 mills on  
 91.30 each cigarette; and

91.31 (2) on cigarettes weighing more than three pounds per thousand, 94 mills on each  
 91.32 cigarette.

92.1 (b) Each distributor, on or before July 10, 2013, shall file a return with the  
 92.2 commissioner of revenue, in the form the commissioner prescribes, showing the stamped  
 92.3 cigarettes and unaffixed stamps on hand at 12:01 a.m. on July 1, 2013, and the amount of  
 92.4 tax due on the cigarettes and unaffixed stamps.

92.5 (c) Each retailer, subjobber, vendor, manufacturer, or manufacturer's representative,  
 92.6 on or before July 10, 2013, shall file a return with the commissioner of revenue, in the  
 92.7 form the commissioner prescribes, showing the cigarettes on hand at 12:01 a.m. on July 1,  
 92.8 2013, and the amount of tax due on the cigarettes.

92.9 (d) The tax imposed by this section is due and payable on or before September 4,  
 92.10 2013, and after that date bears interest at the rate of one percent per month.

92.11 **EFFECTIVE DATE.** This section is effective July 1, 2013.

92.12 Sec. 46. **TAXES AND FEES PAID BY INDIANS AND INDIAN TRIBES.**

92.13 Subdivision 1. **Health impact fees imposed from 2005 through 2009.** (a) The  
 92.14 commissioner of revenue shall recompute all cigarette and tobacco products excise tax  
 92.15 refunds and payments for periods after July 31, 2005, but before January 1, 2010, that  
 92.16 were made to Indian tribes under agreements entered into under Minnesota Statutes,  
 92.17 section 270C.19.

92.18 (b) In making the recomputation for each year, the commissioner must (1) use a per  
 92.19 capita amount, as that phrase is used in the agreements, equal to the sum of (i) the average  
 92.20 statewide per capita cigarette and tobacco products excise tax paid during the applicable  
 92.21 state fiscal year plus (ii) the statewide average per capita health impact fee paid on cigarette  
 92.22 and tobacco products during the applicable state fiscal year, and (2) add the health impact  
 92.23 fees collected on cigarettes and tobacco products delivered onto the reservation to the total  
 92.24 cigarette and tobacco products excise tax collected on cigarettes and tobacco products  
 92.25 delivered onto the reservation to determine the tax base to share under the agreements.

92.26 (c) The additional payments to each tribe payable under this section are equal to the  
 92.27 amount determined under the recomputation for the tribe minus the amount previously  
 92.28 paid as a cigarette and tobacco products excise tax or health impact fee refund or payment  
 92.29 to the tribe under any agreement entered into under Minnesota Statutes, section 270C.19.

92.30 (d) The commissioner shall compute the additional payments required under this  
 92.31 section based on information available to the commissioner. The tribe does not need to  
 92.32 file a claim for payment.

92.33 (e) The additional payments under this subdivision must only be paid to a tribe that  
 92.34 has entered into an agreement under Minnesota Statutes, section 270C.19, subdivision 5,

93.1 that covers health impact fees imposed on cigarettes and tobacco products delivered onto  
93.2 the reservation after December 31, 2009.

93.3 Subd. 2. **Limited authority to enter into health impact fee agreements.** (a)

93.4 Notwithstanding Minnesota Statutes, section 270C.19, or any other law, the commissioner  
93.5 must not enter into any agreement covering health impact fees imposed on cigarettes and  
93.6 tobacco products sold, purchased, or delivered onto a reservation before January 1, 2010.

93.7 (b) Notwithstanding Minnesota Statutes, section 270C.19, or any other law, the  
93.8 commissioner is not authorized to enter into any agreement covering the health impact  
93.9 fee imposed on cigarettes and tobacco products sold, purchased, or delivered onto a  
93.10 reservation after December 31, 2009.

93.11 Subd. 3. **Payments to tribes under existing agreements.** (a) The commissioner  
93.12 must not make refunds and payments of health impact fees required under any agreement  
93.13 entered into under Minnesota Statutes, section 270C.19, subdivision 5, for any period after  
93.14 the health impact fee has been repealed.

93.15 (b) The commissioner must adjust all annual cigarette and tobacco products excise  
93.16 tax per capita amounts under existing tax agreements entered into under Minnesota  
93.17 Statutes, section 270C.19, subdivisions 1 and 2, to \$95, effective for refunds due for the  
93.18 quarter ending September 30, 2013. This amount may be changed upon mutual agreement  
93.19 of the parties to the agreement to more accurately reflect taxes paid on the reservation  
93.20 by tribal members.

93.21 Subd. 4. **Appropriation.** An amount necessary to make refunds and payments  
93.22 under this section is appropriated to the commissioner from the general fund.

93.23 **EFFECTIVE DATE.** This section is effective the day following final enactment,  
93.24 except that subdivision 2, paragraph (b), is effective January 2, 2014.

93.25 Sec. 47. **REPORT.**

93.26 On or before June 30, 2016, and every four years thereafter, the commissioner of  
93.27 transportation, in consultation with the commissioner of revenue, shall prepare and submit  
93.28 to the chairs and ranking minority members of the senate and house of representatives  
93.29 committees with jurisdiction over transportation policy and budget, a report that identifies  
93.30 the amount and sources of annual revenues attributable to each type of aviation tax, along  
93.31 with annual expenditures from the state airports fund, and any other transfers out of the  
93.32 fund, during the previous four years. The report must include draft legislation for any  
93.33 recommended statutory changes to ensure the future adequacy of the state airports fund.

94.1 **EFFECTIVE DATE.** This section is effective July 1, 2014, and applies to aircraft  
94.2 tax due on or after that date.

94.3 Sec. 48. **ARMER GRANTS.**

94.4 \$1,500,000 in fiscal year 2014 and \$1,500,000 in fiscal year 2015 is appropriated  
94.5 from the 911 account of the state government special revenue fund to the commissioner of  
94.6 public safety for grants to counties to reimburse for the sales tax costs associated with  
94.7 upgrading public safety radio systems prior to January 1, 2013. The commissioner of  
94.8 public safety shall give preference to counties that did not receive state or federal grants to  
94.9 upgrade their public safety radio systems. This is a onetime appropriation.

94.10 **EFFECTIVE DATE.** This section is effective January 1, 2014.

94.11 Sec. 49. **TOBACCO TAX COLLECTION REPORT.**

94.12 Subdivision 1. **Report to legislature.** (a) The commissioner of revenue shall report  
94.13 to the 2014 legislature on the tobacco tax collection system, including recommendations  
94.14 to improve compliance under the excise tax for both cigarettes and other tobacco products.  
94.15 The purpose of the report is to provide information and guidance to the legislature on  
94.16 improvements to the tobacco tax collection system to:

94.17 (1) provide a unified system of collecting both the cigarette and other tobacco  
94.18 taxes, regardless of category, size, or shape, that ensures the highest reasonable rates of  
94.19 tax collection;

94.20 (2) discourage tax evasion; and

94.21 (3) help to prevent illegal sale of tobacco products, which may make these products  
94.22 more accessible to youth.

94.23 (b) In the report, the commissioner shall:

94.24 (1) provide a detailed review of the present excise tax collection and compliance  
94.25 system as it applies to both cigarettes and other tobacco products. This must include  
94.26 an assessment of the levels of compliance for each category of products and the effect  
94.27 of the stamping requirement on compliance for each category of products and the effect  
94.28 of the stamping requirement on compliance rates for cigarettes relative to other tobacco  
94.29 products. It also must identify any weaknesses in the system;

94.30 (2) survey the methods of collection and enforcement used by other states or nations,  
94.31 including identifying and discussing emerging best practices that ensure tracking of both  
94.32 cigarettes and other tobacco products and result in the highest rates of tax collection and  
94.33 compliance. These best practices must consider high-technology alternatives, such as use

95.1 of bar codes, radio-frequency identification tags, or similar mechanisms for tracking  
 95.2 compliance;

95.3 (3) evaluate the adequacy and effectiveness of the existing penalties and other  
 95.4 sanctions for noncompliance;

95.5 (4) evaluate the adequacy of the resources allocated by the state to enforce the  
 95.6 tobacco tax and prevention laws; and

95.7 (5) make recommendations on implementation of a comprehensive tobacco tax  
 95.8 collection system for Minnesota that can be implemented by January 1, 2014, including:

95.9 (i) recommendations on the specific steps needed to institute and implement the new  
 95.10 system, including estimates of the state's costs of doing so and any additional personnel  
 95.11 requirements;

95.12 (ii) recommendations on methods to recover the cost of implementing the system  
 95.13 from the industry;

95.14 (iii) evaluation of the extent to which the proposed system is sufficiently flexible  
 95.15 and adaptable to adjust to modifications in the construction, packaging, formatting, and  
 95.16 marketing of tobacco products by the industry; and

95.17 (iv) recommendations to modify existing penalties or to impose new penalties or  
 95.18 other sanctions to ensure compliance with the system.

95.19 Subd. 2. **Due date.** The report required by subdivision 1 is due January 1, 2014.

95.20 Subd. 3. **Procedure.** The report required under this section must be made in the  
 95.21 manner provided under Minnesota Statutes, section 3.195. In addition, copies must be  
 95.22 provided to the chairs and ranking minority members of the legislative committees and  
 95.23 divisions with jurisdiction over taxation.

95.24 Subd. 4. **Appropriation.** (a) \$100,000 is appropriated from the general fund to the  
 95.25 commissioner of revenue for fiscal year 2014 for the cost of preparing the report under  
 95.26 subdivision 1.

95.27 (b) The appropriation under this subdivision is a onetime appropriation and is not  
 95.28 included in the base budget.

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

95.30 Sec. 50. **REPEALER.**

95.31 Minnesota Statutes 2012, sections 16A.725; 256.9658; 290.171; 290.173; and  
 95.32 290.174, are repealed.

95.33 **EFFECTIVE DATE.** This section is effective July 1, 2013.

96.1 **ARTICLE 5**

96.2 **INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES**

96.3 Section 1. **[116J.3738] QUALIFIED EXPANSIONS OF GREATER MINNESOTA**  
 96.4 **BUSINESSES.**

96.5 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
 96.6 have the meanings given unless the context clearly indicates otherwise.

96.7 (b) "Agricultural processing facility" means one or more facilities or operations  
 96.8 that transform, package, sort, or grade livestock or livestock products, agricultural  
 96.9 commodities, or plants or plant products into goods that are used for intermediate or final  
 96.10 consumption including goods for nonfood use, and surrounding property.

96.11 (c) "Business" means an individual, corporation, partnership, limited liability  
 96.12 company, association, or any other entity engaged in operating a trade or business located  
 96.13 in greater Minnesota.

96.14 (d) "City" means a statutory or home rule charter city.

96.15 (e) "Greater Minnesota" means the area of the state that excludes the metropolitan  
 96.16 area, as defined in section 473.121, subdivision 2.

96.17 (f) "Qualified business" means a business that satisfies the requirements of subdivision  
 96.18 2, has been certified under subdivision 3, and has not been terminated under subdivision 5.

96.19 Subd. 2. **Qualified business.** (a) A business is a qualified business if it satisfies the  
 96.20 requirement of this paragraph and is not disqualified under the provisions of paragraph

96.21 (b). To qualify, the business must:

96.22 (1) have operated its trade or business in a city or cities in greater Minnesota for at  
 96.23 least one year before applying under subdivision 3;

96.24 (2) pay or agree to pay in the future each employee compensation, including benefits  
 96.25 not mandated by law, that on an annualized basis equal at least 120 percent of the federal  
 96.26 poverty level for a family of four;

96.27 (3) plan and agree to expand its employment in one or more cities in greater Minnesota  
 96.28 by the minimum number of employees required under subdivision 3, paragraph (c); and

96.29 (4) received certification from the commissioner under subdivision 3 that it is a  
 96.30 qualified business.

96.31 (b) A business is not a qualified business if it is either:

96.32 (1) primarily engaged in making retail sales to purchasers who are physically present  
 96.33 at the business's location or locations in greater Minnesota; or

96.34 (2) a public utility, as defined in section 336B.01.

97.1 (c) The requirements in paragraph (a) that the business' operations and expansion be  
 97.2 located in a city do not apply to an agricultural processing facility.

97.3 Subd. 3. **Certification of qualified business.** (a) A business may apply to  
 97.4 the commissioner for certification as a qualified business under this section. The  
 97.5 commissioner shall specify the form of the application, the manner and times for applying,  
 97.6 and the information required to be included in the application. The commissioner may  
 97.7 impose an application fee in an amount sufficient to defray the commissioner's cost of  
 97.8 processing certifications. A business must file a copy of its application with the chief  
 97.9 clerical officer of the city at the same it applies to the commissioner. For an agricultural  
 97.10 processing facility located outside the boundaries of a city, the business must file a copy  
 97.11 of the application with the county auditor.

97.12 (b) The commissioner shall certify each business as a qualified business that:

97.13 (1) satisfies the requirements of subdivision 2;

97.14 (2) the commissioner determines would not expand its operations in greater  
 97.15 Minnesota without the tax incentives available under subdivision 4; and

97.16 (3) enters a business subsidy agreement with the commissioner that pledges to  
 97.17 satisfy the minimum expansion requirements of paragraph (c) within three years or less  
 97.18 following execution of the agreement.

97.19 The commissioner must act on an application within 60 days after its filing. Failure  
 97.20 by the commissioner to take action within the 60-day period is deemed approval of the  
 97.21 application.

97.22 (c) The following minimum expansion requirements apply, based on the number of  
 97.23 employees of the business at locations in greater Minnesota:

97.24 (1) a business that employees 50 or fewer full-time equivalent employees in greater  
 97.25 Minnesota when the agreement is executed must increase its employment by five or more  
 97.26 full-time equivalent employees;

97.27 (2) a business that employees more than 50 but fewer than 200 full-time equivalent  
 97.28 employees in greater Minnesota when the agreement is executed must increase the number  
 97.29 of its full-time equivalent employees in greater Minnesota by at least ten percent; or

97.30 (3) a business that employees 200 or more full-time equivalent employees in greater  
 97.31 Minnesota when the agreement is executed must increase its employment by at least 21  
 97.32 full-time equivalent employees.

97.33 (d) The city, or a county for an agricultural processing facility located outside the  
 97.34 boundaries of a city, in which the business proposes to expand its operations may file  
 97.35 comments supporting or opposing the application with the commissioner. The comments  
 97.36 must be filed within 30 days after receipt by the city of the application and may include a

98.1 notice of any contribution the city or county intends to make to encourage or support the  
98.2 business expansion, such as the use of tax increment financing, property tax abatement,  
98.3 additional city or county services, or other financial assistance.

98.4 (e) Certification of a qualified business is effective for the 12-year period beginning  
98.5 on the first day of the calendar month immediately following execution of the business  
98.6 subsidy agreement.

98.7 Subd. 4. **Available tax incentives.** A qualified business is entitled to one or more  
98.8 of the following tax incentives as provided under its business subsidy agreement with  
98.9 the commissioner:

98.10 (1) a sales tax exemption, as provided in section 297A.68, subdivision 44, for  
98.11 purchases made during the period the business was certified as a qualified business under  
98.12 this section; and

98.13 (2) the jobs credit, as provided in section 290.0682, effective for taxable years  
98.14 beginning during a calendar year in which certification of the business as a qualified  
98.15 business applies under this section.

98.16 Subd. 5. **Termination of status as a qualified business.** (a) The commissioner shall  
98.17 put in place a system for monitoring and ensuring that each certified business meets within  
98.18 three years or less the minimum expansion requirement in its business subsidy agreement  
98.19 and continues to satisfy those requirements for the rest of the duration of the certification  
98.20 under subdivision 3. This system must include regular reporting by the business to the  
98.21 commissioner of its baseline and current employment levels and any other information  
98.22 the commissioner determines may be useful to ensure compliance and for legislative  
98.23 evaluation of the effectiveness of the tax incentives.

98.24 (b) A business ceases to be a qualified business and to qualify for the sales tax  
98.25 exemption under section 297A.68, subdivision 49, under this subdivision upon the earlier  
98.26 of the following dates:

98.27 (1) the end of the duration of its designation under subdivision 3, paragraph (e),  
98.28 effective as provided under this subdivision or other provision of law for the tax incentive;  
98.29 or

98.30 (2) the date the commissioner finds that the business has breached its business  
98.31 subsidy agreement and failed to satisfy the minimum expansion required by subdivision 3  
98.32 and its agreement.

98.33 (c) A business may contest the commissioner's finding that it breached its business  
98.34 subsidy agreement under paragraph (b), clause (2), under the contested case procedures in  
98.35 the Administrative Procedure Act, chapter 14.

99.1 (d) The commissioner, after consulting with the commissioner of revenue, may  
 99.2 waive a breach of the business subsidy agreement and permit continued receipt of tax  
 99.3 incentives, if the commissioner determines that termination of the tax incentives is not in  
 99.4 the best interest of the state or the local government units and the business' breach of the  
 99.5 agreement is a result of circumstances beyond its control including, but not limited to:

99.6 (1) a natural disaster;

99.7 (2) unforeseen industry trends;

99.8 (3) a decline in economic activity in the overall or greater Minnesota economy; or

99.9 (4) loss of a major supplier or customer of the business.

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

99.11 Sec. 2. Minnesota Statutes 2012, section 116J.8737, subdivision 1, is amended to read:

99.12 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms  
 99.13 have the meanings given.

99.14 (b) "Qualified small business" means a business that has been certified by the  
 99.15 commissioner under subdivision 2.

99.16 (c) "Qualified investor" means an investor who has been certified by the  
 99.17 commissioner under subdivision 3.

99.18 (d) "Qualified fund" means a pooled angel investment network fund that has been  
 99.19 certified by the commissioner under subdivision 4.

99.20 (e) "Qualified investment" means a cash investment in a qualified small business  
 99.21 of a minimum of:

99.22 (1) \$10,000 in a calendar year by a qualified investor; or

99.23 (2) \$30,000 in a calendar year by a qualified fund.

99.24 A qualified investment must be made in exchange for common stock, a partnership  
 99.25 or membership interest, preferred stock, debt with mandatory conversion to equity, or an  
 99.26 equivalent ownership interest as determined by the commissioner.

99.27 (f) "Family" means a family member within the meaning of the Internal Revenue  
 99.28 Code, section 267(c)(4).

99.29 (g) "Pass-through entity" means a corporation that for the applicable taxable year is  
 99.30 treated as an S corporation or a general partnership, limited partnership, limited liability  
 99.31 partnership, trust, or limited liability company and which for the applicable taxable year is  
 99.32 not taxed as a corporation under chapter 290.

99.33 (h) "Intern" means a student of an accredited institution of higher education, or a  
 99.34 former student who has graduated in the past six months from an accredited institution  
 99.35 of higher education, who is employed by a qualified small business in a nonpermanent

100.1 position for a duration of nine months or less that provides training and experience in the  
100.2 primary business activity of the business.

100.3 (i) "Qualified greater Minnesota business" means a qualified small business that  
100.4 is also certified by the commissioner as a qualified greater Minnesota business under  
100.5 subdivision 2, paragraph (h).

100.6 (j) "Liquidation event" means a conversion of qualified investment for cash, cash  
100.7 and other consideration, or any other form of equity or debt interest.

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

100.9 Sec. 3. Minnesota Statutes 2012, section 116J.8737, subdivision 2, is amended to read:

100.10 Subd. 2. **Certification of qualified small businesses.** (a) Businesses may apply  
100.11 to the commissioner for certification as a qualified small business for a calendar year.  
100.12 In addition, the business' application may request certification as a qualified greater  
100.13 Minnesota business under paragraph (h). The application must be in the form and  
100.14 be made under the procedures specified by the commissioner, accompanied by an  
100.15 application fee of \$150. Application fees are deposited in the small business investment  
100.16 tax credit administration account in the special revenue fund. The application for  
100.17 certification for 2010 must be made available on the department's Web site by August 1,  
100.18 2010. Applications for subsequent years' certification must be made available on the  
100.19 department's Web site by November 1 of the preceding year.

100.20 (b) Within 30 days of receiving an application for certification under this  
100.21 subdivision, the commissioner must either certify the business as satisfying the conditions  
100.22 required of a qualified small business or a qualified greater Minnesota business, request  
100.23 additional information from the business, or reject the application for certification. If  
100.24 the commissioner requests additional information from the business, the commissioner  
100.25 must either certify the business or reject the application within 30 days of receiving the  
100.26 additional information. If the commissioner neither certifies the business nor rejects  
100.27 the application within 30 days of receiving the original application or within 30 days of  
100.28 receiving the additional information requested, whichever is later, then the application is  
100.29 deemed rejected, and the commissioner must refund the \$150 application fee. A business  
100.30 that applies for certification and is rejected may reapply.

100.31 (c) To receive certification as a qualified small business, a business must satisfy  
100.32 all of the following conditions:

100.33 (1) the business has its headquarters in Minnesota;

100.34 (2) at least 51 percent of the business's employees are employed in Minnesota, and  
100.35 51 percent of the business's total payroll is paid or incurred in the state;

101.1 (3) the business is engaged in, or is committed to engage in, innovation in Minnesota  
 101.2 in one of the following as its primary business activity:

101.3 (i) using proprietary technology to add value to a product, process, or service in a  
 101.4 qualified high-technology field;

101.5 (ii) researching or developing a proprietary product, process, or service in a qualified  
 101.6 high-technology field; or

101.7 (iii) researching, developing, or producing a new proprietary technology for use in  
 101.8 the fields of agriculture, tourism, forestry, mining, manufacturing, or transportation;

101.9 (4) other than the activities specifically listed in clause (3), the business is not  
 101.10 engaged in real estate development, insurance, banking, lending, lobbying, political  
 101.11 consulting, information technology consulting, wholesale or retail trade, leisure,  
 101.12 hospitality, transportation, construction, ethanol production from corn, or professional  
 101.13 services provided by attorneys, accountants, business consultants, physicians, or health  
 101.14 care consultants;

101.15 (5) the business has fewer than 25 employees;

101.16 (6) the business must pay its employees annual wages of at least 175 percent of the  
 101.17 federal poverty guideline for the year for a family of four and must pay its interns annual  
 101.18 wages of at least 175 percent of the federal minimum wage used for federally covered  
 101.19 employers, except that this requirement must be reduced proportionately for employees  
 101.20 and interns who work less than full-time, and does not apply to an executive, officer, or  
 101.21 member of the board of the business, or to any employee who owns, controls, or holds  
 101.22 power to vote more than 20 percent of the outstanding securities of the business;

101.23 (7) the business has not been in operation for more than ten years;

101.24 (8) the business has not previously received private equity investments of more  
 101.25 than \$4,000,000; ~~and~~

101.26 (9) the business is not an entity disqualified under section 80A.50, paragraph (b),  
 101.27 clause (3); and

101.28 (10) the business has not issued securities that are traded on a public exchange.

101.29 (d) In applying the limit under paragraph (c), clause (5), the employees in all members  
 101.30 of the unitary business, as defined in section 290.17, subdivision 4, must be included.

101.31 (e) In order for a qualified investment in a business to be eligible for tax credits, the  
 101.32 business:

101.33 (1) the business must have applied for and received certification for the calendar  
 101.34 year in which the investment was made prior to the date on which the qualified investment  
 101.35 was made;

101.36 (2) must not have issued securities that are traded on a public exchange;

102.1 (3) must not issue securities that are traded on a public exchange within 180 days  
 102.2 after the date on which the qualified investment was made; and

102.3 (4) must not have a liquidation event within 180 days after the date on which a  
 102.4 qualified investment was made.

102.5 (f) The commissioner must maintain a list of qualified small businesses and qualified  
 102.6 greater Minnesota businesses certified under this subdivision for the calendar year and  
 102.7 make the list accessible to the public on the department's Web site.

102.8 (g) For purposes of this subdivision, the following terms have the meanings given:

102.9 (1) "qualified high-technology field" includes aerospace, agricultural processing,  
 102.10 renewable energy, energy efficiency and conservation, environmental engineering, food  
 102.11 technology, cellulosic ethanol, information technology, materials science technology,  
 102.12 nanotechnology, telecommunications, biotechnology, medical device products,  
 102.13 pharmaceuticals, diagnostics, biologicals, chemistry, veterinary science, and similar  
 102.14 fields; ~~and~~

102.15 (2) "proprietary technology" means the technical innovations that are unique and  
 102.16 legally owned or licensed by a business and includes, without limitation, those innovations  
 102.17 that are patented, patent pending, a subject of trade secrets, or copyrighted; and

102.18 (3) "greater Minnesota" means the area of Minnesota located outside of the  
 102.19 metropolitan area as defined in section 473.121, subdivision 2.

102.20 (h) To receive certification as a qualified greater Minnesota business, a business must  
 102.21 satisfy all of the requirements of paragraph (c) and must satisfy the following conditions:

102.22 (1) the business has its headquarters in greater Minnesota; and

102.23 (2) at least 51 percent of the business's employees are employed in greater Minnesota,  
 102.24 and 51 percent of the business's total payroll is paid or incurred in greater Minnesota.

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

102.26 Sec. 4. Minnesota Statutes 2012, section 116J.8737, subdivision 5, is amended to read:

102.27 Subd. 5. **Credit allowed.** (a) A qualified investor or qualified fund is eligible for a  
 102.28 credit equal to 25 percent of the qualified investment in a qualified small business.

102.29 Investments made by a pass-through entity qualify for a credit only if the entity is a  
 102.30 qualified fund. The commissioner must not allocate more than \$11,000,000 in credits to  
 102.31 qualified investors or qualified funds for taxable years beginning after December 31, 2009,  
 102.32 and before January 1, 2011, and must not allocate more than \$12,000,000 in credits per  
 102.33 year for taxable years beginning after December 31, 2010, and before January 1, 2015  
 102.34 2013, or more than \$17,000,000 in credits per year for taxable years beginning after

103.1 December 31, 2012, and before January 1, 2016. Any portion of a taxable year's credits  
103.2 that is not allocated by the commissioner does not cancel and may be carried forward to  
103.3 subsequent taxable years until all credits have been allocated.

103.4 (b) The commissioner may not allocate more than a total maximum amount in credits  
103.5 for a taxable year to a qualified investor for the investor's cumulative qualified investments  
103.6 as an individual qualified investor and as an investor in a qualified fund; for married  
103.7 couples filing joint returns the maximum is \$250,000, and for all other filers the maximum  
103.8 is \$125,000. The commissioner may not allocate more than a total of \$1,000,000 in credits  
103.9 over all taxable years for qualified investments in any one qualified small business.

103.10 (c) The commissioner may not allocate a credit to a qualified investor either as an  
103.11 individual qualified investor or as an investor in a qualified fund if the investor receives  
103.12 more than 50 percent of the investor's gross annual income from the qualified small  
103.13 business in which the qualified investment is proposed. A member of the family of an  
103.14 individual disqualified by this paragraph is not eligible for a credit under this section. For  
103.15 a married couple filing a joint return, the limitations in this paragraph apply collectively  
103.16 to the investor and spouse. For purposes of determining the ownership interest of an  
103.17 investor under this paragraph, the rules under section 267(c) and 267(e) of the Internal  
103.18 Revenue Code apply.

103.19 (d) Applications for tax credits for 2010 must be made available on the department's  
103.20 Web site by September 1, 2010, and the department must begin accepting applications  
103.21 by September 1, 2010. Applications for subsequent years must be made available by  
103.22 November 1 of the preceding year.

103.23 (e) Qualified investors and qualified funds must apply to the commissioner for tax  
103.24 credits. Tax credits must be allocated to qualified investors or qualified funds in the order  
103.25 that the tax credit request applications are filed with the department. The commissioner  
103.26 must approve or reject tax credit request applications within 15 days of receiving the  
103.27 application. The investment specified in the application must be made within 60 days of  
103.28 the allocation of the credits. If the investment is not made within 60 days, the credit  
103.29 allocation is canceled and available for reallocation. A qualified investor or qualified fund  
103.30 that fails to invest as specified in the application, within 60 days of allocation of the  
103.31 credits, must notify the commissioner of the failure to invest within five business days of  
103.32 the expiration of the 60-day investment period.

103.33 (f) All tax credit request applications filed with the department on the same day must  
103.34 be treated as having been filed contemporaneously. If two or more qualified investors or  
103.35 qualified funds file tax credit request applications on the same day, and the aggregate  
103.36 amount of credit allocation claims exceeds the aggregate limit of credits under this section

104.1 or the lesser amount of credits that remain unallocated on that day, then the credits must  
104.2 be allocated among the qualified investors or qualified funds who filed on that day on a  
104.3 pro rata basis with respect to the amounts claimed. The pro rata allocation for any one  
104.4 qualified investor or qualified fund is the product obtained by multiplying a fraction,  
104.5 the numerator of which is the amount of the credit allocation claim filed on behalf of  
104.6 a qualified investor and the denominator of which is the total of all credit allocation  
104.7 claims filed on behalf of all applicants on that day, by the amount of credits that remain  
104.8 unallocated on that day for the taxable year.

104.9 (g) A qualified investor or qualified fund, or a qualified small business acting on their  
104.10 behalf, must notify the commissioner when an investment for which credits were allocated  
104.11 has been made, and the taxable year in which the investment was made. A qualified fund  
104.12 must also provide the commissioner with a statement indicating the amount invested by  
104.13 each investor in the qualified fund based on each investor's share of the assets of the  
104.14 qualified fund at the time of the qualified investment. After receiving notification that the  
104.15 investment was made, the commissioner must issue credit certificates for the taxable year  
104.16 in which the investment was made to the qualified investor or, for an investment made by  
104.17 a qualified fund, to each qualified investor who is an investor in the fund. The certificate  
104.18 must state that the credit is subject to revocation if the qualified investor or qualified  
104.19 fund does not hold the investment in the qualified small business for at least three years,  
104.20 consisting of the calendar year in which the investment was made and the two following  
104.21 years. The three-year holding period does not apply if:

104.22 (1) the investment by the qualified investor or qualified fund becomes worthless  
104.23 before the end of the three-year period;

104.24 (2) 80 percent or more of the assets of the qualified small business is sold before  
104.25 the end of the three-year period;

104.26 (3) the qualified small business is sold before the end of the three-year period; or

104.27 (4) the qualified small business's common stock begins trading on a public exchange  
104.28 before the end of the three-year period.

104.29 (h) The commissioner must notify the commissioner of revenue of credit certificates  
104.30 issued under this section.

104.31 **EFFECTIVE DATE.** This section is effective the day following final enactment for  
104.32 taxable years beginning after December 31, 2012.

104.33 Sec. 5. Minnesota Statutes 2012, section 116J.8737, is amended by adding a  
104.34 subdivision to read:

105.1 Subd. 5a. **Promotion of credit in greater Minnesota.** (a) By July 1, 2013, the  
 105.2 commissioner shall develop a plan to increase awareness of and use of the credit for  
 105.3 investments in greater Minnesota businesses with a target goal that a minimum of 30  
 105.4 percent of the credit will be awarded for those investments during the second half  
 105.5 of calendar year 2013 and for each full calendar year thereafter. Beginning with the  
 105.6 legislative report due on March 15, 2014, under subdivision 9, the commissioner shall  
 105.7 report on its plan under this subdivision and the results achieved.

105.8 (b) If the target goal of 30 percent under paragraph (a) is not achieved for the  
 105.9 six-month period ending on December 31, 2013, the credit percentage under subdivision  
 105.10 5, paragraph (a), is increased to 40 percent for a qualified investment made after December  
 105.11 31, 2013, in a greater Minnesota business. This paragraph does not apply and the credit  
 105.12 percentage for all qualified investments is the rate provided under subdivision 5 for any  
 105.13 calendar year beginning after a calendar year for which the commissioner determines the  
 105.14 30 percent target has been satisfied. The commissioner shall timely post notification of  
 105.15 changes in the credit rate under this paragraph on the department's Web site.

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

105.17 Sec. 6. Minnesota Statutes 2012, section 116J.8737, subdivision 7, is amended to read:

105.18 **Subd. 7. Revocation of credits.** (a) If the commissioner determines that a  
 105.19 qualified investor or qualified fund did not meet the three-year holding period required in  
 105.20 subdivision 5, paragraph (g), any credit allocated and certified to the investor or fund is  
 105.21 revoked and must be repaid by the investor.

105.22 (b) If the commissioner determines that a business did not meet the employment  
 105.23 and payroll requirements in subdivision 2, paragraph (c), clause (2), or paragraph (h), as  
 105.24 applicable, in any of the five calendar years following the year in which an investment in the  
 105.25 business that qualified for a tax credit under this section was made, the business must repay  
 105.26 the following percentage of the credits allowed for qualified investments in the business:

105.27	Year following the year in which	Percentage of credit required
105.28	the investment was made:	to be repaid:
105.29	First	100%
105.30	Second	80%
105.31	Third	60%
105.32	Fourth	40%
105.33	Fifth	20%
105.34	Sixth and later	0

105.35 (c) The commissioner must notify the commissioner of revenue of every credit  
 105.36 revoked and subject to full or partial repayment under this section.

106.1 (d) For the repayment of credits allowed under this section and section 290.0692,  
 106.2 a qualified small business, qualified investor, or investor in a qualified fund must file an  
 106.3 amended return with the commissioner of revenue and pay any amounts required to be  
 106.4 repaid within 30 days after becoming subject to repayment under this section.

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

106.6 Sec. 7. Minnesota Statutes 2012, section 116J.8737, subdivision 9, is amended to read:

106.7 Subd. 9. **Report to legislature.** Beginning in 2011, the commissioner must  
 106.8 annually report by March 15 to the chairs and ranking minority members of the legislative  
 106.9 committees having jurisdiction over taxes and economic development in the senate and  
 106.10 the house of representatives, in compliance with sections 3.195 and 3.197, on the tax  
 106.11 credits issued under this section. The report must include:

106.12 (1) the number and amount of the credits issued;

106.13 (2) the recipients of the credits;

106.14 (3) for each qualified small business, its location, line of business, and if it received  
 106.15 an investment resulting in certification of tax credits;

106.16 (4) the total amount of investment in each qualified small business resulting in  
 106.17 certification of tax credits;

106.18 (5) for each qualified small business that received investments resulting in tax  
 106.19 credits, the total amount of additional investment that did not qualify for the tax credit;

106.20 (6) the number and amount of credits revoked under subdivision 7;

106.21 (7) the number and amount of credits that are no longer subject to the three-year  
 106.22 holding period because of the exceptions under subdivision 5, paragraph (g), clauses  
 106.23 (1) to (4); ~~and~~

106.24 (8) the number of qualified small businesses that are women or minority-owned; and

106.25 (9) any other information relevant to evaluating the effect of these credits.

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

106.27 Sec. 8. Minnesota Statutes 2012, section 116J.8737, subdivision 12, is amended to read:

106.28 Subd. 12. **Sunset.** This section expires for taxable years beginning after December  
 106.29 31, ~~2014~~ 2015, except that reporting requirements under subdivision 6 and revocation  
 106.30 of credits under subdivision 7 remain in effect through ~~2016~~ 2017 for qualified  
 106.31 investors and qualified funds, and through ~~2018~~ 2019 for qualified small businesses,  
 106.32 reporting requirements under subdivision 9 remain in effect through ~~2019~~ 2020, and the  
 106.33 appropriation in subdivision 11 remains in effect through ~~2018~~ 2019.

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

107.2 Sec. 9. **[136A.129] GREATER MINNESOTA INTERNSHIP PROGRAM.**

107.3 Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms defined in  
 107.4 this subdivision have the meanings given to them.

107.5 (b) "Eligible employer" means a taxpayer under section 290.01 with employees  
 107.6 located in greater Minnesota.

107.7 (c) "Eligible institution" means a Minnesota public postsecondary institution or a  
 107.8 Minnesota private, nonprofit, baccalaureate degree-granting college or university.

107.9 (d) "Eligible student" means a student enrolled in an eligible institution who has  
 107.10 completed one-half of the credits necessary for the respective degree or certification.

107.11 (e) "Greater Minnesota" means the area of the state outside of the counties of Anoka,  
 107.12 Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and  
 107.13 Wright.

107.14 Subd. 2. **Program established.** The Office of Higher Education shall administer  
 107.15 a greater Minnesota internship program through eligible institutions to provide credit at  
 107.16 the eligible institution for internships and tax credits for eligible employers who hire  
 107.17 interns for employment in greater Minnesota. The purpose of the program is to encourage  
 107.18 Minnesota businesses to:

107.19 (1) employ and provide valuable experience to Minnesota students; and

107.20 (2) foster long-term relationships between the students and greater Minnesota  
 107.21 employers.

107.22 Subd. 3. **Program components.** (a) An intern must be an eligible student who has  
 107.23 been admitted to a major program that is related to the intern experience as determined  
 107.24 by the eligible institution.

107.25 (b) To participate in the program, an eligible institution must:

107.26 (1) enter into written agreements with eligible employers to provide internships that  
 107.27 are at least 12 weeks long and located in greater Minnesota;

107.28 (2) determine that the work experience of the internship is related to the eligible  
 107.29 student's course of study; and

107.30 (3) provide academic credit for the successful completion of the internship or ensure  
 107.31 that it fulfills requirements necessary to complete a vocational technical education program.

107.32 (c) To participate in the program, an eligible employer must enter into a written  
 107.33 agreement with an eligible institution specifying that the intern:

107.34 (1) would not have been hired without the tax credit described in subdivision 4;

108.1 (2) did not work for the employer in the same or a similar job prior to entering  
108.2 the agreement;

108.3 (3) does not replace an existing employee;

108.4 (4) has not previously participated in the program;

108.5 (5) will be employed at a location in greater Minnesota;

108.6 (6) will be paid at least minimum wage for a minimum of 16 hours per week for a  
108.7 period of at least 12 weeks; and

108.8 (7) will be supervised and evaluated by the employer.

108.9 (d) Participating eligible institutions and eligible employers must report annually to  
108.10 the office. The report must include at least the following:

108.11 (1) the number of interns hired;

108.12 (2) the number of hours and weeks worked by interns; and

108.13 (3) the compensation paid to interns.

108.14 (e) An internship required to complete an academic program does not qualify for the  
108.15 greater Minnesota internship program under this section.

108.16 Subd. 4. **Tax credit allowed.** An employer is entitled to a tax credit as provided  
108.17 in section 290.06, subdivision 3b. The office shall allocate tax credits authorized in  
108.18 subdivision 4 to eligible institutions. The office shall determine relevant criteria to  
108.19 allocate the tax credits including the geographic distribution of credits to work locations  
108.20 outside the metropolitan area. Any credits allocated to an institution but not used may be  
108.21 reallocated to eligible institutions. The office shall allocate a portion of the administrative  
108.22 fee under section 290.06, subdivision 36, to participating eligible institutions for their  
108.23 administrative costs.

108.24 Subd. 5. **Reports to the legislature.** (a) By February 1, 2015, the office and the  
108.25 Department of Revenue shall report to the legislature on the greater Minnesota internship  
108.26 program. The report must include at least the following:

108.27 (1) the number and dollar amount of credits allowed;

108.28 (2) the number of interns employed under the program; and

108.29 (3) the cost of administering the program.

108.30 (b) By February 1, 2016, the office and the Department of Revenue shall report to the  
108.31 legislature with an analysis of the effectiveness of the program in stimulating businesses  
108.32 to hire interns and in assisting participating interns in finding permanent career positions.  
108.33 This report must include the number of students who participated in the program who  
108.34 were subsequently employed full-time by the employer.

108.35 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
108.36 December 31, 2013.

109.1 Sec. 10. Minnesota Statutes 2012, section 289A.08, subdivision 3, is amended to read:

109.2 Subd. 3. **Corporations.** (a) A corporation that is subject to the state's jurisdiction to  
109.3 tax under section 290.014, subdivision 5, must file a return, ~~except that a foreign operating~~  
109.4 ~~corporation as defined in section 290.01, subdivision 6b, is not required to file a return.~~

109.5 (b) Members of a unitary business that are required to file a combined report on one  
109.6 return must designate a member of the unitary business to be responsible for tax matters,  
109.7 including the filing of returns, the payment of taxes, additions to tax, penalties, interest,  
109.8 or any other payment, and for the receipt of refunds of taxes or interest paid in excess of  
109.9 taxes lawfully due. The designated member must be a member of the unitary business that  
109.10 is filing the single combined report and either:

109.11 (1) a corporation that is subject to the taxes imposed by chapter 290; or

109.12 (2) a corporation that is not subject to the taxes imposed by chapter 290:

109.13 (i) Such corporation consents by filing the return as a designated member under this  
109.14 clause to remit taxes, penalties, interest, or additions to tax due from the members of the  
109.15 unitary business subject to tax, and receive refunds or other payments on behalf of other  
109.16 members of the unitary business. The member designated under this clause is a "taxpayer"  
109.17 for the purposes of this chapter and chapter 270C, and is liable for any liability imposed  
109.18 on the unitary business under this chapter and chapter 290.

109.19 (ii) If the state does not otherwise have the jurisdiction to tax the member designated  
109.20 under this clause, consenting to be the designated member does not create the jurisdiction  
109.21 to impose tax on the designated member, other than as described in item (i).

109.22 (iii) The member designated under this clause must apply for a business tax account  
109.23 identification number.

109.24 (c) The commissioner shall adopt rules for the filing of one return on behalf of the  
109.25 members of an affiliated group of corporations that are required to file a combined report.  
109.26 All members of an affiliated group that are required to file a combined report must file one  
109.27 return on behalf of the members of the group under rules adopted by the commissioner.

109.28 (d) If a corporation claims on a return that it has paid tax in excess of the amount of  
109.29 taxes lawfully due, that corporation must include on that return information necessary for  
109.30 payment of the tax in excess of the amount lawfully due by electronic means.

109.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
109.32 December 31, 2012.

109.33 Sec. 11. Minnesota Statutes 2012, section 290.01, subdivision 19b, is amended to read:

109.34 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,  
109.35 and trusts, there shall be subtracted from federal taxable income:

110.1 (1) net interest income on obligations of any authority, commission, or  
110.2 instrumentality of the United States to the extent includable in taxable income for federal  
110.3 income tax purposes but exempt from state income tax under the laws of the United States;

110.4 (2) if included in federal taxable income, the amount of any overpayment of income  
110.5 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
110.6 is received as a refund or as a credit to another taxable year's income tax liability;

110.7 (3) the amount paid to others, less the amount used to claim the credit allowed under  
110.8 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten  
110.9 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and  
110.10 transportation of each qualifying child in attending an elementary or secondary school  
110.11 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a  
110.12 resident of this state may legally fulfill the state's compulsory attendance laws, which  
110.13 is not operated for profit, and which adheres to the provisions of the Civil Rights Act  
110.14 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or  
110.15 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,  
110.16 "textbooks" includes books and other instructional materials and equipment purchased  
110.17 or leased for use in elementary and secondary schools in teaching only those subjects  
110.18 legally and commonly taught in public elementary and secondary schools in this state.  
110.19 Equipment expenses qualifying for deduction includes expenses as defined and limited in  
110.20 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional  
110.21 books and materials used in the teaching of religious tenets, doctrines, or worship, the  
110.22 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books  
110.23 or materials for, or transportation to, extracurricular activities including sporting events,  
110.24 musical or dramatic events, speech activities, driver's education, or similar programs. No  
110.25 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or  
110.26 the qualifying child's vehicle to provide such transportation for a qualifying child. For  
110.27 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
110.28 given in section 32(c)(3) of the Internal Revenue Code;

110.29 (4) income as provided under section 290.0802;

110.30 (5) to the extent included in federal adjusted gross income, income realized on  
110.31 disposition of property exempt from tax under section 290.491;

110.32 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)  
110.33 of the Internal Revenue Code in determining federal taxable income by an individual  
110.34 who does not itemize deductions for federal income tax purposes for the taxable year, an  
110.35 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable

111.1 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code,  
111.2 under the provisions of Public Law 109-1 and Public Law 111-126;

111.3 (7) for individuals who are allowed a federal foreign tax credit for taxes that do not  
111.4 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover  
111.5 of subnational foreign taxes for the taxable year, but not to exceed the total subnational  
111.6 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,  
111.7 "federal foreign tax credit" means the credit allowed under section 27 of the Internal  
111.8 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed  
111.9 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to  
111.10 the extent they exceed the federal foreign tax credit;

111.11 (8) in each of the five tax years immediately following the tax year in which an  
111.12 addition is required under subdivision 19a, clause (7), or 19c, clause ~~(15)~~ (14), in the case  
111.13 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
111.14 delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount  
111.15 of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c,  
111.16 clause ~~(15)~~ (14), in the case of a shareholder of an S corporation, minus the positive value  
111.17 of any net operating loss under section 172 of the Internal Revenue Code generated for the  
111.18 tax year of the addition. The resulting delayed depreciation cannot be less than zero;

111.19 (9) job opportunity building zone income as provided under section 469.316;

111.20 (10) to the extent included in federal taxable income, the amount of compensation  
111.21 paid to members of the Minnesota National Guard or other reserve components of the  
111.22 United States military for active service, excluding compensation for services performed  
111.23 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active  
111.24 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause  
111.25 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision  
111.26 5b, but "active service" excludes service performed in accordance with section 190.08,  
111.27 subdivision 3;

111.28 (11) to the extent included in federal taxable income, the amount of compensation  
111.29 paid to Minnesota residents who are members of the armed forces of the United States  
111.30 or United Nations for active duty performed under United States Code, title 10; or the  
111.31 authority of the United Nations;

111.32 (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
111.33 qualified donor's donation, while living, of one or more of the qualified donor's organs  
111.34 to another person for human organ transplantation. For purposes of this clause, "organ"  
111.35 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
111.36 "human organ transplantation" means the medical procedure by which transfer of a human

112.1 organ is made from the body of one person to the body of another person; "qualified  
112.2 expenses" means unreimbursed expenses for both the individual and the qualified donor  
112.3 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
112.4 may be subtracted under this clause only once; and "qualified donor" means the individual  
112.5 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
112.6 individual may claim the subtraction in this clause for each instance of organ donation for  
112.7 transplantation during the taxable year in which the qualified expenses occur;

112.8 (13) in each of the five tax years immediately following the tax year in which an  
112.9 addition is required under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case  
112.10 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of  
112.11 the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause ~~(16)~~  
112.12 (15), in the case of a shareholder of a corporation that is an S corporation, minus the  
112.13 positive value of any net operating loss under section 172 of the Internal Revenue Code  
112.14 generated for the tax year of the addition. If the net operating loss exceeds the addition for  
112.15 the tax year, a subtraction is not allowed under this clause;

112.16 (14) to the extent included in the federal taxable income of a nonresident of  
112.17 Minnesota, compensation paid to a service member as defined in United States Code, title  
112.18 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief  
112.19 Act, Public Law 108-189, section 101(2);

112.20 (15) to the extent included in federal taxable income, the amount of national service  
112.21 educational awards received from the National Service Trust under United States Code,  
112.22 title 42, sections 12601 to 12604, for service in an approved Americorps National Service  
112.23 program;

112.24 (16) to the extent included in federal taxable income, discharge of indebtedness  
112.25 income resulting from reacquisition of business indebtedness included in federal taxable  
112.26 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
112.27 to the extent that the income was included in net income in a prior year as a result of the  
112.28 addition under section 290.01, subdivision 19a, clause (16); ~~and~~

112.29 (17) the amount of the net operating loss allowed under section 290.095, subdivision  
112.30 11, paragraph (c); and

112.31 (18) in the year that the expenditures are made for railroad track maintenance, as  
112.32 defined in section 45G(d) of the Internal Revenue Code, in the case of a shareholder of a  
112.33 corporation that is an S corporation or a partner in a partnership, an amount equal to the  
112.34 credit awarded pursuant to section 45G(a) of the Internal Revenue Code. The subtraction  
112.35 shall be reduced to an amount equal to the percentage of the shareholder's or partner's  
112.36 share of the net income of the S corporation or partnership.

113.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
113.2 December 31, 2012.

113.3 Sec. 12. Minnesota Statutes 2012, section 290.01, subdivision 19c, is amended to read:

113.4 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,  
113.5 there shall be added to federal taxable income:

113.6 (1) the amount of any deduction taken for federal income tax purposes for income,  
113.7 excise, or franchise taxes based on net income or related minimum taxes, including but not  
113.8 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,  
113.9 another state, a political subdivision of another state, the District of Columbia, or any  
113.10 foreign country or possession of the United States;

113.11 (2) interest not subject to federal tax upon obligations of: the United States, its  
113.12 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other  
113.13 state, any of its political or governmental subdivisions, any of its municipalities, or any  
113.14 of its governmental agencies or instrumentalities; the District of Columbia; or Indian  
113.15 tribal governments;

113.16 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal  
113.17 Revenue Code;

113.18 (4) the amount of any net operating loss deduction taken for federal income tax  
113.19 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss  
113.20 deduction under section 810 of the Internal Revenue Code;

113.21 (5) the amount of any special deductions taken for federal income tax purposes  
113.22 under sections 241 to 247 and 965 of the Internal Revenue Code;

113.23 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,  
113.24 clause (a), that are not subject to Minnesota income tax;

113.25 (7) the amount of any capital losses deducted for federal income tax purposes under  
113.26 sections 1211 and 1212 of the Internal Revenue Code;

113.27 (8) the exempt foreign trade income of a foreign sales corporation under sections  
113.28 921(a) and 291 of the Internal Revenue Code;

113.29 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
113.30 291 of the Internal Revenue Code;

113.31 (10) for certified pollution control facilities placed in service in a taxable year  
113.32 beginning before December 31, 1986, and for which amortization deductions were elected  
113.33 under section 169 of the Internal Revenue Code of 1954, as amended through December  
113.34 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
113.35 income for those facilities;

114.1 ~~(11) the amount of any deemed dividend from a foreign operating corporation~~  
 114.2 ~~determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend~~  
 114.3 ~~shall be reduced by the amount of the addition to income required by clauses (20), (21),~~  
 114.4 ~~(22), and (23);~~

114.5 ~~(12)~~ (11) the amount of a partner's pro rata share of net income which does not flow  
 114.6 through to the partner because the partnership elected to pay the tax on the income under  
 114.7 section 6242(a)(2) of the Internal Revenue Code;

114.8 ~~(13)~~ (12) the amount of net income excluded under section 114 of the Internal  
 114.9 Revenue Code;

114.10 ~~(14)~~ (13) any increase in subpart F income, as defined in section 952(a) of the  
 114.11 Internal Revenue Code, for the taxable year when subpart F income is calculated without  
 114.12 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

114.13 ~~(15)~~ (14) 80 percent of the depreciation deduction allowed under section  
 114.14 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if  
 114.15 the taxpayer has an activity that in the taxable year generates a deduction for depreciation  
 114.16 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable  
 114.17 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation  
 114.18 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess  
 114.19 of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A)  
 114.20 over the amount of the loss from the activity that is not allowed in the taxable year. In  
 114.21 succeeding taxable years when the losses not allowed in the taxable year are allowed, the  
 114.22 depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

114.23 ~~(16)~~ (15) 80 percent of the amount by which the deduction allowed by section 179 of  
 114.24 the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
 114.25 Revenue Code of 1986, as amended through December 31, 2003;

114.26 ~~(17)~~ (16) to the extent deducted in computing federal taxable income, the amount of  
 114.27 the deduction allowable under section 199 of the Internal Revenue Code;

114.28 ~~(18)~~ (17) for taxable years beginning before January 1, 2013, the exclusion allowed  
 114.29 under section 139A of the Internal Revenue Code for federal subsidies for prescription  
 114.30 drug plans;

114.31 ~~(19)~~ (18) the amount of expenses disallowed under section 290.10, subdivision 2;

114.32 ~~(20) an amount equal to the interest and intangible expenses, losses, and costs paid,~~  
 114.33 ~~accrued, or incurred by any member of the taxpayer's unitary group to or for the benefit~~  
 114.34 ~~of a corporation that is a member of the taxpayer's unitary business group that qualifies~~  
 114.35 ~~as a foreign operating corporation. For purposes of this clause, intangible expenses and~~  
 114.36 ~~costs include:~~

115.1 ~~(i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,~~  
 115.2 ~~use, maintenance or management, ownership, sale, exchange, or any other disposition of~~  
 115.3 ~~intangible property;~~

115.4 ~~(ii) losses incurred, directly or indirectly, from factoring transactions or discounting~~  
 115.5 ~~transactions;~~

115.6 ~~(iii) royalty, patent, technical, and copyright fees;~~

115.7 ~~(iv) licensing fees; and~~

115.8 ~~(v) other similar expenses and costs.~~

115.9 ~~For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent~~  
 115.10 ~~applications, trade names, trademarks, service marks, copyrights, mask works, trade~~  
 115.11 ~~secrets, and similar types of intangible assets.~~

115.12 ~~This clause does not apply to any item of interest or intangible expenses or costs paid,~~  
 115.13 ~~accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect~~  
 115.14 ~~to such item of income to the extent that the income to the foreign operating corporation~~  
 115.15 ~~is income from sources without the United States as defined in subtitle A, chapter 1,~~  
 115.16 ~~subchapter N, part 1, of the Internal Revenue Code;~~

115.17 ~~(21) except as already included in the taxpayer's taxable income pursuant to clause~~  
 115.18 ~~(20), any interest income and income generated from intangible property received or~~  
 115.19 ~~accrued by a foreign operating corporation that is a member of the taxpayer's unitary~~  
 115.20 ~~group. For purposes of this clause, income generated from intangible property includes:~~

115.21 ~~(i) income related to the direct or indirect acquisition, use, maintenance or~~  
 115.22 ~~management, ownership, sale, exchange, or any other disposition of intangible property;~~

115.23 ~~(ii) income from factoring transactions or discounting transactions;~~

115.24 ~~(iii) royalty, patent, technical, and copyright fees;~~

115.25 ~~(iv) licensing fees; and~~

115.26 ~~(v) other similar income.~~

115.27 ~~For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent~~  
 115.28 ~~applications, trade names, trademarks, service marks, copyrights, mask works, trade~~  
 115.29 ~~secrets, and similar types of intangible assets.~~

115.30 ~~This clause does not apply to any item of interest or intangible income received or accrued~~  
 115.31 ~~by a foreign operating corporation with respect to such item of income to the extent that~~  
 115.32 ~~the income is income from sources without the United States as defined in subtitle A,~~  
 115.33 ~~chapter 1, subchapter N, part 1, of the Internal Revenue Code;~~

115.34 ~~(22) the dividends attributable to the income of a foreign operating corporation that~~  
 115.35 ~~is a member of the taxpayer's unitary group in an amount that is equal to the dividends~~

116.1 ~~paid deduction of a real estate investment trust under section 561(a) of the Internal~~  
 116.2 ~~Revenue Code for amounts paid or accrued by the real estate investment trust to the~~  
 116.3 ~~foreign operating corporation;~~

116.4 ~~(23) the income of a foreign operating corporation that is a member of the taxpayer's~~  
 116.5 ~~unitary group in an amount that is equal to gains derived from the sale of real or personal~~  
 116.6 ~~property located in the United States;~~

116.7 ~~(24) (19)~~ for taxable years beginning before January 1, 2010, the additional amount  
 116.8 allowed as a deduction for donation of computer technology and equipment under section  
 116.9 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

116.10 ~~(25) (20)~~ discharge of indebtedness income resulting from reacquisition of business  
 116.11 indebtedness and deferred under section 108(i) of the Internal Revenue Code.

116.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 116.13 December 31, 2012.

116.14 Sec. 13. Minnesota Statutes 2012, section 290.01, subdivision 19d, is amended to read:

116.15 Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For  
 116.16 corporations, there shall be subtracted from federal taxable income after the increases  
 116.17 provided in subdivision 19c:

116.18 (1) the amount of foreign dividend gross-up added to gross income for federal  
 116.19 income tax purposes under section 78 of the Internal Revenue Code;

116.20 (2) the amount of salary expense not allowed for federal income tax purposes due to  
 116.21 claiming the work opportunity credit under section 51 of the Internal Revenue Code;

116.22 (3) any dividend (not including any distribution in liquidation) paid within the  
 116.23 taxable year by a national or state bank to the United States, or to any instrumentality of  
 116.24 the United States exempt from federal income taxes, on the preferred stock of the bank  
 116.25 owned by the United States or the instrumentality;

116.26 (4) amounts disallowed for intangible drilling costs due to differences between  
 116.27 this chapter and the Internal Revenue Code in taxable years beginning before January  
 116.28 1, 1987, as follows:

116.29 (i) to the extent the disallowed costs are represented by physical property, an amount  
 116.30 equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09,  
 116.31 subdivision 7, subject to the modifications contained in subdivision 19e; and

116.32 (ii) to the extent the disallowed costs are not represented by physical property, an  
 116.33 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section  
 116.34 290.09, subdivision 8;

117.1 (5) the deduction for capital losses pursuant to sections 1211 and 1212 of the  
117.2 Internal Revenue Code, except that:

117.3 (i) for capital losses incurred in taxable years beginning after December 31, 1986,  
117.4 capital loss carrybacks shall not be allowed;

117.5 (ii) for capital losses incurred in taxable years beginning after December 31, 1986,  
117.6 a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be  
117.7 allowed;

117.8 (iii) for capital losses incurred in taxable years beginning before January 1, 1987, a  
117.9 capital loss carryback to each of the three taxable years preceding the loss year, subject to  
117.10 the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

117.11 (iv) for capital losses incurred in taxable years beginning before January 1, 1987,  
117.12 a capital loss carryover to each of the five taxable years succeeding the loss year to the  
117.13 extent such loss was not used in a prior taxable year and subject to the provisions of  
117.14 Minnesota Statutes 1986, section 290.16, shall be allowed;

117.15 (6) an amount for interest and expenses relating to income not taxable for federal  
117.16 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and  
117.17 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or  
117.18 291 of the Internal Revenue Code in computing federal taxable income;

117.19 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for  
117.20 which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a  
117.21 reasonable allowance for depletion based on actual cost. In the case of leases the deduction  
117.22 must be apportioned between the lessor and lessee in accordance with rules prescribed  
117.23 by the commissioner. In the case of property held in trust, the allowable deduction must  
117.24 be apportioned between the income beneficiaries and the trustee in accordance with the  
117.25 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis  
117.26 of the trust's income allocable to each;

117.27 (8) for certified pollution control facilities placed in service in a taxable year  
117.28 beginning before December 31, 1986, and for which amortization deductions were elected  
117.29 under section 169 of the Internal Revenue Code of 1954, as amended through December  
117.30 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes  
117.31 1986, section 290.09, subdivision 7;

117.32 (9) amounts included in federal taxable income that are due to refunds of income,  
117.33 excise, or franchise taxes based on net income or related minimum taxes paid by the  
117.34 corporation to Minnesota, another state, a political subdivision of another state, the  
117.35 District of Columbia, or a foreign country or possession of the United States to the extent

118.1 that the taxes were added to federal taxable income under ~~section 290.01~~, subdivision 19c,  
118.2 clause (1), in a prior taxable year;

118.3 ~~(10) 80 percent of royalties, fees, or other like income accrued or received from a~~  
118.4 ~~foreign operating corporation or a foreign corporation which is part of the same unitary~~  
118.5 ~~business as the receiving corporation, unless the income resulting from such payments or~~  
118.6 ~~accruals is income from sources within the United States as defined in subtitle A, chapter~~  
118.7 ~~1, subchapter N, part 1, of the Internal Revenue Code;~~

118.8 ~~(11)~~ (10) income or gains from the business of mining as defined in section 290.05,  
118.9 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

118.10 ~~(12)~~ (11) the amount of disability access expenditures in the taxable year which are not  
118.11 allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

118.12 ~~(13)~~ (12) the amount of qualified research expenses not allowed for federal income  
118.13 tax purposes under section 280C(c) of the Internal Revenue Code, but only to the extent  
118.14 that the amount exceeds the amount of the credit allowed under section 290.068;

118.15 ~~(14)~~ (13) the amount of salary expenses not allowed for federal income tax purposes  
118.16 due to claiming the Indian employment credit under section 45A(a) of the Internal  
118.17 Revenue Code;

118.18 ~~(15)~~ (14) for a corporation whose foreign sales corporation, as defined in section  
118.19 922 of the Internal Revenue Code, constituted a foreign operating corporation during any  
118.20 taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,  
118.21 claiming the deduction under section 290.21, subdivision 4, for income received from  
118.22 the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of  
118.23 income excluded under section 114 of the Internal Revenue Code, provided the income is  
118.24 not income of a foreign operating company;

118.25 ~~(16)~~ (15) any decrease in subpart F income, as defined in section 952(a) of the  
118.26 Internal Revenue Code, for the taxable year when subpart F income is calculated without  
118.27 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

118.28 ~~(17)~~ (16) in each of the five tax years immediately following the tax year in which an  
118.29 addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth  
118.30 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the  
118.31 amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The  
118.32 resulting delayed depreciation cannot be less than zero;

118.33 ~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an  
118.34 addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth  
118.35 of the amount of the addition; ~~and~~

119.1 ~~(19)~~ (18) to the extent included in federal taxable income, discharge of indebtedness  
 119.2 income resulting from reacquisition of business indebtedness included in federal taxable  
 119.3 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
 119.4 to the extent that the income was included in net income in a prior year as a result of the  
 119.5 addition under ~~section 290.01~~, subdivision 19c, clause ~~(25)~~ (20); and  
 119.6 (19) in the year that the expenditures are made for railroad track maintenance, as  
 119.7 defined in section 45G(d) of the Internal Revenue Code, an amount equal to the credit  
 119.8 awarded pursuant to section 45G(a) of the Internal Revenue Code.

119.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 119.10 December 31, 2012.

119.11 Sec. 14. Minnesota Statutes 2012, section 290.06, subdivision 1, is amended to read:  
 119.12 Subdivision 1. **Computation, corporations.** The franchise tax imposed upon  
 119.13 corporations shall be computed by applying to their taxable income the rate of ~~9.8~~ 9.0  
 119.14 percent.

119.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 119.16 December 31, 2012.

119.17 Sec. 15. Minnesota Statutes 2012, section 290.06, subdivision 2c, is amended to read:  
 119.18 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income  
 119.19 taxes imposed by this chapter upon married individuals filing joint returns and surviving  
 119.20 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by  
 119.21 applying to their taxable net income the following schedule of rates:

- 119.22 (1) On the first ~~\$25,680~~ \$35,480, 5.35 percent;
- 119.23 (2) On all over ~~\$25,680~~ \$35,480, but not over ~~\$102,030~~ \$140,960, 7.05 percent;
- 119.24 (3) On all over ~~\$102,030~~ \$140,960, ~~7.85~~ 9.4 percent.

119.25 Married individuals filing separate returns, estates, and trusts must compute their  
 119.26 income tax by applying the above rates to their taxable income, except that the income  
 119.27 brackets will be one-half of the above amounts.

119.28 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
 119.29 computed by applying to taxable net income the following schedule of rates:

- 119.30 (1) On the first ~~\$17,570~~ \$24,270, 5.35 percent;
- 119.31 (2) On all over ~~\$17,570~~ \$24,270, but not over ~~\$57,710~~ \$79,730, 7.05 percent;
- 119.32 (3) On all over ~~\$57,710~~ \$79,730, ~~7.85~~ 9.4 percent.

120.1 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying  
 120.2 as a head of household as defined in section 2(b) of the Internal Revenue Code must be  
 120.3 computed by applying to taxable net income the following schedule of rates:

120.4 (1) On the first ~~\$21,630~~ \$29,880, 5.35 percent;

120.5 (2) On all over ~~\$21,630~~ \$29,880, but not over ~~\$86,910~~ \$120,070, 7.05 percent;

120.6 (3) On all over ~~\$86,910~~ \$120,070, ~~7.85~~ 9.4 percent.

120.7 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the  
 120.8 tax of any individual taxpayer whose taxable net income for the taxable year is less than  
 120.9 an amount determined by the commissioner must be computed in accordance with tables  
 120.10 prepared and issued by the commissioner of revenue based on income brackets of not  
 120.11 more than \$100. The amount of tax for each bracket shall be computed at the rates set  
 120.12 forth in this subdivision, provided that the commissioner may disregard a fractional part of  
 120.13 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

120.14 (e) An individual who is not a Minnesota resident for the entire year must compute  
 120.15 the individual's Minnesota income tax as provided in this subdivision. After the  
 120.16 application of the nonrefundable credits provided in this chapter, the tax liability must  
 120.17 then be multiplied by a fraction in which:

120.18 (1) the numerator is the individual's Minnesota source federal adjusted gross income  
 120.19 as defined in section 62 of the Internal Revenue Code and increased by the additions  
 120.20 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12),  
 120.21 (13), and (16) to (18), and reduced by the Minnesota assignable portion of the subtraction  
 120.22 for United States government interest under section 290.01, subdivision 19b, clause  
 120.23 (1), and the subtractions under section 290.01, subdivision 19b, clauses (8), (9), (13),  
 120.24 (14), (16), and (17), after applying the allocation and assignability provisions of section  
 120.25 290.081, clause (a), or 290.17; and

120.26 (2) the denominator is the individual's federal adjusted gross income as defined in  
 120.27 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in  
 120.28 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), and (16) to  
 120.29 (18), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1),  
 120.30 (8), (9), (13), (14), (16), and (17).

120.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 120.32 December 31, 2012.

120.33 Sec. 16. Minnesota Statutes 2012, section 290.06, subdivision 2d, is amended to read:

120.34 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after  
 120.35 December 31, ~~2000~~ 2013, the minimum and maximum dollar amounts for each rate

121.1 bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the  
 121.2 percentage determined under paragraph (b). For the purpose of making the adjustment as  
 121.3 provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the  
 121.4 rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2012,  
 121.5 and before January 1, ~~2001~~ 2014. The rate applicable to any rate bracket must not be  
 121.6 changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes  
 121.7 in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10  
 121.8 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

121.9 (b) The commissioner shall adjust the rate brackets and by the percentage determined  
 121.10 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in  
 121.11 section 1(f)(3)(B) the word "~~1999~~" "2012" shall be substituted for the word "1992." For  
 121.12 ~~2001~~ 2014, the commissioner shall then determine the percent change from the 12 months  
 121.13 ending on August 31, ~~1999~~ 2012, to the 12 months ending on August 31, ~~2000~~ 2013, and  
 121.14 in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2012, to the 12  
 121.15 months ending on August 31 of the year preceding the taxable year. The determination of  
 121.16 the commissioner pursuant to this subdivision shall not be considered a "rule" and shall  
 121.17 not be subject to the Administrative Procedure Act contained in chapter 14.

121.18 No later than December 15 of each year, the commissioner shall announce the  
 121.19 specific percentage that will be used to adjust the tax rate brackets.

121.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 121.21 December 31, 2012.

121.22 Sec. 17. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision  
 121.23 to read:

121.24 Subd. 36. **Greater Minnesota internship credit.** (a) A taxpayer may take a credit  
 121.25 against the tax due under this chapter equal to the lesser of:

121.26 (1) 40 percent of the compensation paid to an intern qualifying under the program  
 121.27 established under section 136A.129, but not to exceed \$2,000 per intern; or

121.28 (2) the amount certified by the Office of Higher Education under section 136A.129  
 121.29 to the taxpayer.

121.30 (b) Credits allowed to a partnership, a limited liability company taxed as a  
 121.31 partnership, an S corporation, or multiple owners of property are passed through to the  
 121.32 partners, members, shareholders, or owners, respectively, pro rata to each partner, member,  
 121.33 shareholder, or owner based on their share of the entity's income for the taxable year.

122.1 (c) If the amount of credit which the taxpayer is eligible to receive under this  
 122.2 subdivision exceeds the taxpayer's tax liability under this chapter, the commissioner of  
 122.3 revenue shall refund the excess to the taxpayer.

122.4 (d) The amount necessary to:

122.5 (1) pay claims for the refund provided in this subdivision; and

122.6 (2) an amount equal to one percent of the total amount of the credits authorized  
 122.7 under this subdivision for an administrative fee for the Office of Higher Education  
 122.8 and participating eligible institutions is appropriated from the general fund to the  
 122.9 commissioner of revenue, not to exceed \$2,020,000.

122.10 The commissioner of revenue shall transfer the amount of the administrative fee to  
 122.11 the Office of Higher Education.

122.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 122.13 December 31, 2013.

122.14 Sec. 18. Minnesota Statutes 2012, section 290.0677, subdivision 1, is amended to read:

122.15 Subdivision 1. **Credit allowed; current military service.** (a) An individual is  
 122.16 allowed a credit against the tax due under this chapter equal to \$59 for each month or  
 122.17 portion thereof that the individual was in active military service in a designated area after  
 122.18 September 11, 2001, and before January 1, 2009, while a Minnesota domiciliary.

122.19 (b) An individual is allowed a credit against the tax due under this chapter equal  
 122.20 to ~~\$120~~ \$200 for each month or portion thereof that the individual was in active military  
 122.21 service in a designated area after December 31, 2008, while a Minnesota domiciliary.

122.22 (c) For active service performed after September 11, 2001, and before December 31,  
 122.23 2006, the individual may claim the credit in the taxable year beginning after December 31,  
 122.24 2005, and before January 1, 2007.

122.25 (d) For active service performed after December 31, 2006, the individual may claim  
 122.26 the credit for the taxable year in which the active service was performed.

122.27 (e) If an individual entitled to the credit died prior to January 1, 2006, the individual's  
 122.28 estate or heirs at law, if the individual's probate estate has closed or the estate was not  
 122.29 probated, may claim the credit.

122.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 122.31 December 31, 2012.

122.32 Sec. 19. Minnesota Statutes 2012, section 290.0677, subdivision 1a, is amended to read:

123.1 Subd. 1a. **Credit allowed; past military service.** (a) A qualified individual is  
 123.2 allowed a credit against the tax imposed under this chapter for past military service. The  
 123.3 credit equals ~~\$750~~ \$1,500. The credit allowed under this subdivision is reduced by ten  
 123.4 percent of adjusted gross income in excess of \$30,000, but in no case is the credit less  
 123.5 than zero.

123.6 (b) For a nonresident or a part-year resident, the credit under this subdivision  
 123.7 must be allocated based on the percentage calculated under section 290.06, subdivision  
 123.8 2c, paragraph (e).

123.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 123.10 December 31, 2012.

123.11 Sec. 20. Minnesota Statutes 2012, section 290.0677, subdivision 2, is amended to read:

123.12 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have  
 123.13 the meanings given.

123.14 (b) "Designated area" means a:

123.15 (1) combat zone designated by Executive Order from the President of the United  
 123.16 States;

123.17 (2) qualified hazardous duty area, designated in Public Law; or

123.18 (3) location certified by the U. S. Department of Defense as eligible for combat zone  
 123.19 tax benefits due to the location's direct support of military operations.

123.20 (c) "Active military service" means active duty service in any of the United States  
 123.21 armed forces, the National Guard, or reserves.

123.22 (d) "Qualified individual" means an individual who has:

123.23 (1) ~~either (i)~~ met one of the following criteria:

123.24 (i) has served at least 20 years in the military or;

123.25 (ii) has a service-connected disability rating of 100 percent for a total and permanent  
 123.26 disability; or

123.27 (iii) has been determined by the military to be eligible for compensation from a  
 123.28 pension or other retirement pay from the federal government for service in the military,  
 123.29 as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455,  
 123.30 or 12733; and

123.31 (2) separated from military service before the end of the taxable year.

123.32 (e) "Adjusted gross income" has the meaning given in section 61 of the Internal  
 123.33 Revenue Code.

124.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 124.2 December 31, 2012.

124.3 Sec. 21. Minnesota Statutes 2012, section 290.068, subdivision 1, is amended to read:

124.4 Subdivision 1. **Credit allowed.** A corporation, partners in a partnership, or  
 124.5 shareholders in a corporation treated as an "S" corporation under section 290.9725 are  
 124.6 allowed a credit against the tax computed under this chapter for the taxable year equal to:

- 124.7 (a) ten percent of the first \$2,000,000 of the excess (if any) of  
 124.8 (1) the qualified research expenses for the taxable year, over  
 124.9 (2) the base amount; and  
 124.10 (b) ~~2.5~~ 4.5 percent on all of such excess expenses over \$2,000,000.

124.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 124.12 December 31, 2012.

124.13 Sec. 22. Minnesota Statutes 2012, section 290.0681, subdivision 1, is amended to read:

124.14 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
 124.15 have the meanings given.

124.16 (b) "Account" means the historic credit administration account in the special  
 124.17 revenue fund.

124.18 (c) "Office" means the State Historic Preservation Office of the Minnesota Historical  
 124.19 Society.

124.20 (d) "Project" means rehabilitation of a certified historic structure, as defined in  
 124.21 section 47(c)(3)(A) of the Internal Revenue Code, that is located in Minnesota and is  
 124.22 allowed a federal credit ~~under section 47(a)(2) of the Internal Revenue Code.~~

124.23 (e) "Society" means the Minnesota Historical Society.

124.24 (f) "Federal credit" means the credit allowed under section 47(a)(2) of the Internal  
 124.25 Revenue Code.

124.26 (g) "Placed in service" has the meaning used in section 47 of the Internal Revenue  
 124.27 Code.

124.28 (h) "Qualified rehabilitation expenditures" has the meaning given in section 47 of  
 124.29 the Internal Revenue Code.

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

124.31 Sec. 23. Minnesota Statutes 2012, section 290.0681, subdivision 3, is amended to read:

125.1 Subd. 3. **Applications; allocations.** (a) To qualify for a credit or grant under this  
125.2 section, the developer of a project must apply to the office before the rehabilitation begins.  
125.3 The application must contain the information and be in the form prescribed by the office.  
125.4 The office may collect a fee for application of up to ~~\$5,000~~ 0.5 percent of qualified  
125.5 rehabilitation expenditures, up to \$45,000, based on estimated qualified rehabilitation  
125.6 expenses expenditures, to offset costs associated with personnel and administrative  
125.7 expenses related to administering the credit and preparing the economic impact report  
125.8 in subdivision 9. Application fees are deposited in the account. The application must  
125.9 indicate if the application is for a credit or a grant in lieu of the credit or a combination of  
125.10 the two and designate the taxpayer qualifying for the credit or the recipient of the grant.

125.11 (b) Upon approving an application for credit, the office shall issue allocation  
125.12 certificates that:

125.13 (1) verify eligibility for the credit or grant;

125.14 (2) state the amount of credit or grant anticipated with the project, with the credit  
125.15 amount equal to 100 percent and the grant amount equal to 90 percent of the federal  
125.16 credit anticipated in the application;

125.17 (3) state that the credit or grant allowed may increase or decrease if the federal  
125.18 credit the project receives at the time it is placed in service is different than the amount  
125.19 anticipated at the time the allocation certificate is issued; and

125.20 (4) state the fiscal year in which the credit or grant is allocated, and that the taxpayer  
125.21 or grant recipient is entitled to receive the credit or grant at the time the project is placed  
125.22 in service, provided that date is within three calendar years following the issuance of  
125.23 the allocation certificate.

125.24 (c) The office, in consultation with the commissioner ~~of revenue~~, shall determine  
125.25 if the project is eligible for a credit or a grant under this section and must notify the  
125.26 developer in writing of its determination. Eligibility for the credit is subject to review  
125.27 and audit by the commissioner ~~of revenue~~.

125.28 (d) The federal credit recapture and repayment requirements under section 50 of the  
125.29 Internal Revenue Code do not apply to the credit allowed under this section.

125.30 (e) Any decision of the office under paragraph (c) may be challenged as a contested  
125.31 case under chapter 14. The contested case proceeding must be initiated within 45 days of  
125.32 the date of written notification by the office.

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

125.34 Sec. 24. Minnesota Statutes 2012, section 290.0681, subdivision 4, is amended to read:

126.1 Subd. 4. **Credit certificates; grants.** (a)(1) The developer of a project for which  
126.2 the office has issued an allocation certificate must notify the office when the project is  
126.3 placed in service. Upon verifying that the project has been placed in service, and was  
126.4 allowed a federal credit, the office must issue a credit certificate to the taxpayer designated  
126.5 in the application or must issue a grant to the recipient designated in the application.  
126.6 Credit certificates will be issued on a first come, first served basis according to the date  
126.7 and time of verification required under this clause. The credit certificate must state the  
126.8 amount of the credit.

126.9 (2) The credit amount equals the federal credit allowed for the project.

126.10 (3) The grant amount equals 90 percent of the federal credit allowed for the project.

126.11 (b) The recipient of a credit certificate may assign the certificate to another taxpayer,  
126.12 which is then allowed the credit under this section or section 297I.20, subdivision 3. An  
126.13 assignment is not valid unless the assignee notifies the commissioner within 30 days of the  
126.14 date that the assignment is made. The commissioner shall prescribe the forms necessary  
126.15 for notifying the commissioner of the assignment of a credit certificate and for claiming  
126.16 a credit by assignment.

126.17 (c) Credits passed through to partners, members, shareholders, or owners pursuant to  
126.18 subdivision 5 are not an assignment of a credit certificate under this subdivision.

126.19 (d) A grant agreement between the office and the recipient of a grant may allow the  
126.20 grant to be issued to another individual or entity.

126.21 **EFFECTIVE DATE.** Paragraph (a) is effective beginning fiscal year 2016.

126.22 **Paragraph (b) is effective the day following final enactment.**

126.23 Sec. 25. Minnesota Statutes 2012, section 290.0681, subdivision 5, is amended to read:

126.24 Subd. 5. **Partnerships; multiple owners.** Credits granted to a partnership, a limited  
126.25 liability company taxed as a partnership, S corporation, or multiple owners of property  
126.26 are passed through to the partners, members, shareholders, or owners, respectively, pro  
126.27 rata to each partner, member, shareholder, or owner based on their share of the entity's  
126.28 assets or as specially allocated in their organizational documents or any other executed  
126.29 agreement, as of the last day of the taxable year.

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

126.31 Sec. 26. Minnesota Statutes 2012, section 290.0681, subdivision 7, is amended to read:

127.1 Subd. 7. **Appropriations.** (a) An amount sufficient to pay the refunds authorized  
 127.2 under this section is appropriated to the commissioner from the general fund, not to  
 127.3 exceed \$15,000,000 per fiscal year.

127.4 (b) Subject to the limitation in paragraph (a), an amount sufficient to pay the grants  
 127.5 authorized under this section is appropriated to the society from the general fund.

127.6 (c) Amounts in the account are appropriated to the society for costs associated with  
 127.7 personnel and administrative expenses related to administering the credit for historic  
 127.8 structure rehabilitation in this section, for refunding application fees under subdivision  
 127.9 3, and for costs associated with preparing the determination of economic impact report  
 127.10 required in subdivision 9.

127.11 **EFFECTIVE DATE.** This section is effective beginning fiscal year 2016.

127.12 Sec. 27. Minnesota Statutes 2012, section 290.0681, subdivision 10, is amended to read:

127.13 Subd. 10. **Sunset.** This section expires after fiscal year ~~2015~~ 2021, except that  
 127.14 the office's authority to issue credit certificates under subdivision 4 based on allocation  
 127.15 certificates that were issued before fiscal year ~~2016~~ 2022 remains in effect through ~~2018~~  
 127.16 2024, and the reporting requirements in subdivision 9 remain in effect through the year  
 127.17 following the year in which all allocation certificates have either been canceled or resulted  
 127.18 in issuance of credit certificates, or ~~2019~~ 2025, whichever is earlier.

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

127.20 Sec. 28. **[290.0682] JOBS CREDIT; GREATER MINNESOTA BUSINESS**  
 127.21 **EXPANSIONS.**

127.22 Subdivision 1. **Credit allowed.** If authorized by its business subsidy agreement, a  
 127.23 qualified business is allowed a credit against the taxes imposed under chapter 290. The  
 127.24 credit equals seven percent of the:

127.25 (1) lesser of:

127.26 (i) the greater Minnesota payroll for the taxable year, less the greater Minnesota  
 127.27 payroll for the base year; or

127.28 (ii) the total Minnesota payroll for the taxable year, less the total Minnesota payroll  
 127.29 for the base year; minus

127.30 (2)(i) \$35,000 multiplied by (ii) the number of full-time equivalent employees that  
 127.31 the qualified business employs in greater Minnesota for the taxable year, minus the  
 127.32 number of full-time equivalent employees the business employed in greater Minnesota in  
 127.33 the base year, but not less than zero.

128.1 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have  
128.2 the meanings given.

128.3 (b) "Base year" means the taxable year beginning during the calendar year prior to  
128.4 the calendar year in which the qualified business was certified under section 116J.3738.

128.5 (c) "Full-time equivalent employees" means the equivalent of annualized expected  
128.6 hours of work equal to 2,080 hours.

128.7 (d) "Greater Minnesota" has the meaning given in section 116J.3738.

128.8 (e) "Greater Minnesota payroll" is that portion of the payroll factor under section  
128.9 290.191 that represents:

128.10 (1) wages or salaries paid to an individual for services performed in greater  
128.11 Minnesota; plus

128.12 (2) wages or salaries paid to individuals working from offices within greater  
128.13 Minnesota if their employment requires them to work outside of greater Minnesota and the  
128.14 work is incidental to the work performed by the individual within greater Minnesota; less

128.15 (3) the amount of compensation attributable to any employee whose wages or salary  
128.16 are included in clause (1) or (2) that exceeds \$125,000.

128.17 (f) "Minnesota payroll" means the wages or salaries attributed to Minnesota under  
128.18 section 290.191, subdivision 12, for the qualified business or the unitary business of which  
128.19 the qualified business is a part, whichever is greater.

128.20 (g) "Qualified business" means a qualified business certified under section  
128.21 116J.3738, subdivision 3.

128.22 Subd. 3. **Inflation adjustment.** For taxable years beginning after December 31,  
128.23 2014, the dollar amounts in subdivision 1, clause (2), and subdivision 2, paragraph (e), are  
128.24 annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by  
128.25 the percentage determined under section 290.06, subdivision 2d, for the taxable year.

128.26 Subd. 4. **Refundable.** If the amount of the credit exceeds the liability for tax under  
128.27 this chapter, the commissioner of revenue shall refund the excess to the qualified business.

128.28 Subd. 5. **Appropriation.** An amount sufficient to pay the refunds authorized by  
128.29 this section is appropriated to the commissioner of revenue from the general fund, not to  
128.30 exceed \$5,000,000 in a taxable year.

128.31 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
128.32 December 31, 2013.

128.33 Sec. 29. **[290.0683] CLOTHING SALES TAX CREDIT.**

128.34 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
128.35 have the meanings given.

129.1 (b) "Income" has the meaning given in section 290.067, subdivision 2a.

129.2 (c) "Dependent" has the meaning given in section 152 of the Internal Revenue Code.

129.3 Subd. 2. **Credit allowed.** A taxpayer is allowed a refundable credit against the tax  
129.4 imposed under this chapter. The credit is equal to \$60 for a married couple filing a joint  
129.5 return, and \$30 for all other filers, plus \$30 for the first dependent claimed on the return,  
129.6 \$15 for each of the second and third dependents claimed on the return, \$10 for the fourth  
129.7 dependent claimed on the return, and \$5 for each subsequent dependent.

129.8 Subd. 3. **Limitations.** The credit allowed in this section is reduced by \$10 for every  
129.9 \$1,000 of income in excess of 200 percent of the federal poverty guidelines.

129.10 Subd. 4. **Appropriation.** An amount sufficient to pay the refunds required by this  
129.11 section is appropriated to the commissioner from the general fund.

129.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
129.13 December 31, 2012.

129.14 Sec. 30. Minnesota Statutes 2012, section 290.091, subdivision 2, is amended to read:

129.15 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following  
129.16 terms have the meanings given:

129.17 (a) "Alternative minimum taxable income" means the sum of the following for  
129.18 the taxable year:

129.19 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
129.20 55(b)(2) of the Internal Revenue Code;

129.21 (2) the taxpayer's itemized deductions allowed in computing federal alternative  
129.22 minimum taxable income, but excluding:

129.23 (i) the charitable contribution deduction under section 170 of the Internal Revenue  
129.24 Code;

129.25 (ii) the medical expense deduction;

129.26 (iii) the casualty, theft, and disaster loss deduction; and

129.27 (iv) the impairment-related work expenses of a disabled person;

129.28 (3) for depletion allowances computed under section 613A(c) of the Internal  
129.29 Revenue Code, with respect to each property (as defined in section 614 of the Internal  
129.30 Revenue Code), to the extent not included in federal alternative minimum taxable income,  
129.31 the excess of the deduction for depletion allowable under section 611 of the Internal  
129.32 Revenue Code for the taxable year over the adjusted basis of the property at the end of the  
129.33 taxable year (determined without regard to the depletion deduction for the taxable year);

130.1 (4) to the extent not included in federal alternative minimum taxable income, the  
 130.2 amount of the tax preference for intangible drilling cost under section 57(a)(2) of the  
 130.3 Internal Revenue Code determined without regard to subparagraph (E);

130.4 (5) to the extent not included in federal alternative minimum taxable income, the  
 130.5 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

130.6 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)  
 130.7 to (9), (12), (13), and (16) to (18);

130.8 less the sum of the amounts determined under the following:

130.9 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);

130.10 (2) an overpayment of state income tax as provided by section 290.01, subdivision  
 130.11 19b, clause (2), to the extent included in federal alternative minimum taxable income;

130.12 (3) the amount of investment interest paid or accrued within the taxable year on  
 130.13 indebtedness to the extent that the amount does not exceed net investment income, as  
 130.14 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include  
 130.15 amounts deducted in computing federal adjusted gross income;

130.16 (4) amounts subtracted from federal taxable income as provided by section 290.01,  
 130.17 subdivision 19b, clauses (6), (8) to (14), ~~and (16)~~, and (18); and

130.18 (5) the amount of the net operating loss allowed under section 290.095, subdivision  
 130.19 11, paragraph (c).

130.20 In the case of an estate or trust, alternative minimum taxable income must be  
 130.21 computed as provided in section 59(c) of the Internal Revenue Code.

130.22 (b) "Investment interest" means investment interest as defined in section 163(d)(3)  
 130.23 of the Internal Revenue Code.

130.24 (c) "Net minimum tax" means the minimum tax imposed by this section.

130.25 (d) "Regular tax" means the tax that would be imposed under this chapter (without  
 130.26 regard to this section and section 290.032), reduced by the sum of the nonrefundable  
 130.27 credits allowed under this chapter.

130.28 (e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable  
 130.29 income after subtracting the exemption amount determined under subdivision 3.

130.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 130.31 December 31, 2012.

130.32 Sec. 31. Minnesota Statutes 2012, section 290.0921, subdivision 1, is amended to read:

130.33 Subdivision 1. **Tax imposed.** In addition to the taxes computed under this chapter  
 130.34 without regard to this section, the franchise tax imposed on corporations includes a tax  
 130.35 equal to the excess, if any, for the taxable year of:

- 131.1 (1) ~~5.8~~ 5.3 percent of Minnesota alternative minimum taxable income; over  
 131.2 (2) the tax imposed under section 290.06, subdivision 1, without regard to this section.

131.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 131.4 December 31, 2012.

131.5 Sec. 32. Minnesota Statutes 2012, section 290.0921, subdivision 3, is amended to read:

131.6 Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable  
 131.7 income" is Minnesota net income as defined in section 290.01, subdivision 19, and  
 131.8 includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e),  
 131.9 (f), and (h) of the Internal Revenue Code. If a corporation files a separate company  
 131.10 Minnesota tax return, the minimum tax must be computed on a separate company basis.  
 131.11 If a corporation is part of a tax group filing a unitary return, the minimum tax must be  
 131.12 computed on a unitary basis. The following adjustments must be made.

131.13 (1) For purposes of the depreciation adjustments under section 56(a)(1) and  
 131.14 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in  
 131.15 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal  
 131.16 income tax purposes, including any modification made in a taxable year under section  
 131.17 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,  
 131.18 paragraph (c).

131.19 For taxable years beginning after December 31, 2000, the amount of any remaining  
 131.20 modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986,  
 131.21 section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation  
 131.22 allowance in the first taxable year after December 31, 2000.

131.23 (2) The portion of the depreciation deduction allowed for federal income tax  
 131.24 purposes under section 168(k) of the Internal Revenue Code that is required as an addition  
 131.25 under section 290.01, subdivision 19c, clause ~~(15)~~ (14), is disallowed in determining  
 131.26 alternative minimum taxable income.

131.27 (3) The subtraction for depreciation allowed under section 290.01, subdivision  
 131.28 19d, clause ~~(17)~~ (16), is allowed as a depreciation deduction in determining alternative  
 131.29 minimum taxable income.

131.30 (4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d)  
 131.31 of the Internal Revenue Code does not apply.

131.32 (5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal  
 131.33 Revenue Code does not apply.

131.34 (6) The special rule for dividends from section 936 companies under section  
 131.35 56(g)(4)(C)(iii) does not apply.

132.1 (7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue  
132.2 Code does not apply.

132.3 (8) The tax preference for intangible drilling costs under section 57(a)(2) of the  
132.4 Internal Revenue Code must be calculated without regard to subparagraph (E) and the  
132.5 subtraction under section 290.01, subdivision 19d, clause (4).

132.6 (9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal  
132.7 Revenue Code does not apply.

132.8 (10) The tax preference for charitable contributions of appreciated property under  
132.9 section 57(a)(6) of the Internal Revenue Code does not apply.

132.10 (11) For purposes of calculating the tax preference for accelerated depreciation or  
132.11 amortization on certain property placed in service before January 1, 1987, under section  
132.12 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the  
132.13 deduction allowed under section 290.01, subdivision 19e.

132.14 For taxable years beginning after December 31, 2000, the amount of any remaining  
132.15 modification made under section 290.01, subdivision 19e, not previously deducted is a  
132.16 depreciation or amortization allowance in the first taxable year after December 31, 2004.

132.17 (12) For purposes of calculating the adjustment for adjusted current earnings in  
132.18 section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable  
132.19 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative  
132.20 minimum taxable income as defined in this subdivision, determined without regard to the  
132.21 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

132.22 (13) For purposes of determining the amount of adjusted current earnings under  
132.23 section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section  
132.24 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend  
132.25 gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the  
132.26 amount of refunds of income, excise, or franchise taxes subtracted as provided in section  
132.27 290.01, subdivision 19d, clause (9), ~~or (iii) the amount of royalties, fees or other like~~  
132.28 ~~income subtracted as provided in section 290.01, subdivision 19d, clause (10).~~

132.29 (14) Alternative minimum taxable income excludes the income from operating in a  
132.30 job opportunity building zone as provided under section 469.317.

132.31 (15) Alternative minimum taxable income excludes the income from operating in a  
132.32 biotechnology and health sciences industry zone as provided under section 469.337.

132.33 Items of tax preference must not be reduced below zero as a result of the  
132.34 modifications in this subdivision.

132.35 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
132.36 December 31, 2012.

133.1 Sec. 33. Minnesota Statutes 2012, section 290.0922, subdivision 1, is amended to read:

133.2 Subdivision 1. **Imposition.** (a) In addition to the tax imposed by this chapter without  
 133.3 regard to this section, the franchise tax imposed on a corporation required to file under  
 133.4 section 289A.08, subdivision 3, other than a corporation treated as an "S" corporation  
 133.5 under section 290.9725 for the taxable year includes a tax equal to the following amounts:

133.6 If the sum of the corporation's Minnesota  
 133.7 property, payrolls, and sales or receipts is: the tax equals:

133.8		<del>500,000</del>		
133.9	less than	\$ <del>930,000</del>		\$ 0
133.10		<del>500,000</del>	<del>999,999</del>	100
133.11	\$ <del>930,000</del> to	\$ <del>1,869,999</del>		\$ <del>190</del>
133.12		<del>1,000,000</del>	<del>4,999,999</del>	300
133.13	\$ <del>1,870,000</del> to	\$ <del>9,339,999</del>		\$ <del>560</del>
133.14		<del>5,000,000</del>	<del>9,999,999</del>	1,000
133.15	\$ <del>9,340,000</del> to	\$ <del>18,679,999</del>		\$ <del>1,870</del>
133.16		<del>10,000,000</del>	<del>19,999,999</del>	2,000
133.17	\$ <del>18,680,000</del> to	\$ <del>37,359,999</del>		\$ <del>3,740</del>
133.18		<del>20,000,000</del>		5,000
133.19	\$ <del>37,360,000</del> or more			\$ <del>9,340</del>

133.20 (b) A tax is imposed for each taxable year on a corporation required to file a return  
 133.21 under section 289A.12, subdivision 3, that is treated as an "S" corporation under section  
 133.22 290.9725 and on a partnership required to file a return under section 289A.12, subdivision  
 133.23 3, other than a partnership that derives over 80 percent of its income from farming. The  
 133.24 tax imposed under this paragraph is due on or before the due date of the return for the  
 133.25 taxpayer due under section 289A.18, subdivision 1. The commissioner shall prescribe  
 133.26 the return to be used for payment of this tax. The tax under this paragraph is equal to  
 133.27 the following amounts:

133.28 If the sum of the S corporation's  
 133.29 or partnership's Minnesota  
 133.30 property, payrolls, and sales or  
 133.31 receipts is: the tax equals:

133.32		<del>500,000</del>		
133.33	less than	\$ <del>930,000</del>		\$ 0
133.34		<del>500,000</del>	<del>999,999</del>	100
133.35	\$ <del>930,000</del> to	\$ <del>1,869,999</del>		\$ <del>190</del>
133.36		<del>1,000,000</del>	<del>4,999,999</del>	300
133.37	\$ <del>1,870,000</del> to	\$ <del>9,339,999</del>		\$ <del>560</del>
133.38		<del>5,000,000</del>	<del>9,999,999</del>	1,000
133.39	\$ <del>9,340,000</del> to	\$ <del>18,679,999</del>		\$ <del>1,870</del>
133.40		<del>10,000,000</del>	<del>19,999,999</del>	2,000
133.41	\$ <del>18,680,000</del> to	\$ <del>37,359,999</del>		\$ <del>3,740</del>
133.42		<del>20,000,000</del>		5,000
133.43	\$ <del>37,360,000</del> or more			\$ <del>9,340</del>

134.1 (c) The commissioner shall adjust the dollar amounts of both the tax and the property,  
134.2 payrolls, and sales or receipts thresholds in paragraphs (a) and (b) by the percentage  
134.3 determined pursuant to the provisions of section 1(f) of the Internal Revenue Code, except  
134.4 that in section 1(f)(3)(B) the year 2012 must be substituted for the year 1992. For 2014,  
134.5 the commissioner shall determine the percentage change from the 12 months ending on  
134.6 August 31, 2012, to the 12 months ending on August 31, 2013, and in each subsequent  
134.7 year, from the 12 months ending on August 31, 2012, to the 12 months ending on August  
134.8 31 of the year preceding the taxable year. The determination of the commissioner pursuant  
134.9 to this subdivision is not a rule subject to the Administrative Procedure Act contained in  
134.10 chapter 14. The tax amounts as adjusted must be rounded to the nearest \$10 amount and  
134.11 the threshold amounts must be adjusted to the nearest \$10,000 amount. For tax amounts  
134.12 that end in \$5, the amount is rounded up to the nearest \$10 amount and for threshold  
134.13 amounts that end in \$5,000, the amount is rounded up to the nearest \$10,000.

134.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
134.15 December 31, 2012.

134.16 Sec. 34. Minnesota Statutes 2012, section 290.095, subdivision 2, is amended to read:

134.17 Subd. 2. **Defined and limited.** (a) The term "net operating loss" as used in this  
134.18 section shall mean a net operating loss as defined in section 172(c) of the Internal Revenue  
134.19 Code, with the modifications specified in subdivision 4. The deductions provided in  
134.20 section 290.21 ~~and the modification provided in section 290.01, subdivision 19d, clause~~  
134.21 ~~(10)~~, cannot be used in the determination of a net operating loss.

134.22 (b) The term "net operating loss deduction" as used in this section means the  
134.23 aggregate of the net operating loss carryovers to the taxable year, computed in accordance  
134.24 with subdivision 3. The provisions of section 172(b) of the Internal Revenue Code relating  
134.25 to the carryback of net operating losses, do not apply.

134.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
134.27 December 31, 2012.

134.28 Sec. 35. Minnesota Statutes 2012, section 290.17, subdivision 4, is amended to read:

134.29 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly  
134.30 within this state or partly within and partly without this state is part of a unitary business,  
134.31 the entire income of the unitary business is subject to apportionment pursuant to section  
134.32 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary  
134.33 business is considered to be derived from any particular source and none may be allocated

135.1 to a particular place except as provided by the applicable apportionment formula. The  
135.2 provisions of this subdivision do not apply to business income subject to subdivision 5,  
135.3 income of an insurance company, or income of an investment company determined under  
135.4 section 290.36.

135.5 (b) The term "unitary business" means business activities or operations which  
135.6 result in a flow of value between them. The term may be applied within a single legal  
135.7 entity or between multiple entities and without regard to whether each entity is a sole  
135.8 proprietorship, a corporation, a partnership or a trust.

135.9 (c) Unity is presumed whenever there is unity of ownership, operation, and use,  
135.10 evidenced by centralized management or executive force, centralized purchasing,  
135.11 advertising, accounting, or other controlled interaction, but the absence of these  
135.12 centralized activities will not necessarily evidence a nonunitary business. Unity is also  
135.13 presumed when business activities or operations are of mutual benefit, dependent upon or  
135.14 contributory to one another, either individually or as a group.

135.15 (d) Where a business operation conducted in Minnesota is owned by a business  
135.16 entity that carries on business activity outside the state different in kind from that  
135.17 conducted within this state, and the other business is conducted entirely outside the state, it  
135.18 is presumed that the two business operations are unitary in nature, interrelated, connected,  
135.19 and interdependent unless it can be shown to the contrary.

135.20 (e) Unity of ownership is not deemed to exist when a corporation is involved unless  
135.21 that corporation is a member of a group of two or more business entities and more than 50  
135.22 percent of the voting stock of each member of the group is directly or indirectly owned  
135.23 by a common owner or by common owners, either corporate or noncorporate, or by one  
135.24 or more of the member corporations of the group. For this purpose, the term "voting  
135.25 stock" shall include membership interests of mutual insurance holding companies formed  
135.26 under section 66A.40.

135.27 (f) The net income and apportionment factors under section 290.191 or 290.20 of  
135.28 foreign corporations and other foreign entities which are part of a unitary business shall not  
135.29 be included in the net income or the apportionment factors of the unitary business; except  
135.30 that the income and apportionment factors of a foreign corporation, foreign partnership, or  
135.31 other foreign entity, that are included in the federal taxable income, as defined in section  
135.32 63 of the Internal Revenue Code as amended through the date named in section 290.01,  
135.33 subdivision 19, of a domestic corporation, domestic entity, or individual must be included  
135.34 in determining net income and the factors to be used in the apportionment of net income  
135.35 pursuant to section 290.191 or 290.20. A foreign corporation or other foreign entity which  
135.36 is not part of a unitary business and which is required to file a return under this chapter shall

136.1 file on a separate return basis. ~~The net income and apportionment factors under section~~  
136.2 ~~290.191 or 290.20 of foreign operating corporations shall not be included in the net income~~  
136.3 ~~or the apportionment factors of the unitary business except as provided in paragraph (g).~~

136.4 ~~(g) The adjusted net income of a foreign operating corporation shall be deemed to~~  
136.5 ~~be paid as a dividend on the last day of its taxable year to each shareholder thereof, in~~  
136.6 ~~proportion to each shareholder's ownership, with which such corporation is engaged in~~  
136.7 ~~a unitary business. Such deemed dividend shall be treated as a dividend under section~~  
136.8 ~~290.21, subdivision 4.~~

136.9 ~~Dividends actually paid by a foreign operating corporation to a corporate shareholder~~  
136.10 ~~which is a member of the same unitary business as the foreign operating corporation shall~~  
136.11 ~~be eliminated from the net income of the unitary business in preparing a combined report~~  
136.12 ~~for the unitary business. The adjusted net income of a foreign operating corporation~~  
136.13 ~~shall be its net income adjusted as follows:~~

136.14 ~~(1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto~~  
136.15 ~~Rico, or a United States possession or political subdivision of any of the foregoing shall~~  
136.16 ~~be a deduction; and~~

136.17 ~~(2) the subtraction from federal taxable income for payments received from foreign~~  
136.18 ~~corporations or foreign operating corporations under section 290.01, subdivision 19d,~~  
136.19 ~~clause (10), shall not be allowed.~~

136.20 ~~If a foreign operating corporation incurs a net loss, neither income nor deduction from~~  
136.21 ~~that corporation shall be included in determining the net income of the unitary business.~~

136.22 ~~(h) (g)~~ For purposes of determining the net income of a unitary business and the  
136.23 factors to be used in the apportionment of net income pursuant to section 290.191 or  
136.24 290.20, there must be included only the income and apportionment factors of domestic  
136.25 corporations or other domestic entities other than foreign operating corporations that are  
136.26 determined to be part of the unitary business pursuant to this subdivision, notwithstanding  
136.27 that foreign corporations or other foreign entities might be included in the unitary  
136.28 business; except that the income and apportionment factors of a foreign corporation,  
136.29 foreign partnership, or other foreign entity, that is included in the federal taxable income,  
136.30 as defined in section 63 of the Internal Revenue Code as amended through the date  
136.31 named in section 290.01, subdivision 19, of a domestic corporation, domestic entity, or  
136.32 individual must be included in determining net income and the factors to be used in the  
136.33 apportionment of net income pursuant to section 290.191 or 290.20.

136.34 ~~(i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter~~  
136.35 ~~that are connected with or allocable against dividends, deemed dividends described~~

137.1 ~~in paragraph (g), or royalties, fees, or other like income described in section 290.01,~~  
 137.2 ~~subdivision 19d, clause (10), shall not be disallowed.~~

137.3 ~~(j)~~ (h) Each corporation or other entity, except a sole proprietorship, that is part of  
 137.4 a unitary business must file combined reports as the commissioner determines. On the  
 137.5 reports, all intercompany transactions between entities included pursuant to paragraph ~~(h)~~  
 137.6 (g) must be eliminated and the entire net income of the unitary business determined in  
 137.7 accordance with this subdivision is apportioned among the entities by using each entity's  
 137.8 Minnesota factors for apportionment purposes in the numerators of the apportionment  
 137.9 formula and the total factors for apportionment purposes of all entities included pursuant to  
 137.10 paragraph ~~(h)~~ (g) in the denominators of the apportionment formula. All sales of the unitary  
 137.11 business made within this state pursuant to section 290.191 or 290.20 must be included  
 137.12 on the combined report of a corporation or other entity that is a member of the unitary  
 137.13 business and is subject to the jurisdiction of this state to impose tax under this chapter.

137.14 ~~(k)~~ (i) If a corporation has been divested from a unitary business and is included in a  
 137.15 combined report for a fractional part of the common accounting period of the combined  
 137.16 report:

137.17 (1) its income includable in the combined report is its income incurred for that part  
 137.18 of the year determined by proration or separate accounting; and

137.19 (2) its sales, property, and payroll included in the apportionment formula must  
 137.20 be prorated or accounted for separately.

137.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 137.22 December 31, 2012.

137.23 Sec. 36. Minnesota Statutes 2012, section 290.191, subdivision 5, is amended to read:

137.24 Subd. 5. **Determination of sales factor.** For purposes of this section, the following  
 137.25 rules apply in determining the sales factor.

137.26 (a) The sales factor includes all sales, gross earnings, or receipts received in the  
 137.27 ordinary course of the business, except that the following types of income are not included  
 137.28 in the sales factor:

137.29 (1) interest;

137.30 (2) dividends;

137.31 (3) sales of capital assets as defined in section 1221 of the Internal Revenue Code;

137.32 (4) sales of property used in the trade or business, except sales of leased property of  
 137.33 a type which is regularly sold as well as leased; and

137.34 (5) sales of debt instruments as defined in section 1275(a)(1) of the Internal Revenue  
 137.35 Code or sales of stock; and.

138.1 ~~(6) royalties, fees, or other like income of a type which qualify for a subtraction from~~  
138.2 ~~federal taxable income under section 290.01, subdivision 19d, clause (10).~~

138.3 (b) Sales of tangible personal property are made within this state if the property is  
138.4 received by a purchaser at a point within this state, and the taxpayer is taxable in this state,  
138.5 regardless of the f.o.b. point, other conditions of the sale, or the ultimate destination  
138.6 of the property.

138.7 (c) Tangible personal property delivered to a common or contract carrier or foreign  
138.8 vessel for delivery to a purchaser in another state or nation is a sale in that state or nation,  
138.9 regardless of f.o.b. point or other conditions of the sale.

138.10 (d) Notwithstanding paragraphs (b) and (c), when intoxicating liquor, wine,  
138.11 fermented malt beverages, cigarettes, or tobacco products are sold to a purchaser who is  
138.12 licensed by a state or political subdivision to resell this property only within the state of  
138.13 ultimate destination, the sale is made in that state.

138.14 (e) Sales made by or through a corporation that is qualified as a domestic  
138.15 international sales corporation under section 992 of the Internal Revenue Code are not  
138.16 considered to have been made within this state.

138.17 (f) Sales, rents, royalties, and other income in connection with real property is  
138.18 attributed to the state in which the property is located.

138.19 (g) Receipts from the lease or rental of tangible personal property, including finance  
138.20 leases and true leases, must be attributed to this state if the property is located in this  
138.21 state and to other states if the property is not located in this state. Receipts from the  
138.22 lease or rental of moving property including, but not limited to, motor vehicles, rolling  
138.23 stock, aircraft, vessels, or mobile equipment are included in the numerator of the receipts  
138.24 factor to the extent that the property is used in this state. The extent of the use of moving  
138.25 property is determined as follows:

138.26 (1) A motor vehicle is used wholly in the state in which it is registered.

138.27 (2) The extent that rolling stock is used in this state is determined by multiplying  
138.28 the receipts from the lease or rental of the rolling stock by a fraction, the numerator of  
138.29 which is the miles traveled within this state by the leased or rented rolling stock and the  
138.30 denominator of which is the total miles traveled by the leased or rented rolling stock.

138.31 (3) The extent that an aircraft is used in this state is determined by multiplying the  
138.32 receipts from the lease or rental of the aircraft by a fraction, the numerator of which is  
138.33 the number of landings of the aircraft in this state and the denominator of which is the  
138.34 total number of landings of the aircraft.

138.35 (4) The extent that a vessel, mobile equipment, or other mobile property is used in  
138.36 the state is determined by multiplying the receipts from the lease or rental of the property

139.1 by a fraction, the numerator of which is the number of days during the taxable year the  
139.2 property was in this state and the denominator of which is the total days in the taxable year.

139.3 (h) Royalties and other income not described in paragraph (a), clause (6), received  
139.4 for the use of or for the privilege of using intangible property, including patents,  
139.5 know-how, formulas, designs, processes, patterns, copyrights, trade names, service names,  
139.6 franchises, licenses, contracts, customer lists, or similar items, must be attributed to the  
139.7 state in which the property is used by the purchaser. If the property is used in more  
139.8 than one state, the royalties or other income must be apportioned to this state pro rata  
139.9 according to the portion of use in this state. If the portion of use in this state cannot be  
139.10 determined, the royalties or other income must be excluded from both the numerator  
139.11 and the denominator. Intangible property is used in this state if the purchaser uses the  
139.12 intangible property or the rights therein in the regular course of its business operations in  
139.13 this state, regardless of the location of the purchaser's customers.

139.14 (i) Sales of intangible property are made within the state in which the property is  
139.15 used by the purchaser. If the property is used in more than one state, the sales must be  
139.16 apportioned to this state pro rata according to the portion of use in this state. If the  
139.17 portion of use in this state cannot be determined, the sale must be excluded from both the  
139.18 numerator and the denominator of the sales factor. Intangible property is used in this  
139.19 state if the purchaser used the intangible property in the regular course of its business  
139.20 operations in this state.

139.21 (j) Receipts from the performance of services must be attributed to the state where  
139.22 the services are received. For the purposes of this section, receipts from the performance  
139.23 of services provided to a corporation, partnership, or trust may only be attributed to a state  
139.24 where it has a fixed place of doing business. If the state where the services are received is  
139.25 not readily determinable or is a state where the corporation, partnership, or trust receiving  
139.26 the service does not have a fixed place of doing business, the services shall be deemed  
139.27 to be received at the location of the office of the customer from which the services were  
139.28 ordered in the regular course of the customer's trade or business. If the ordering office  
139.29 cannot be determined, the services shall be deemed to be received at the office of the  
139.30 customer to which the services are billed.

139.31 (k) For the purposes of this subdivision and subdivision 6, paragraph (l), receipts  
139.32 from management, distribution, or administrative services performed by a corporation  
139.33 or trust for a fund of a corporation or trust regulated under United States Code, title 15,  
139.34 sections 80a-1 through 80a-64, must be attributed to the state where the shareholder of  
139.35 the fund resides. Under this paragraph, receipts for services attributed to shareholders are  
139.36 determined on the basis of the ratio of: (1) the average of the outstanding shares in the

140.1 fund owned by shareholders residing within Minnesota at the beginning and end of each  
140.2 year; and (2) the average of the total number of outstanding shares in the fund at the  
140.3 beginning and end of each year. Residence of the shareholder, in the case of an individual,  
140.4 is determined by the mailing address furnished by the shareholder to the fund. Residence  
140.5 of the shareholder, when the shares are held by an insurance company as a depositor for  
140.6 the insurance company policyholders, is the mailing address of the policyholders. In  
140.7 the case of an insurance company holding the shares as a depositor for the insurance  
140.8 company policyholders, if the mailing address of the policyholders cannot be determined  
140.9 by the taxpayer, the receipts must be excluded from both the numerator and denominator.  
140.10 Residence of other shareholders is the mailing address of the shareholder.

140.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
140.12 December 31, 2012.

140.13 Sec. 37. Minnesota Statutes 2012, section 290.21, subdivision 4, is amended to read:

140.14 Subd. 4. **Dividends received from another corporation.** (a)(1) Eighty percent  
140.15 of dividends received by a corporation during the taxable year from another corporation,  
140.16 in which the recipient owns 20 percent or more of the stock, by vote and value, not  
140.17 including stock described in section 1504(a)(4) of the Internal Revenue Code when the  
140.18 corporate stock with respect to which dividends are paid does not constitute the stock in  
140.19 trade of the taxpayer or would not be included in the inventory of the taxpayer, or does not  
140.20 constitute property held by the taxpayer primarily for sale to customers in the ordinary  
140.21 course of the taxpayer's trade or business, or when the trade or business of the taxpayer  
140.22 does not consist principally of the holding of the stocks and the collection of the income  
140.23 and gains therefrom; and

140.24 (2)(i) the remaining 20 percent of dividends if the dividends received are the stock in  
140.25 an affiliated company transferred in an overall plan of reorganization and the dividend  
140.26 is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as  
140.27 amended through December 31, 1989;

140.28 (ii) the remaining 20 percent of dividends if the dividends are received from a  
140.29 corporation which is subject to tax under section 290.36 and which is a member of an  
140.30 affiliated group of corporations as defined by the Internal Revenue Code and the dividend  
140.31 is eliminated in consolidation under Treasury Department Regulation 1.1502-14(a), as  
140.32 amended through December 31, 1989, or is deducted under an election under section  
140.33 243(b) of the Internal Revenue Code; or

140.34 (iii) the remaining 20 percent of the dividends if the dividends are received from a  
140.35 property and casualty insurer as defined under section 60A.60, subdivision 8, which is a

141.1 member of an affiliated group of corporations as defined by the Internal Revenue Code  
141.2 and either: (A) the dividend is eliminated in consolidation under Treasury Regulation  
141.3 1.1502-14(a), as amended through December 31, 1989; or (B) the dividend is deducted  
141.4 under an election under section 243(b) of the Internal Revenue Code.

141.5 (b) Seventy percent of dividends received by a corporation during the taxable year  
141.6 from another corporation in which the recipient owns less than 20 percent of the stock,  
141.7 by vote or value, not including stock described in section 1504(a)(4) of the Internal  
141.8 Revenue Code when the corporate stock with respect to which dividends are paid does not  
141.9 constitute the stock in trade of the taxpayer, or does not constitute property held by the  
141.10 taxpayer primarily for sale to customers in the ordinary course of the taxpayer's trade or  
141.11 business, or when the trade or business of the taxpayer does not consist principally of the  
141.12 holding of the stocks and the collection of income and gain therefrom.

141.13 (c) The dividend deduction provided in this subdivision shall be allowed only with  
141.14 respect to dividends that are included in a corporation's Minnesota taxable net income  
141.15 for the taxable year.

141.16 The dividend deduction provided in this subdivision does not apply to a dividend  
141.17 from a corporation which, for the taxable year of the corporation in which the distribution  
141.18 is made or for the next preceding taxable year of the corporation, is a corporation exempt  
141.19 from tax under section 501 of the Internal Revenue Code.

141.20 The dividend deduction provided in this subdivision does not apply to a dividend  
141.21 received from a real estate investment trust as defined in section 856 of the Internal  
141.22 Revenue Code.

141.23 The dividend deduction provided in this subdivision applies to the amount of  
141.24 regulated investment company dividends only to the extent determined under section  
141.25 854(b) of the Internal Revenue Code.

141.26 The dividend deduction provided in this subdivision shall not be allowed with  
141.27 respect to any dividend for which a deduction is not allowed under the provisions of  
141.28 section 246(c) of the Internal Revenue Code.

141.29 (d) If dividends received by a corporation that does not have nexus with Minnesota  
141.30 under the provisions of Public Law 86-272 are included as income on the return of  
141.31 an affiliated corporation permitted or required to file a combined report under section  
141.32 290.17, subdivision 4, or 290.34, subdivision 2, then for purposes of this subdivision the  
141.33 determination as to whether the trade or business of the corporation consists principally  
141.34 of the holding of stocks and the collection of income and gains therefrom shall be made  
141.35 with reference to the trade or business of the affiliated corporation having a nexus with  
141.36 Minnesota.

142.1 (e) The deduction provided by this subdivision does not apply if the dividends are  
142.2 paid by a FSC as defined in section 922 of the Internal Revenue Code.

142.3 (f) If one or more of the members of the unitary group whose income is included on  
142.4 the combined report received a dividend, the deduction under this subdivision for each  
142.5 member of the unitary business required to file a return under this chapter is the product  
142.6 of: (1) 100 percent of the dividends received by members of the group; (2) the percentage  
142.7 allowed pursuant to paragraph (a) or (b); and (3) the percentage of the taxpayer's business  
142.8 income apportionable to this state for the taxable year under section 290.191 or 290.20.

142.9 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
142.10 December 31, 2012.

142.11 Sec. 38. Minnesota Statutes 2012, section 297G.04, subdivision 2, is amended to read:

142.12 Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages  
142.13 is entitled to a tax credit of \$4.60 per barrel on 25,000 barrels sold in any fiscal year  
142.14 beginning July 1, regardless of the alcohol content of the product. Qualified brewers may  
142.15 take the credit on the 18th day of each month, but the total credit allowed may not exceed  
142.16 in any fiscal year the lesser of:

- 142.17 (1) the liability for tax; or  
142.18 (2) \$115,000.

142.19 For purposes of this subdivision, a "qualified brewer" means a brewer, whether or  
142.20 not located in this state, manufacturing less than ~~100,000~~ 250,000 barrels of fermented  
142.21 malt beverages in the calendar year immediately preceding the calendar year for which  
142.22 the credit under this subdivision is claimed. In determining the number of barrels, all  
142.23 brands or labels of a brewer must be combined. All facilities for the manufacture of  
142.24 fermented malt beverages owned or controlled by the same person, corporation, or other  
142.25 entity must be treated as a single brewer.

142.26 **EFFECTIVE DATE.** This section is effective for determinations based on calendar  
142.27 year 2012 production and thereafter.

142.28 Sec. 39. Minnesota Statutes 2012, section 298.01, subdivision 3b, is amended to read:

142.29 Subd. 3b. **Deductions.** (a) For purposes of determining taxable income under  
142.30 subdivision 3, the deductions from gross income include only those expenses necessary  
142.31 to convert raw ores to marketable quality. Such expenses include costs associated with  
142.32 refinement but do not include expenses such as transportation, stockpiling, marketing, or  
142.33 marine insurance that are incurred after marketable ores are produced, unless the expenses

143.1 are included in gross income. The allowable deductions from a mine or plant that mines  
 143.2 and produces more than one mineral, metal, or energy resource must be determined  
 143.3 separately for the purposes of computing the deduction in section 290.01, subdivision 19c,  
 143.4 clause (9). These deductions may be combined on one occupation tax return to arrive at  
 143.5 the deduction from gross income for all production.

143.6 (b) The provisions of section 290.01, subdivisions 19c, clauses (6) and (9), and 19d,  
 143.7 clauses (7) and ~~(H)~~ (10), are not used to determine taxable income.

143.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 143.9 December 31, 2012.

143.10 Sec. 40. Laws 2010, chapter 216, section 11, the effective date, is amended to read:

143.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning  
 143.12 after December 31, 2009, for certified historic structures for which qualified ~~costs of~~  
 143.13 ~~rehabilitation are first paid under construction contracts entered into after May 1, 2010~~  
 143.14 rehabilitation expenditures are first paid by the developer or taxpayer after May 1, 2010,  
 143.15 for rehabilitation that occurs after May 1, 2010, provided that the application under  
 143.16 subdivision 3 is submitted before the project is placed in service.

143.17 **EFFECTIVE DATE.** This section is effective the day following final enactment  
 143.18 and applies retroactively for taxable years beginning after December 31, 2009, and for  
 143.19 certified historic structures placed in service after May 1, 2010, but the office may not  
 143.20 issue certificates allowed under the change to this section until July 1, 2013.

143.21 Sec. 41. **CLOTHING SALES TAX CREDIT; TAX YEAR 2013.**

143.22 For tax year 2013 only, the credit calculated under Minnesota Statutes, section  
 143.23 290.0683, is the credit under Minnesota Statutes, section 290.0683, subdivision 2, after  
 143.24 limitations imposed under Minnesota Statutes, section 290.0683, subdivision 3, multiplied  
 143.25 by one-half.

143.26 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 143.27 December 31, 2012.

143.28 Sec. 42. **REPEALER.**

143.29 Minnesota Statutes 2012, sections 290.01, subdivision 6b; and 290.0921, subdivision  
 143.30 7, are repealed.

144.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
 144.2 December 31, 2012.

144.3 **ARTICLE 6**

144.4 **ESTATE TAXES**

144.5 Section 1. Minnesota Statutes 2012, section 291.03, subdivision 8, is amended to read:

144.6 Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the  
 144.7 meanings given in this subdivision.

144.8 (b) "Family member" means a family member as defined in section 2032A(e)(2) of  
 144.9 the Internal Revenue Code, or a trust whose present beneficiaries are all family members  
 144.10 as defined in section 2032A(e)(2) of the Internal Revenue Code.

144.11 (c) "Qualified heir" means a family member who acquired qualified property ~~from~~  
 144.12 upon the death of the decedent and satisfies the requirement under subdivision 9, clause  
 144.13 ~~(6)~~ (7), or subdivision 10, clause ~~(4)~~ (5), for the property.

144.14 (d) "Qualified property" means qualified small business property under subdivision  
 144.15 9 and qualified farm property under subdivision 10.

144.16 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
 144.17 dying after June 30, 2011.

144.18 Sec. 2. Minnesota Statutes 2012, section 291.03, subdivision 9, is amended to read:

144.19 Subd. 9. **Qualified small business property.** Property satisfying all of the following  
 144.20 requirements is qualified small business property:

144.21 (1) The value of the property was included in the federal adjusted taxable estate.

144.22 (2) The property consists of the assets of a trade or business or shares of stock or  
 144.23 other ownership interests in a corporation or other entity engaged in a trade or business.

144.24 ~~The decedent or the decedent's spouse must have materially participated in the trade or~~

144.25 ~~business within the meaning of section 469 of the Internal Revenue Code during the~~

144.26 ~~taxable year that ended before the date of the decedent's death.~~ Shares of stock in a

144.27 corporation or an ownership interest in another type of entity do not qualify under this

144.28 subdivision if the shares or ownership interests are traded on a public stock exchange at

144.29 any time during the three-year period ending on the decedent's date of death. For purposes

144.30 of this subdivision, an ownership interest includes the interest the decedent is deemed to

144.31 own under sections 2036, 2037, and 2038 of the Internal Revenue Code.

144.32 (3) During the taxable year that ended before the decedent's death, the trade or  
 144.33 business must not have been a passive activity within the meaning of section 469(c) of the

145.1 Internal Revenue Code, and the decedent or the decedent's spouse must have materially  
145.2 participated in the trade or business within the meaning of section 469(h) of the Internal  
145.3 Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and any other  
145.4 provision provided by United States Treasury Department regulation that substitutes  
145.5 material participation in prior taxable years for material participation in the taxable year  
145.6 that ended before the decedent's death.

145.7 (4) The gross annual sales of the trade or business were \$10,000,000 or less for the  
145.8 last taxable year that ended before the date of the death of the decedent.

145.9 (4) (5) The property does not consist of cash or, cash equivalents, publicly traded  
145.10 securities, or assets not used in the operation of the trade or business. For property  
145.11 consisting of shares of stock or other ownership interests in an entity, the amount value of  
145.12 cash or, cash equivalents, publicly traded securities, or assets not used in the operation of  
145.13 the trade or business held by the corporation or other entity must be deducted from the  
145.14 value of the property qualifying under this subdivision in proportion to the decedent's  
145.15 share of ownership of the entity on the date of death.

145.16 (5) (6) The decedent continuously owned the property, including property the  
145.17 decedent is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue  
145.18 Code, for the three-year period ending on the date of death of the decedent. In the case of  
145.19 a sole proprietor, if the property replaced similar property within the three-year period,  
145.20 the replacement property will be treated as having been owned for the three-year period  
145.21 ending on the date of death of the decedent.

145.22 (6) A family member continuously uses the property in the operation of the trade or  
145.23 business for three years following the date of death of the decedent.

145.24 (7) For three years following the date of death of the decedent, the trade or business  
145.25 is not a passive activity within the meaning of section 469(c) of the Internal Revenue Code,  
145.26 and a family member materially participates in the operation of the trade or business within  
145.27 the meaning of section 469(h) of the Internal Revenue Code, excluding section 469(h)(3)  
145.28 of the Internal Revenue Code and any other provision provided by United States Treasury  
145.29 Department regulation that substitutes material participation in prior taxable years for  
145.30 material participation in the three years following the date of death of the decedent.

145.31 (8) The estate and the qualified heir elect to treat the property as qualified small  
145.32 business property and agree, in the form prescribed by the commissioner, to pay the  
145.33 recapture tax under subdivision 11, if applicable.

145.34 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
145.35 dying after June 30, 2011.

146.1 Sec. 3. Minnesota Statutes 2012, section 291.03, subdivision 10, is amended to read:

146.2 Subd. 10. **Qualified farm property.** Property satisfying all of the following  
146.3 requirements is qualified farm property:

146.4 (1) The value of the property was included in the federal adjusted taxable estate.

146.5 (2) The property consists of ~~a farm meeting the requirements of agricultural land as~~  
146.6 defined in section 500.24, subdivision 2, paragraph (g), and is owned by a person or entity  
146.7 that is either not subject to or is in compliance with section 500.24, and was classified for  
146.8 property tax purposes as the homestead of the decedent or the decedent's spouse or both  
146.9 under section 273.124, and as class 2a property under section 273.13, subdivision 23.

146.10 (3) For property taxes payable in the taxable year of the decedent's death, the  
146.11 decedent's interest in the property was classified as the homestead of the decedent, the  
146.12 decedent's spouse, or both under section 273.124 and as class 2a property under section  
146.13 273.13, subdivision 23.

146.14 (4) The decedent continuously owned the property, including property the decedent  
146.15 is deemed to own under sections 2036, 2037, and 2038 of the Internal Revenue Code, for  
146.16 the three-year period ending on the date of death of the decedent either by ownership of  
146.17 the agricultural land or pursuant to holding an interest in an entity that is not subject to  
146.18 or is in compliance with section 500.24.

146.19 ~~(4) A family member continuously uses the property in the operation of the trade or~~  
146.20 ~~business~~ (5) The property is classified for property tax purposes as class 2a property under  
146.21 section 273.13, subdivision 23, for three years following the date of death of the decedent.

146.22 ~~(5)~~ (6) The estate and the qualified heir elect to treat the property as qualified farm  
146.23 property and agree, in a form prescribed by the commissioner, to pay the recapture tax  
146.24 under subdivision 11, if applicable.

146.25 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
146.26 dying after June 30, 2011.

146.27 Sec. 4. Minnesota Statutes 2012, section 291.03, subdivision 11, is amended to read:

146.28 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and  
146.29 before the death of the qualified heir, the qualified heir disposes of any interest in the  
146.30 qualified property, other than by a disposition to a family member, or a family member  
146.31 ceases to use the qualified property which was acquired or passed from the decedent  
146.32 satisfy the requirement under subdivision 9, clause (7); or 10, clause (5), an additional  
146.33 estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir  
146.34 replaces qualified small business property excluded under subdivision 9 with similar

147.1 property, then the qualified heir will not be treated as having disposed of an interest in the  
 147.2 qualified property.

147.3 (b) The amount of the additional tax equals the amount of the exclusion claimed by  
 147.4 the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

147.5 (c) The additional tax under this subdivision is due on the day which is six months  
 147.6 after the date of the disposition or cessation in paragraph (a).

147.7 **EFFECTIVE DATE.** This section is effective retroactively for estates of decedents  
 147.8 dying after June 30, 2011.

## 147.9 **ARTICLE 7**

### 147.10 **SALES AND USE TAXES; LOCAL SALES TAXES**

147.11 Section 1. Minnesota Statutes 2012, section 16C.03, subdivision 18, is amended to read:

147.12 Subd. 18. **Contracts with foreign vendors.** (a) The commissioner and other  
 147.13 agencies to which this section applies and the legislative branch of government shall,  
 147.14 subject to paragraph (d), cancel a contract for goods or services from a vendor or an  
 147.15 affiliate of a vendor or suspend or debar a vendor or an affiliate of a vendor from future  
 147.16 contracts upon notification from the commissioner of revenue that the vendor or an  
 147.17 affiliate of the vendor has not registered to collect the sales and use tax imposed under  
 147.18 chapter 297A on its sales in Minnesota or to a destination in Minnesota. This subdivision  
 147.19 shall not apply to state colleges and universities, the courts, and any agency in the judicial  
 147.20 branch of government. For purposes of this subdivision, the term "affiliate" means any  
 147.21 person or entity that is controlled by, or is under common control of, a vendor through  
 147.22 stock ownership or other affiliation.

147.23 (b) ~~Beginning January 1, 2006,~~ Each vendor or affiliate of a vendor selling goods or  
 147.24 services, subject to tax under chapter 297A, to an agency or the legislature must register  
 147.25 with the commissioner of revenue as provided in section 297A.83, and comply with all legal  
 147.26 requirements imposed on a person maintaining a place of business in this state, including  
 147.27 the requirement to collect and remit sales and use tax on all taxable sales to customers in  
 147.28 the state, and provide its Minnesota sales and use tax business identification number, upon  
 147.29 request, to show that the vendor is registered to collect Minnesota sales or use tax.

147.30 (c) The commissioner of revenue shall periodically provide to the commissioner  
 147.31 and the legislative branch a list of vendors who have not registered to collect Minnesota  
 147.32 sales and use tax and who are subject to being suspended or debarred as vendors or having  
 147.33 their contracts canceled.

148.1 (d) The provisions of this subdivision may be waived by the commissioner or the  
148.2 legislative branch when the vendor is the single source of such goods or services, in the  
148.3 event of an emergency, or when it is in the best interests of the state as determined by the  
148.4 commissioner in consultation with the commissioner of revenue. Such consultation is not  
148.5 a disclosure violation under chapter 270B.

148.6 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
148.7 June 30, 2013.

148.8 Sec. 2. Minnesota Statutes 2012, section 297A.61, subdivision 3, is amended to read:

148.9 Subd. 3. **Sale and purchase.** (a) "Sale" and "purchase" include, but are not  
148.10 limited to, each of the transactions listed in this subdivision. In applying the provisions  
148.11 of this chapter, the terms "tangible personal property" and "retail sale" include taxable  
148.12 services listed in clause (6), items (i) to (vi) and (viii), and the provision of these taxable  
148.13 services, unless specifically provided otherwise. Services performed by an employee  
148.14 for an employer are not taxable. Services performed by a partnership or association for  
148.15 another partnership or association are not taxable if one of the entities owns or controls  
148.16 more than 80 percent of the voting power of the equity interest in the other entity. Services  
148.17 performed between members of an affiliated group of corporations are not taxable. For  
148.18 purposes of the preceding sentence, "affiliated group of corporations" means those entities  
148.19 that would be classified as members of an affiliated group as defined under United States  
148.20 Code, title 26, section 1504, disregarding the exclusions in section 1504(b).

148.21 (b) Sale and purchase include:

148.22 (1) any transfer of title or possession, or both, of tangible personal property, whether  
148.23 absolutely or conditionally, for a consideration in money or by exchange or barter; and

148.24 (2) the leasing of or the granting of a license to use or consume, for a consideration  
148.25 in money or by exchange or barter, tangible personal property, other than a manufactured  
148.26 home used for residential purposes for a continuous period of 30 days or more.

148.27 (c) Sale and purchase include the production, fabrication, printing, or processing of  
148.28 tangible personal property for a consideration for consumers who furnish either directly or  
148.29 indirectly the materials used in the production, fabrication, printing, or processing.

148.30 (d) Sale and purchase include the preparing for a consideration of food.

148.31 Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited  
148.32 to, the following:

148.33 (1) prepared food sold by the retailer;

148.34 (2) soft drinks;

148.35 (3) candy;

149.1 (4) dietary supplements; and

149.2 (5) all food sold through vending machines.

149.3 (e) A sale and a purchase includes the furnishing for a consideration of electricity,  
149.4 gas, water, or steam for use or consumption within this state.

149.5 (f) A sale and a purchase includes:

149.6 (1) the transfer for a consideration of prewritten computer software whether  
149.7 delivered electronically, by load and leave, or otherwise; and

149.8 (2) the receipt of custom computer software whether delivered electronically, by  
149.9 load and leave, or otherwise.

149.10 (g) A sale and a purchase includes the furnishing for a consideration of the following  
149.11 services:

149.12 (1) the privilege of admission to places of amusement, exhibitions, recreational  
149.13 areas, or professional athletic events, including the rental of box seats and suites at  
149.14 professional athletic events, and the making available of amusement devices, tanning  
149.15 facilities, reducing salons, steam baths, Turkish baths, health clubs, and spas or athletic  
149.16 facilities. "Exhibitions" means trade shows, boat shows, home shows, garden shows,  
149.17 and other similar events;

149.18 (2) lodging and related services by a hotel, rooming house, resort, campground,  
149.19 motel, or trailer camp, including furnishing the guest of the facility with access to  
149.20 telecommunication services, and the granting of any similar license to use real property in  
149.21 a specific facility, other than the renting or leasing of it for a continuous period of 30 days  
149.22 or more under an enforceable written agreement that may not be terminated without prior  
149.23 notice and including accommodations intermediary services provided in connection with  
149.24 other services provided under this clause;

149.25 (3) nonresidential parking services, whether on a contractual, hourly, or other  
149.26 periodic basis, except for parking at a meter;

149.27 (4) the granting of membership in a club, association, or other organization if:

149.28 (i) the club, association, or other organization makes available for the use of its  
149.29 members sports and athletic facilities, without regard to whether a separate charge is  
149.30 assessed for use of the facilities; and

149.31 (ii) use of the sports and athletic facility is not made available to the general public  
149.32 on the same basis as it is made available to members.

149.33 Granting of membership means both onetime initiation fees and periodic membership  
149.34 dues. Sports and athletic facilities include golf courses; tennis, racquetball, handball, and  
149.35 squash courts; basketball and volleyball facilities; running tracks; exercise equipment;  
149.36 swimming pools; and other similar athletic or sports facilities;

150.1 (5) delivery of aggregate materials by a third party, excluding delivery of aggregate  
150.2 material used in road construction; and delivery of concrete block by a third party if the  
150.3 delivery would be subject to the sales tax if provided by the seller of the concrete block.

150.4 For purposes of this clause, "road construction" means construction of:

150.5 (i) public roads;

150.6 (ii) cartways; and

150.7 (iii) private roads in townships located outside of the seven-county metropolitan area  
150.8 up to the point of the emergency response location sign; and

150.9 (6) services as provided in this clause:

150.10 (i) laundry and dry cleaning services including cleaning, pressing, repairing, altering,  
150.11 and storing clothes, linen services and supply, cleaning and blocking hats, and carpet,  
150.12 drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not  
150.13 include services provided by coin operated facilities operated by the customer;

150.14 (ii) motor vehicle washing, waxing, and cleaning services, including services  
150.15 provided by coin operated facilities operated by the customer, and rustproofing,  
150.16 undercoating, and towing of motor vehicles;

150.17 (iii) building and residential cleaning, maintenance, and disinfecting services and  
150.18 pest control and exterminating services;

150.19 (iv) detective, security, burglar, fire alarm, and armored car services; but not  
150.20 including services performed within the jurisdiction they serve by off-duty licensed peace  
150.21 officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit  
150.22 organization or any organization at the direction of a county for monitoring and electronic  
150.23 surveillance of persons placed on in-home detention pursuant to court order or under the  
150.24 direction of the Minnesota Department of Corrections;

150.25 (v) pet grooming services;

150.26 (vi) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting  
150.27 and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor  
150.28 plant care; tree, bush, shrub, and stump removal, except when performed as part of a land  
150.29 clearing contract as defined in section 297A.68, subdivision 40; and tree trimming for  
150.30 public utility lines. Services performed under a construction contract for the installation of  
150.31 shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

150.32 (vii) massages, except when provided by a licensed health care facility or  
150.33 professional or upon written referral from a licensed health care facility or professional for  
150.34 treatment of illness, injury, or disease; and

150.35 (viii) the furnishing of lodging, board, and care services for animals in kennels and  
150.36 other similar arrangements, ~~but excluding veterinary and horse boarding services.~~

151.1 ~~In applying the provisions of this chapter, the terms "tangible personal property"~~  
151.2 ~~and "retail sale" include taxable services listed in clause (6), items (i) to (vi) and (viii),~~  
151.3 ~~and the provision of these taxable services, unless specifically provided otherwise.~~  
151.4 ~~Services performed by an employee for an employer are not taxable. Services performed~~  
151.5 ~~by a partnership or association for another partnership or association are not taxable if~~  
151.6 ~~one of the entities owns or controls more than 80 percent of the voting power of the~~  
151.7 ~~equity interest in the other entity. Services performed between members of an affiliated~~  
151.8 ~~group of corporations are not taxable. For purposes of the preceding sentence, "affiliated~~  
151.9 ~~group of corporations" means those entities that would be classified as members of an~~  
151.10 ~~affiliated group as defined under United States Code, title 26, section 1504, disregarding~~  
151.11 ~~the exclusions in section 1504(b).~~

151.12 ~~For purposes of clause (5), "road construction" means construction of (1) public~~  
151.13 ~~roads, (2) cartways, and (3) private roads in townships located outside of the seven-county~~  
151.14 ~~metropolitan area up to the point of the emergency response location sign.~~

151.15 (h) A sale and a purchase includes the furnishing for a consideration of tangible  
151.16 personal property or taxable services by the United States or any of its agencies or  
151.17 instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political  
151.18 subdivisions.

151.19 (i) A sale and a purchase includes the furnishing for a consideration of  
151.20 telecommunications services, ancillary services associated with telecommunication  
151.21 services, ~~cable and pay~~ television services, ~~and direct satellite services~~. Telecommunication  
151.22 services include, but are not limited to, the following services, as defined in section  
151.23 297A.669: air-to-ground radiotelephone service, mobile telecommunication service,  
151.24 postpaid calling service, prepaid calling service, prepaid wireless calling service, and  
151.25 private communication services. The services in this paragraph are taxed to the extent  
151.26 allowed under federal law.

151.27 (j) A sale and a purchase includes the furnishing for a consideration of installation if  
151.28 the installation charges would be subject to the sales tax if the installation were provided  
151.29 by the seller of the item being installed.

151.30 (k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer  
151.31 to a customer when (1) the vehicle is rented by the customer for a consideration, or (2)  
151.32 the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section  
151.33 59B.02, subdivision 11.

151.34 (l) A sale and a purchase includes the furnishing for a consideration of specified  
151.35 digital products or other digital products and granting the right for a consideration to use  
151.36 specified digital products or other digital products on a temporary or permanent basis and

152.1 regardless of whether the purchaser is required to make continued payments for such  
 152.2 right. Wherever the term "tangible personal property" is used in this chapter, other than in  
 152.3 subdivisions 10 and 38, the provisions also apply to specified digital products, or other  
 152.4 digital products, unless specifically provided otherwise or the context indicates otherwise.

152.5 (m) A sale and purchase includes:

152.6 (1) any service performed for the care, cleansing, beautification, or alteration of the  
 152.7 appearance of the body, skin, nails, or hair, or in the enhancement of personal relaxation,  
 152.8 appearance, or health, but excluding mortuary services;

152.9 (2) repair labor for:

152.10 (i) farm machinery as defined under section 297A.61, subdivision 12;

152.11 (ii) motor vehicles as defined under section 297B.01, subdivision 11, except for  
 152.12 motor vehicles sold at wholesale auction at an auto auction facility; and

152.13 (iii) any other tangible personal property;

152.14 (3) warehousing or storage services for tangible personal property excluding storage  
 152.15 of farm products, refrigerated food, and electronic data; and

152.16 (4) the furnishing for consideration of documents prepared in connection with any  
 152.17 legal proceeding, including a trial hearing, deposition, arbitration, or mediation, except  
 152.18 for such documents prepared for a public defender or a public defender corporation  
 152.19 under chapter 611.

152.20 (n) A sale and purchase also is the personal services of event planning, dating  
 152.21 services, personal shopping, personal concierge services, or personal or household  
 152.22 organizing services.

152.23 (o) In applying the provisions of this chapter, the terms "tangible personal property"  
 152.24 and "retail sale" include taxable services listed in paragraph (g), clause (6), items (i) to (vi)  
 152.25 and (viii), and paragraphs (m) and (n), and the provision of these taxable services, unless  
 152.26 specifically provided otherwise.

152.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 152.28 June 30, 2013.

152.29 Sec. 3. Minnesota Statutes 2012, section 297A.61, subdivision 4, is amended to read:

152.30 Subd. 4. **Retail sale.** (a) A "retail sale" means:

152.31 (1) any sale, lease, or rental of tangible personal property for any purpose, other than  
 152.32 resale, sublease, or subrent of items by the purchaser in the normal course of business  
 152.33 as defined in subdivision 21; and

152.34 (2) any sale of a service enumerated in subdivision 3, for any purpose other than  
 152.35 resale by the purchaser in the normal course of business as defined in subdivision 21.

153.1 (b) A sale of property used by the owner only by leasing it to others or by holding it  
153.2 in an effort to lease it, and put to no use by the owner other than resale after the lease or  
153.3 effort to lease, is a sale of property for resale.

153.4 (c) A sale of master computer software that is purchased and used to make copies for  
153.5 sale or lease is a sale of property for resale.

153.6 (d) A sale of building materials, supplies, and equipment to owners, contractors,  
153.7 subcontractors, or builders for the erection of buildings or the alteration, repair, or  
153.8 improvement of real property is a retail sale in whatever quantity sold, whether the sale is  
153.9 for purposes of resale in the form of real property or otherwise.

153.10 (e) A sale of carpeting, linoleum, or similar floor covering to a person who provides  
153.11 for installation of the floor covering is a retail sale and not a sale for resale since a sale of  
153.12 floor covering which includes installation is a contract for the improvement of real property.

153.13 (f) A sale of shrubbery, plants, sod, trees, and similar items to a person who provides  
153.14 for installation of the items is a retail sale and not a sale for resale since a sale of  
153.15 shrubbery, plants, sod, trees, and similar items that includes installation is a contract for  
153.16 the improvement of real property.

153.17 (g) A sale of tangible personal property that is awarded as prizes is a retail sale and  
153.18 is not considered a sale of property for resale.

153.19 (h) A sale of tangible personal property utilized or employed in the furnishing or  
153.20 providing of services under subdivision 3, paragraph (g), clause (1), including, but not  
153.21 limited to, property given as promotional items, is a retail sale and is not considered a  
153.22 sale of property for resale.

153.23 (i) A sale of tangible personal property used in conducting lawful gambling under  
153.24 chapter 349 or the State Lottery under chapter 349A, including, but not limited to, property  
153.25 given as promotional items, is a retail sale and is not considered a sale of property for resale.

153.26 (j) A sale of machines, equipment, or devices that are used to furnish, provide, or  
153.27 dispense goods or services, including, but not limited to, coin-operated devices, is a retail  
153.28 sale and is not considered a sale of property for resale.

153.29 (k) In the case of a lease, a retail sale occurs (1) when an obligation to make a lease  
153.30 payment becomes due under the terms of the agreement or the trade practices of the  
153.31 lessor or (2) in the case of a lease of a motor vehicle, as defined in section 297B.01,  
153.32 subdivision 11, but excluding vehicles with a manufacturer's gross vehicle weight rating  
153.33 greater than 10,000 pounds and rentals of vehicles for not more than 28 days, at the time  
153.34 the lease is executed.

153.35 (l) In the case of a conditional sales contract, a retail sale occurs upon the transfer of  
153.36 title or possession of the tangible personal property.

154.1 (m) A sale of a bundled transaction in which one or more of the products included  
154.2 in the bundle is a taxable product is a retail sale, except that if one of the products  
154.3 is a telecommunication service, ancillary service, Internet access, or audio or video  
154.4 programming service, and the seller has maintained books and records identifying through  
154.5 reasonable and verifiable standards the portions of the price that are attributable to the  
154.6 distinct and separately identifiable products, then the products are not considered part of a  
154.7 bundled transaction. For purposes of this paragraph:

154.8 (1) the books and records maintained by the seller must be maintained in the regular  
154.9 course of business, and do not include books and records created and maintained by the  
154.10 seller primarily for tax purposes;

154.11 (2) books and records maintained in the regular course of business include, but are  
154.12 not limited to, financial statements, general ledgers, invoicing and billing systems and  
154.13 reports, and reports for regulatory tariffs and other regulatory matters; and

154.14 (3) books and records are maintained primarily for tax purposes when the books  
154.15 and records identify taxable and nontaxable portions of the price, but the seller maintains  
154.16 other books and records that identify different prices attributable to the distinct products  
154.17 included in the same bundled transaction.

154.18 (n) A sale of motor vehicle repair paint and materials by a motor vehicle repair or  
154.19 body shop business is a retail sale and the sales tax is imposed on the gross receipts from the  
154.20 retail sale of the paint and materials. The motor vehicle repair or body shop that purchases  
154.21 motor vehicle repair paint and motor vehicle repair materials for resale must either:

154.22 (1) separately state each item of paint and each item of materials, and the sales price  
154.23 of each, on the invoice to the purchaser; or

154.24 (2) in order to calculate the sales price of the paint and materials, use a method  
154.25 which estimates the amount and monetary value of the paint and materials used in  
154.26 the repair of the motor vehicle by multiplying the number of labor hours by a rate of  
154.27 consideration for the paint and materials used in the repair of the motor vehicle following  
154.28 industry standard practices that fairly calculate the gross receipts from the retail sale of  
154.29 the motor vehicle repair paint and motor vehicle repair materials. An industry standard  
154.30 practice fairly calculates the gross receipts if the sales price of the paint and materials used  
154.31 or consumed in the repair of a motor vehicle equals or exceeds the purchase price paid  
154.32 by the motor vehicle repair or body shop business. Under clause (1), the invoice must  
154.33 either separately state the "paint and materials" as a single taxable item, or separately state  
154.34 "paint" as a taxable item and "materials" as a taxable item. This clause does not apply to  
154.35 wholesale transactions at an auto auction facility.

155.1 (o) A sale of specified digital products or other digital products to an end user with  
 155.2 or without rights of permanent use and regardless of whether rights of use are conditioned  
 155.3 upon continued payment by the purchaser is a retail sale. When a digital code has been  
 155.4 purchased that relates to specified digital products or other digital products, the subsequent  
 155.5 receipt of or access to the related specified digital products or other digital products  
 155.6 is not a retail sale.

155.7 (p) A payment made to an electric cooperative or public utility for contribution in  
 155.8 aid of construction is a contract for improvement to real property and is not a retail sale.

155.9 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 155.10 June 30, 2013.

155.11 Sec. 4. Minnesota Statutes 2012, section 297A.61, subdivision 10, is amended to read:

155.12 Subd. 10. **Tangible personal property.** (a) "Tangible personal property" means  
 155.13 personal property that can be seen, weighed, measured, felt, or touched, or that is in any  
 155.14 other manner perceptible to the senses. "Tangible personal property" includes, but is not  
 155.15 limited to, electricity, water, gas, steam, and prewritten computer software.

155.16 (b) Tangible personal property does not include:

155.17 (1) large ponderous machinery and equipment used in a business or production  
 155.18 activity which at common law would be considered to be real property;

155.19 (2) property which is subject to an ad valorem property tax;

155.20 (3) property described in section 272.02, subdivision 9, clauses (a) to (d); ~~and~~

155.21 (4) property described in section 272.03, subdivision 2, clauses (3) and (5); and

155.22 (5) specified digital products, or other digital products, transferred electronically,  
 155.23 except that prewritten computer software delivered electronically is tangible personal  
 155.24 property.

155.25 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 155.26 June 30, 2013.

155.27 Sec. 5. Minnesota Statutes 2012, section 297A.61, subdivision 17a, is amended to read:

155.28 Subd. 17a. **Delivered electronically.** "Delivered electronically" means delivered  
 155.29 to the purchaser by means other than tangible storage media and, unless the context  
 155.30 indicates otherwise, applies to the delivery of computer software. Computer software is  
 155.31 not considered delivered electronically to a purchaser simply because the purchaser has  
 155.32 access to the product.

156.1 **EFFECTIVE DATE.** This section is effective for sales and purchases the day  
156.2 following final enactment.

156.3 Sec. 6. Minnesota Statutes 2012, section 297A.61, subdivision 25, is amended to read:

156.4 Subd. 25. **Cable Pay television service.** "Cable Pay television service" means  
156.5 the transmission of video, audio, or other programming service to purchasers, and the  
156.6 subscriber interaction, if any, required for the selection or use of the programming service,  
156.7 regardless of whether the programming is transmitted over facilities owned or operated  
156.8 by the cable service provider or over facilities owned or operated by one or more dealers  
156.9 of communications services. The term includes point-to-multipoint distribution direct to  
156.10 home satellite services by which programming is transmitted or broadcast by microwave  
156.11 or other equipment directly to the subscriber's premises, or any similar or comparable  
156.12 method of service. The term includes ~~basic, extended, premium,~~ all programming services,  
156.13 including subscriptions, digital video recorders, pay-per-view, digital, and music services.

156.14 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
156.15 June 30, 2013.

156.16 Sec. 7. Minnesota Statutes 2012, section 297A.61, subdivision 38, is amended to read:

156.17 Subd. 38. **Bundled transaction.** (a) "Bundled transaction" means the retail sale  
156.18 of two or more products when the products are otherwise distinct and identifiable, and  
156.19 the products are sold for one nonitemized price. As used in this subdivision, "product"  
156.20 includes tangible personal property, services, intangibles, and digital goods, including  
156.21 specified digital products or other digital products, but does not include real property or  
156.22 services to real property. A bundled transaction does not include the sale of any products  
156.23 in which the sales price varies, or is negotiable, based on the selection by the purchaser of  
156.24 the products included in the transaction.

156.25 (b) For purposes of this subdivision, "distinct and identifiable" products does not  
156.26 include:

156.27 (1) packaging and other materials, such as containers, boxes, sacks, bags, and  
156.28 bottles, wrapping, labels, tags, and instruction guides, that accompany the retail sale of the  
156.29 products and are incidental or immaterial to the retail sale. Examples of packaging that are  
156.30 incidental or immaterial include grocery sacks, shoe boxes, dry cleaning garment bags,  
156.31 and express delivery envelopes and boxes;

156.32 (2) a promotional product provided free of charge with the required purchase of  
156.33 another product. A promotional product is provided free of charge if the sales price of

157.1 another product, which is required to be purchased in order to receive the promotional  
157.2 product, does not vary depending on the inclusion of the promotional product; and  
157.3 (3) items included in the definition of sales price.

157.4 (c) For purposes of this subdivision, the term "one nonitemized price" does not  
157.5 include a price that is separately identified by product on binding sales or other supporting  
157.6 sales-related documentation made available to the customer in paper or electronic form  
157.7 including but not limited to an invoice, bill of sale, receipt, contract, service agreement,  
157.8 lease agreement, periodic notice of rates and services, rate card, or price list.

157.9 (d) A transaction that otherwise meets the definition of a bundled transaction is  
157.10 not a bundled transaction if it is:

157.11 (1) the retail sale of tangible personal property and a service and the tangible  
157.12 personal property is essential to the use of the service, and is provided exclusively in  
157.13 connection with the service, and the true object of the transaction is the service;

157.14 (2) the retail sale of services if one service is provided that is essential to the use or  
157.15 receipt of a second service and the first service is provided exclusively in connection with  
157.16 the second service and the true object of the transaction is the second service;

157.17 (3) a transaction that includes taxable products and nontaxable products and the  
157.18 purchase price or sales price of the taxable products is de minimis; or

157.19 (4) the retail sale of exempt tangible personal property and taxable tangible personal  
157.20 property if:

157.21 (i) the transaction includes food and food ingredients, drugs, durable medical  
157.22 equipment, mobility enhancing equipment, over-the-counter drugs, prosthetic devices,  
157.23 or medical supplies; and

157.24 (ii) the seller's purchase price or sales price of the taxable tangible personal property is  
157.25 50 percent or less of the total purchase price or sales price of the bundled tangible personal  
157.26 property. Sellers must not use a combination of the purchase price and sales price of the  
157.27 tangible personal property when making the 50 percent determination for a transaction.

157.28 (e) For purposes of this subdivision, "purchase price" means the measure subject to  
157.29 use tax on purchases made by the seller, and "de minimis" means that the seller's purchase  
157.30 price or sales price of the taxable products is ten percent or less of the total purchase  
157.31 price or sales price of the bundled products. Sellers shall use either the purchase price  
157.32 or the sales price of the products to determine if the taxable products are de minimis.  
157.33 Sellers must not use a combination of the purchase price and sales price of the products  
157.34 to determine if the taxable products are de minimis. Sellers shall use the full term of a  
157.35 service contract to determine if the taxable products are de minimis.

158.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
158.2 June 30, 2013.

158.3 Sec. 8. Minnesota Statutes 2012, section 297A.61, subdivision 45, is amended to read:

158.4 Subd. 45. **Ring tone.** "Ring tone" means a digitized sound file that is downloaded  
158.5 onto a device and that may be used to alert the customer of a telecommunication service  
158.6 with respect to a communication. A ring tone does not include ring back tones or other  
158.7 digital audio files that are not stored on the purchaser's communication device.

158.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
158.9 June 30, 2013.

158.10 Sec. 9. Minnesota Statutes 2012, section 297A.61, is amended by adding a subdivision  
158.11 to read:

158.12 Subd. 49. **Motor vehicle repair paint and motor vehicle repair materials.**

158.13 "Motor vehicle repair paint" means a substance composed of solid matter suspended in a  
158.14 liquid medium and applied as a protective or decorative coating to the surface of a motor  
158.15 vehicle in order to restore the motor vehicle to its original condition, and includes primer,  
158.16 body paint, clear coat, and paint thinner used to paint motor vehicles, as defined in section  
158.17 297B.01. "Motor vehicle repair materials" means items, other than motor vehicle repair  
158.18 paint or motor vehicle parts, that become a part of a repaired motor vehicle or are consumed  
158.19 in repairing the motor vehicle at retail, and include abrasives, battery water, body filler or  
158.20 putty, bolts and nuts, brake fluid, buffing pads, chamois, cleaning compounds, degreasing  
158.21 compounds, glaze, grease, grinding discs, hydraulic jack oil, lubricants, masking tape,  
158.22 oxygen and acetylene, polishes, rags, razor blades, sandpaper, sanding discs, scuff pads,  
158.23 sealer, solder, solvents, striping tape, tack cloth, thinner, waxes, and welding rods. Motor  
158.24 vehicle repair materials do not include items that are not used directly on the motor vehicle,  
158.25 such as floor dry that is used to clean the shop, or cleaning compounds and rags that are  
158.26 used to clean tools, equipment, or the shop and are not used to clean the motor vehicle.

158.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
158.28 June 30, 2013.

158.29 Sec. 10. Minnesota Statutes 2012, section 297A.61, is amended by adding a  
158.30 subdivision to read:

158.31 Subd. 50. **Digital audio works.** "Digital audio works" means works that result from  
158.32 a fixation of a series of musical, spoken, or other sounds, that are transferred electronically.

159.1 Digital audio works includes such items as the following which may either be prerecorded  
159.2 or live: songs, music, readings of books or other written materials, speeches, ring tones, or  
159.3 other sound recordings. Digital audio works does not include audio greeting cards sent by  
159.4 electronic mail. Unless the context provides otherwise, in this chapter digital audio works  
159.5 includes the digital code, or a subscription to or access to a digital code, for receiving,  
159.6 accessing, or otherwise obtaining digital audio works.

159.7 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
159.8 June 30, 2013.

159.9 Sec. 11. Minnesota Statutes 2012, section 297A.61, is amended by adding a  
159.10 subdivision to read:

159.11 Subd. 51. **Digital audiovisual works.** "Digital audiovisual works" means a series  
159.12 of related images which, when shown in succession, impart an impression of motion,  
159.13 together with accompanying sounds, if any, that are transferred electronically. Digital  
159.14 audiovisual works includes such items as motion pictures, movies, musical videos, news  
159.15 and entertainment, and live events. Digital audiovisual works does not include video  
159.16 greeting cards sent by electronic mail. Unless the context provides otherwise, in this  
159.17 chapter digital audiovisual works includes the digital code, or a subscription to or access to  
159.18 a digital code, for receiving, accessing, or otherwise obtaining digital audiovisual works.

159.19 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
159.20 June 30, 2013.

159.21 Sec. 12. Minnesota Statutes 2012, section 297A.61, is amended by adding a  
159.22 subdivision to read:

159.23 Subd. 52. **Digital books.** "Digital books" means any literary works, other than  
159.24 digital audiovisual works or digital audio works, expressed in words, numbers, or other  
159.25 verbal or numerical symbols or indicia so long as the product is generally recognized in  
159.26 the ordinary and usual sense as a "book." It includes works of fiction and nonfiction and  
159.27 short stories. It does not include periodicals, magazines, newspapers, or other news or  
159.28 information products, chat rooms, or weblogs. Unless the context provides otherwise, in  
159.29 this chapter digital books includes the digital code, or a subscription to or access to a  
159.30 digital code, for receiving, accessing, or otherwise obtaining digital books.

159.31 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
159.32 June 30, 2013.

160.1 Sec. 13. Minnesota Statutes 2012, section 297A.61, is amended by adding a  
160.2 subdivision to read:

160.3 Subd. 53. **Digital code.** "Digital code" means a code which provides a purchaser  
160.4 with a right to obtain one or more specified digital products or other digital products.  
160.5 A digital code may be transferred electronically, such as through electronic mail, or it  
160.6 may be transferred on a tangible medium, such as on a plastic card, a piece of paper or  
160.7 invoice, or imprinted on another product. A digital code is not a code that represents a  
160.8 stored monetary value that is deducted from a total as it is used by the purchaser, and it  
160.9 is not a code that represents a redeemable card, gift card, or gift certificate that entitles  
160.10 the holder to select a digital product of an indicated cash value. The end user of a digital  
160.11 code is any purchaser except one who receives the contractual right to redistribute a digital  
160.12 product which is the subject of the transaction.

160.13 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
160.14 June 30, 2013.

160.15 Sec. 14. Minnesota Statutes 2012, section 297A.61, is amended by adding a  
160.16 subdivision to read:

160.17 Subd. 54. **Other digital products.** "Other digital products" means the following  
160.18 items when transferred electronically:

- 160.19 (1) greeting cards;  
160.20 (2) finished artwork available for reproduction, display, or similar purposes;  
160.21 (3) video or electronic games;  
160.22 (4) periodicals;  
160.23 (5) magazines; and  
160.24 (6) other news or information products, excluding newspapers.

160.25 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
160.26 June 30, 2013.

160.27 Sec. 15. Minnesota Statutes 2012, section 297A.61, is amended by adding a  
160.28 subdivision to read:

160.29 Subd. 55. **Specified digital products.** "Specified digital products" means digital  
160.30 audio works, digital audiovisual works, and digital books that are transferred electronically  
160.31 to a customer.

160.32 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
160.33 June 30, 2013.

161.1 Sec. 16. Minnesota Statutes 2012, section 297A.61, is amended by adding a  
161.2 subdivision to read:

161.3 Subd. 56. **Transferred electronically.** "Transferred electronically" means obtained  
161.4 by the purchaser by means other than tangible storage media. For purposes of this  
161.5 subdivision, it is not necessary that a copy of the product be physically transferred to  
161.6 the purchaser. A product will be considered to have been transferred electronically to a  
161.7 purchaser if the purchaser has access to the product.

161.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
161.9 June 30, 2013.

161.10 Sec. 17. Minnesota Statutes 2012, section 297A.62, subdivision 1, is amended to read:

161.11 Subdivision 1. **Generally.** Except as otherwise provided in subdivision 3 or in this  
161.12 chapter, a sales tax of ~~6.5~~ 5.675 percent is imposed on the gross receipts from retail sales  
161.13 as defined in section 297A.61, subdivision 4, made in this state or to a destination in this  
161.14 state by a person who is required to have or voluntarily obtains a permit under section  
161.15 297A.83, subdivision 1.

161.16 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
161.17 June 30, 2013.

161.18 Sec. 18. Minnesota Statutes 2012, section 297A.62, subdivision 1a, is amended to read:

161.19 Subd. 1a. **Constitutionally required sales tax increase.** Except as otherwise  
161.20 provided in subdivision 3 or in this chapter, an additional sales tax of ~~0.375~~ 0.325 percent,  
161.21 as required under the Minnesota Constitution, article XI, section 15, is imposed on the gross  
161.22 receipts from retail sales as defined in section 297A.61, subdivision 4, made in this state or  
161.23 to a destination in this state by a person who is required to have or voluntarily obtains a  
161.24 permit under section 297A.83, subdivision 1. This additional tax expires July 1, 2034.

161.25 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
161.26 June 30, 2013.

161.27 Sec. 19. Minnesota Statutes 2012, section 297A.64, subdivision 1, is amended to read:

161.28 Subdivision 1. **Tax imposed.** A tax is imposed on the lease or rental in this state  
161.29 for not more than 28 days of a passenger automobile as defined in section 168.002,  
161.30 subdivision 24, a van as defined in section 168.002, subdivision 40, or a pickup truck as  
161.31 defined in section 168.002, subdivision 26. The rate of tax is ~~6.2~~ 9.05 percent of the sales  
161.32 price. The tax applies whether or not the vehicle is licensed in the state.

162.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 162.2 June 30, 2013.

162.3 Sec. 20. Minnesota Statutes 2012, section 297A.65, is amended to read:

162.4 **297A.65 LOTTERY TICKETS; IN LIEU TAX.**

162.5 Sales of state lottery tickets are exempt from the tax imposed under section  
 162.6 297A.62. The State Lottery must on or before the 20th day of each month transmit to  
 162.7 the commissioner of revenue an amount equal to the gross receipts from the sale of  
 162.8 lottery tickets for the previous month multiplied by the a tax rate under section 297A.62,  
 162.9 subdivision 1 of 6.5 percent. The resulting payment is in lieu of the sales tax that otherwise  
 162.10 would be imposed by this chapter. The commissioner shall deposit the money transmitted  
 162.11 as provided by section 297A.94 and the money must be treated as other proceeds of the  
 162.12 sales tax. For purposes of this section, "gross receipts" means the proceeds of the sale  
 162.13 of tickets before deduction of a commission or other compensation paid to the vendor or  
 162.14 retailer for selling tickets.

162.15 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 162.16 June 30, 2013.

162.17 Sec. 21. Minnesota Statutes 2012, section 297A.66, subdivision 1, is amended to read:

162.18 Subdivision 1. **Definitions.** (a) ~~To the extent allowed by the United States~~  
 162.19 ~~Constitution and the laws of the United States, A~~ "retailer maintaining a place of business  
 162.20 in this state," or a similar term, means a retailer:

162.21 (1) ~~having or maintaining within this state, directly or by a subsidiary or an affiliate,~~  
 162.22 an office, place of distribution, sales or sample room or place, warehouse, or other place  
 162.23 of business; or

162.24 (2) ~~having~~ utilizing a representative, including, but not limited to, an ~~affiliate,~~ agent,  
 162.25 salesperson, canvasser, or solicitor operating in this state under the authority of the retailer  
 162.26 ~~or its subsidiary,~~ for any purpose, including the repairing, selling, delivering, installing, or  
 162.27 soliciting of orders for the retailer's goods or services, or the leasing of tangible personal  
 162.28 property located in this state, whether the place of business or agent, representative, ~~affiliate,~~  
 162.29 salesperson, canvasser, or solicitor is located in the state permanently or temporarily, or  
 162.30 whether or not the retailer, ~~subsidiary, or affiliate~~ is authorized to do business in this state.

162.31 (b) "Destination of a sale" means the location to which the retailer makes delivery of  
 162.32 the property sold, or causes the property to be delivered, to the purchaser of the property,

163.1 or to the agent or designee of the purchaser. The delivery may be made by any means,  
163.2 including the United States Postal Service or a for-hire carrier.

163.3 (c) A retailer shall be presumed to be "maintaining a place of business in this state" if:

163.4 (1) any person, other than a person acting in the person's capacity as a common  
163.5 carrier, that has substantial nexus with this state:

163.6 (i) sells a similar line of products as the retailer and does so under the same or  
163.7 a similar business name;

163.8 (ii) maintains an office, distribution facility, warehouse or storage place, or similar  
163.9 place of business in the state to facilitate the delivery of property or services sold by the  
163.10 retailer to the retailer's customers;

163.11 (iii) uses trademarks, service marks, or trade names in the state that are substantially  
163.12 the same or substantially similar to those used by the retailer;

163.13 (iv) delivers, installs, assembles, or performs maintenance services for the retailer's  
163.14 customers within the state;

163.15 (v) facilitates the retailer's delivery of property to customers in the state by allowing  
163.16 the retailer's customers to pick up property sold by the retailer at an office, distribution  
163.17 facility, warehouse, storage space, or similar place of business maintained by the person in  
163.18 the state;

163.19 (vi) conducts any other activities in the state that are significantly associated with the  
163.20 retailer's ability to establish and maintain a market in the state for the retailer's sales; or

163.21 (2) any affiliated person has substantial nexus with the state.

163.22 (d) The presumptions in paragraph (c) may be rebutted by demonstrating that the  
163.23 activities of the person or affiliated person in the state are not significantly associated with  
163.24 the retailer's ability to establish or maintain a market in this state for the retailer's sales.

163.25 (e) "Affiliated person" means any person that is a member of the same controlled  
163.26 group of corporations, as defined in section 1563(a) of the Internal Revenue Code as  
163.27 the retailer, or any other entity that, notwithstanding its form of organization, bears the  
163.28 same ownership relationship to the retailer as a corporation that is a member of the same  
163.29 controlled group of corporations as defined in section 1563(a) of the Internal Revenue Code.

163.30 (f) "Solicitor" means a person, whether an independent contractor or other  
163.31 representative, who directly or indirectly solicits business for the retailer.

163.32 (1) A retailer is presumed to have a solicitor in this state if it enters into an agreement  
163.33 with one or more persons under which the person, for a commission or other consideration,  
163.34 while within this state directly or indirectly refers potential customers, whether by a link  
163.35 on an Internet Web site, by telemarketing, by an in-person oral presentation, or otherwise,  
163.36 to the retailer, if the cumulative gross receipts from the sales by the retailer to customers in

164.1 the state who are referred to the retailer by all persons within this state with this type of an  
 164.2 agreement with the retailer is in excess of \$10,000 during the preceding 12 months.

164.3 (2) The presumption in clause (1) may be rebutted by submitting proof that the  
 164.4 persons with whom the retailer has an agreement did not engage in any activity within the  
 164.5 state that was significantly associated with the retailer's ability to establish or maintain  
 164.6 the retailer's market in the state during the preceding 12 months. Such proof may consist  
 164.7 of sworn written statements from all of the persons within this state with whom the  
 164.8 retailer has an agreement stating that they did not engage in any solicitation in this state  
 164.9 on behalf of the retailer during the preceding year, provided that such statements were  
 164.10 provided and obtained in good faith.

164.11 (3) Nothing in this section shall be construed to narrow the scope of the terms  
 164.12 "agent," "salesperson," "canvasser," or "other representative" for purposes of subdivision  
 164.13 1, paragraph (a).

164.14 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 164.15 June 30, 2013.

164.16 Sec. 22. Minnesota Statutes 2012, section 297A.66, subdivision 3, is amended to read:

164.17 Subd. 3. **Retailer not maintaining place of business in this state.** ~~(a) To the~~  
 164.18 ~~extent allowed by the United States Constitution and the laws of the United States, a~~  
 164.19 ~~retailer making retail sales from outside this state to a destination within this state and~~  
 164.20 ~~not maintaining a place of business in this state shall collect sales and use taxes and remit~~  
 164.21 ~~them to the commissioner under section 297A.77, if the retailer engages in the regular or~~  
 164.22 ~~systematic soliciting of sales from potential customers in this state by:~~

164.23 ~~(1) distribution, by mail or otherwise, of catalogs, periodicals, advertising flyers, or~~  
 164.24 ~~other written solicitations of business to customers in this state;~~

164.25 ~~(2) display of advertisements on billboards or other outdoor advertising in this state;~~

164.26 ~~(3) advertisements in newspapers published in this state;~~

164.27 ~~(4) advertisements in trade journals or other periodicals the circulation of which is~~  
 164.28 ~~primarily within this state;~~

164.29 ~~(5) advertisements in a Minnesota edition of a national or regional publication or~~  
 164.30 ~~a limited regional edition in which this state is included as part of a broader regional or~~  
 164.31 ~~national publication which are not placed in other geographically defined editions of the~~  
 164.32 ~~same issue of the same publication;~~

164.33 ~~(6) advertisements in regional or national publications in an edition which is not~~  
 164.34 ~~by its contents geographically targeted to Minnesota but which is sold over the counter~~  
 164.35 ~~in Minnesota or by subscription to Minnesota residents;~~

165.1 ~~(7) advertisements broadcast on a radio or television station located in Minnesota; or~~  
 165.2 ~~(8) any other solicitation by telegraphy, telephone, computer database, cable, optic,~~  
 165.3 ~~microwave, or other communication system.~~

165.4 ~~This paragraph (a) must be construed without regard to the state from which~~  
 165.5 ~~distribution of the materials originated or in which they were prepared.~~

165.6 ~~(b) The location within or without this state of independent vendors that provide~~  
 165.7 ~~products or services to the retailer in connection with its solicitation of customers within this~~  
 165.8 ~~state, including such products and services as creation of copy, printing, distribution, and~~  
 165.9 ~~recording, is not considered in determining whether the retailer is required to collect tax.~~

165.10 ~~(c) A retailer not maintaining a place of business in this state is presumed, subject to~~  
 165.11 ~~rebuttal, to be engaged in regular solicitation within this state if it engages in any of the~~  
 165.12 ~~activities in paragraph (a) and:~~

165.13 ~~(1) makes 100 or more retail sales from outside this state to destinations in this state~~  
 165.14 ~~during a period of 12 consecutive months; or~~

165.15 ~~(2) makes ten or more retail sales totaling more than \$100,000 from outside this state~~  
 165.16 ~~to destinations in this state during a period of 12 consecutive months.~~

165.17 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 165.18 June 30, 2013.

165.19 Sec. 23. Minnesota Statutes 2012, section 297A.66, is amended by adding a  
 165.20 subdivision to read:

165.21 Subd. 7. **Severability.** The legislature intends that the provisions of this section  
 165.22 are severable. If any provision contained in this bill is held invalid or unconstitutional, or  
 165.23 its application is held invalid or unconstitutional, that finding shall not affect the other  
 165.24 provisions or applications that can be given effect without the invalid or unconstitutional  
 165.25 provision or application.

165.26 **EFFECTIVE DATE.** This section is effective July 1, 2013.

165.27 Sec. 24. Minnesota Statutes 2012, section 297A.665, is amended to read:

165.28 **297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

165.29 (a) For the purpose of the proper administration of this chapter and to prevent  
 165.30 evasion of the tax, until the contrary is established, it is presumed that:

165.31 (1) all gross receipts are subject to the tax; and

165.32 (2) all retail sales for delivery in Minnesota are for storage, use, or other consumption  
 165.33 in Minnesota.

166.1 (b) The burden of proving that a sale is not a taxable retail sale is on the seller.

166.2 However, a seller is relieved of liability if:

166.3 (1) the seller obtains a fully completed exemption certificate or all the relevant  
166.4 information required by section 297A.72, subdivision 2, at the time of the sale or within  
166.5 90 days after the date of the sale; ~~or~~

166.6 (2) if the seller has not obtained a fully completed exemption certificate or all the  
166.7 relevant information required by section 297A.72, subdivision 2, within the time provided  
166.8 in clause (1), within 120 days after a request for substantiation by the commissioner,  
166.9 the seller either:

166.10 (i) obtains in good faith a fully completed exemption certificate or all the relevant  
166.11 information required by section 297A.72, subdivision 2, from the purchaser; or

166.12 (ii) proves by other means that the transaction was not subject to tax;

166.13 (3) in the case of drop shipment sales, a seller engaged in drop shipping may claim a  
166.14 resale exemption based on an exemption certificate provided by its customer or reseller,  
166.15 or any other acceptable information available to the seller engaged in drop shipping  
166.16 evidencing qualification for a resale exemption, regardless of whether the customer or  
166.17 e-seller is registered to collect and remit sales and use tax in the state.

166.18 (c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:

166.19 (1) fraudulently fails to collect the tax; or

166.20 (2) solicits purchasers to participate in the unlawful claim of an exemption.

166.21 (d) A certified service provider, as defined in section 297A.995, subdivision 2, is  
166.22 relieved of liability under this section to the extent a seller who is its client is relieved of  
166.23 liability.

166.24 (e) A purchaser of tangible personal property or any items listed in section 297A.63  
166.25 that are shipped or brought to Minnesota by the purchaser has the burden of proving that the  
166.26 property was not purchased from a retailer for storage, use, or consumption in Minnesota.

166.27 (f) If a seller claims that certain sales are exempt and does not provide the certificate,  
166.28 information, or proof required by paragraph (b), clause (2), within 120 days after the date  
166.29 of the commissioner's request for substantiation, then the exemptions claimed by the seller  
166.30 that required substantiation are disallowed.

166.31 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
166.32 June 30, 2013.

166.33 Sec. 25. Minnesota Statutes 2012, section 297A.668, is amended by adding a  
166.34 subdivision to read:

167.1 Subd. 6a. **Multiple points of use.** (a) Notwithstanding the provisions of  
167.2 subdivisions 2 and 3, a business purchaser that is not a holder of a direct pay permit that  
167.3 purchases electronically delivered goods or services that will be concurrently available for  
167.4 use in more than one taxing jurisdiction may deliver to the seller in conjunction with its  
167.5 purchase a multiple points of use certificate disclosing this fact.

167.6 (b) Upon receipt of the multiple points of use certificate, the seller is relieved of the  
167.7 obligation to collect, pay, or remit the applicable tax and the purchaser is obligated to  
167.8 collect, pay, or remit the applicable tax on a direct pay basis.

167.9 (c) The purchaser delivering the multiple points of use certificate has sole discretion  
167.10 to use any reasonable but consistent and uniform method of apportionment that is supported  
167.11 by the purchaser's business records as they exist at the time of the consummation of the sale.

167.12 (d) The multiple points of use certificate remains in effect for all future sales by the  
167.13 seller to the purchaser until it is revoked by the purchaser in writing.

167.14 (e) A holder of a direct pay permit is not required to deliver a multiple points of use  
167.15 certificate to the seller. A direct pay permit holder shall follow the provisions of paragraph  
167.16 (c) in apportioning the tax due on electronically delivered goods or services that will be  
167.17 concurrently available for use in more than one taxing jurisdiction.

167.18 (f) A seller is relieved of liability if:

167.19 (1) the seller obtains a fully completed multiple points of use certificate or all the  
167.20 relevant information required by section 297A.72, subdivision 2, at the time of the sale or  
167.21 within 90 days after the date of the sale; or

167.22 (2) within 120 days after a request for substantiation by the commissioner, the  
167.23 seller either:

167.24 (i) obtains in good faith a fully completed multiple points of use certificate or all the  
167.25 relevant information required by section 297A.72, subdivision 2, from the purchaser; or

167.26 (ii) proves by other means that the transaction was not subject to tax.

167.27 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
167.28 June 30, 2013.

167.29 Sec. 26. Minnesota Statutes 2012, section 297A.67, subdivision 7, is amended to read:

167.30 **Subd. 7. **Drugs; medical devices.**** (a) Sales of the following drugs and medical  
167.31 devices for human use are exempt:

167.32 (1) prescription drugs, including over-the-counter drugs;

167.33 (2) single-use finger-pricking devices for the extraction of blood and other single-use  
167.34 devices and single-use diagnostic agents used in diagnosing, monitoring, or treating  
167.35 diabetes;

168.1 (3) insulin and medical oxygen for human use, regardless of whether prescribed  
 168.2 or sold over the counter;

168.3 (4) prosthetic devices;

168.4 (5) durable medical equipment for home use only;

168.5 (6) mobility enhancing equipment;

168.6 (7) prescription corrective eyeglasses; and

168.7 (8) kidney dialysis equipment, including repair and replacement parts.

168.8 (b) Items purchased in transactions covered by:

168.9 (1) Medicare as defined under title XVIII of the Social Security Act, United States

168.10 Code, title 42, section 1395, et seq.; or

168.11 (2) Medicaid as defined under title XIX of the Social Security Act, United States

168.12 Code, title 42, section 1396, et. seq.

168.13 ~~(b)~~ (c) For purposes of this subdivision:

168.14 (1) "Drug" means a compound, substance, or preparation, and any component of  
 168.15 a compound, substance, or preparation, other than food and food ingredients, dietary  
 168.16 supplements, or alcoholic beverages that is:

168.17 (i) recognized in the official United States Pharmacopoeia, official Homeopathic  
 168.18 Pharmacopoeia of the United States, or official National Formulary, and supplement  
 168.19 to any of them;

168.20 (ii) intended for use in the diagnosis, cure, mitigation, treatment, or prevention  
 168.21 of disease; or

168.22 (iii) intended to affect the structure or any function of the body.

168.23 (2) "Durable medical equipment" means equipment, including repair and  
 168.24 replacement parts, including single-patient use items, but not including mobility enhancing  
 168.25 equipment, that:

168.26 (i) can withstand repeated use;

168.27 (ii) is primarily and customarily used to serve a medical purpose;

168.28 (iii) generally is not useful to a person in the absence of illness or injury; and

168.29 (iv) is not worn in or on the body.

168.30 For purposes of this clause, "repair and replacement parts" includes all components  
 168.31 or attachments used in conjunction with the durable medical equipment, ~~but does not~~  
 168.32 ~~include~~ including repair and replacement parts which are for single patient use only.

168.33 (3) "Mobility enhancing equipment" means equipment, including repair and  
 168.34 replacement parts, but not including durable medical equipment, that:

168.35 (i) is primarily and customarily used to provide or increase the ability to move from  
 168.36 one place to another and that is appropriate for use either in a home or a motor vehicle;

169.1 (ii) is not generally used by persons with normal mobility; and

169.2 (iii) does not include any motor vehicle or equipment on a motor vehicle normally  
169.3 provided by a motor vehicle manufacturer.

169.4 ~~(4) "Over-the-counter drug" means a drug that contains a label that identifies the~~  
169.5 ~~product as a drug as required by Code of Federal Regulations, title 21, section 201.66. The~~  
169.6 ~~label must include a "drug facts" panel or a statement of the active ingredients with a list of~~  
169.7 ~~those ingredients contained in the compound, substance, or preparation. Over-the-counter~~  
169.8 ~~drugs do not include grooming and hygiene products, regardless of whether they otherwise~~  
169.9 ~~meet the definition. "Grooming and hygiene products" are soaps, cleaning solutions,~~  
169.10 ~~shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and sunscreens.~~

169.11 ~~(5)~~ (4) "Prescribed" and "prescription" means a direction in the form of an order,  
169.12 formula, or recipe issued in any form of oral, written, electronic, or other means of  
169.13 transmission by a duly licensed health care professional.

169.14 ~~(6)~~ (5) "Prosthetic device" means a replacement, corrective, or supportive device,  
169.15 including repair and replacement parts, worn on or in the body to:

- 169.16 (i) artificially replace a missing portion of the body;
- 169.17 (ii) prevent or correct physical deformity or malfunction; or
- 169.18 (iii) support a weak or deformed portion of the body.

169.19 Prosthetic device does not include corrective eyeglasses.

169.20 ~~(7)~~ (6) "Kidney dialysis equipment" means equipment that:

- 169.21 (i) is used to remove waste products that build up in the blood when the kidneys are  
169.22 not able to do so on their own; and
- 169.23 (ii) can withstand repeated use, including multiple use by a single patient,  
169.24 notwithstanding the provisions of clause (2).

169.25 (7) A transaction is covered by Medicare or Medicaid if any portion of the cost of  
169.26 the item purchased in the transaction is paid for or reimbursed by the federal government  
169.27 or the state of Minnesota pursuant to the Medicare or Medicaid program, by a private  
169.28 insurance company administering the Medicare or Medicaid program on behalf of the  
169.29 federal government or the state of Minnesota, or by a managed care organization for the  
169.30 benefit of a patient enrolled in a prepaid program that furnishes medical services in lieu  
169.31 of conventional Medicare or Medicaid coverage pursuant to agreement with the federal  
169.32 government or the state of Minnesota.

169.33 **EFFECTIVE DATE.** Changes to paragraph (a), clause (1), and paragraph (c),  
169.34 clause (4), are effective for sales and purchases made after June 30, 2013. Changes to  
169.35 paragraph (b) and paragraph (c), clauses (2) and (7), are effective retroactively for sales

170.1 and purchases made after April 1, 2009. Purchasers may apply for a refund of tax paid on  
 170.2 qualifying purchases under paragraph (b) and paragraph (c), clauses (2) and (7), made  
 170.3 after April 1, 2009, and before July 1, 2013, in the manner provided in section 297A.75.  
 170.4 Notwithstanding limitations on claims for refunds under section 289A.40, claims may be  
 170.5 filed with the commissioner until June 30, 2014.

170.6 Sec. 27. Minnesota Statutes 2012, section 297A.67, is amended by adding a  
 170.7 subdivision to read:

170.8 Subd. 7a. **Accessories and supplies.** Accessories and supplies required for the  
 170.9 effective use of durable medical equipment for home use only or purchased in a transaction  
 170.10 covered by medicare or Medicaid, that are not already exempt under section 297A.67,  
 170.11 subdivision 7, are exempt. Accessories and supplies for the effective use of a prosthetic  
 170.12 device that are not already exempt under section 297A.67, subdivision 7, are exempt.  
 170.13 For purposes of this subdivision "durable medical equipment," "prosthetic device,"  
 170.14 "Medicare," and "Medicaid" have the definitions given in section 297A.67, subdivision 7.

170.15 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
 170.16 made after April 1, 2009. Purchasers may apply for a refund of tax paid on qualifying  
 170.17 purchases under this section made after April 1, 2009, and before July 1, 2013, in the  
 170.18 manner provided in section 297A.75. Notwithstanding limitations on claims for refunds  
 170.19 under section 289A.40, claims may be filed with the commissioner until June 30, 2014.

170.20 Sec. 28. Minnesota Statutes 2012, section 297A.68, subdivision 2, is amended to read:

170.21 Subd. 2. **Materials consumed in industrial production.** (a) Materials stored, used,  
 170.22 or consumed in industrial production of tangible personal property intended to be sold  
 170.23 ultimately at retail<sub>2</sub> are exempt, whether or not the item so used becomes an ingredient  
 170.24 or constituent part of the property produced. Materials that qualify for this exemption  
 170.25 include, but are not limited to, the following:

170.26 (1) chemicals, including chemicals used for cleaning food processing machinery  
 170.27 and equipment;

170.28 (2) materials, including chemicals, fuels, and electricity purchased by persons  
 170.29 engaged in industrial production to treat waste generated as a result of the production  
 170.30 process;

170.31 (3) fuels, electricity, gas, and steam used or consumed in the production process,  
 170.32 except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt  
 170.33 if (i) it is in excess of the average climate control or lighting for the production area, and  
 170.34 (ii) it is necessary to produce that particular product;

- 171.1 (4) petroleum products and lubricants;
- 171.2 (5) packaging materials, including returnable containers used in packaging food  
171.3 and beverage products;
- 171.4 (6) accessory tools, equipment, and other items that are separate detachable units  
171.5 with an ordinary useful life of less than 12 months used in producing a direct effect upon  
171.6 the product; and
- 171.7 (7) the following materials, tools, and equipment used in metal-casting: crucibles,  
171.8 thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal  
171.9 filters and filter boxes, degassing lances, and base blocks.
- 171.10 (b) This exemption does not include:
- 171.11 (1) machinery, equipment, implements, tools, accessories, appliances, contrivances  
171.12 and furniture and fixtures, except those listed in paragraph (a), clause (6); and
- 171.13 (2) petroleum and special fuels used in producing or generating power for propelling  
171.14 ready-mixed concrete trucks on the public highways of this state.
- 171.15 (c) Industrial production includes, but is not limited to, research, development,  
171.16 design or production of any tangible personal property, manufacturing, processing (other  
171.17 than by restaurants and consumers) of agricultural products (whether vegetable or animal),  
171.18 commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining,  
171.19 quarrying, lumbering, generating electricity, the production of road building materials,  
171.20 and the research, development, design, or production of computer software. Industrial  
171.21 production does not include painting, cleaning, repairing or similar processing of property  
171.22 except as part of the original manufacturing process.
- 171.23 (d) Industrial production does not include:
- 171.24 (1) the furnishing of services listed in section 297A.61, subdivision 3, paragraph (g),  
171.25 clause (6), items (i) to (vi) and (viii), or paragraph (m) or (n); or
- 171.26 (2) the transportation, transmission, or distribution of petroleum, liquefied gas,  
171.27 natural gas, water, or steam, in, by, or through pipes, lines, tanks, mains, or other means of  
171.28 transporting those products. For purposes of this paragraph, "transportation, transmission,  
171.29 or distribution" does not include blending of petroleum or biodiesel fuel as defined  
171.30 in section 239.77.

171.31 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
171.32 June 30, 2013.

171.33 Sec. 29. Minnesota Statutes 2012, section 297A.68, subdivision 5, is amended to read:  
171.34 Subd. 5. **Capital equipment.** (a) Capital equipment is exempt. Except as provided  
171.35 in paragraphs (e) and (f), the tax must be imposed and collected as if the rate under section

172.1 297A.62, subdivision 1, applied, and then refunded in the manner provided in section  
172.2 297A.75.

172.3 "Capital equipment" means machinery and equipment purchased or leased, and used  
172.4 in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining,  
172.5 or refining tangible personal property to be sold ultimately at retail if the machinery and  
172.6 equipment are essential to the integrated production process of manufacturing, fabricating,  
172.7 mining, or refining. Capital equipment also includes machinery and equipment  
172.8 used primarily to electronically transmit results retrieved by a customer of an online  
172.9 computerized data retrieval system.

172.10 (b) Capital equipment includes, but is not limited to:

172.11 (1) machinery and equipment used to operate, control, or regulate the production  
172.12 equipment;

172.13 (2) machinery and equipment used for research and development, design, quality  
172.14 control, and testing activities;

172.15 (3) environmental control devices that are used to maintain conditions such as  
172.16 temperature, humidity, light, or air pressure when those conditions are essential to and are  
172.17 part of the production process;

172.18 (4) materials and supplies used to construct and install machinery or equipment;

172.19 (5) repair and replacement parts, including accessories, whether purchased as spare  
172.20 parts, repair parts, or as upgrades or modifications to machinery or equipment;

172.21 (6) materials used for foundations that support machinery or equipment;

172.22 (7) materials used to construct and install special purpose buildings used in the  
172.23 production process;

172.24 (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed  
172.25 as part of the delivery process regardless if mounted on a chassis, repair parts for  
172.26 ready-mixed concrete trucks, and leases of ready-mixed concrete trucks; and

172.27 (9) machinery or equipment used for research, development, design, or production  
172.28 of computer software.

172.29 (c) Capital equipment does not include the following:

172.30 (1) motor vehicles taxed under chapter 297B;

172.31 (2) machinery or equipment used to receive or store raw materials;

172.32 (3) building materials, except for materials included in paragraph (b), clauses (6)  
172.33 and (7);

172.34 (4) machinery or equipment used for nonproduction purposes, including, but not  
172.35 limited to, the following: plant security, fire prevention, first aid, and hospital stations;

173.1 support operations or administration; pollution control; and plant cleaning, disposal of  
173.2 scrap and waste, plant communications, space heating, cooling, lighting, or safety;

173.3 (5) farm machinery and aquaculture production equipment as defined by section  
173.4 297A.61, subdivisions 12 and 13;

173.5 (6) machinery or equipment purchased and installed by a contractor as part of an  
173.6 improvement to real property;

173.7 (7) machinery and equipment used by restaurants in the furnishing, preparing, or  
173.8 serving of prepared foods as defined in section 297A.61, subdivision 31;

173.9 (8) machinery and equipment used to furnish the services listed in section 297A.61,  
173.10 subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

173.11 (9) machinery or equipment used in the transportation, transmission, or distribution  
173.12 of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines,  
173.13 tanks, mains, or other means of transporting those products. This clause does not apply to  
173.14 machinery or equipment used to blend petroleum or biodiesel fuel as defined in section  
173.15 239.77; or

173.16 (10) any other item that is not essential to the integrated process of manufacturing,  
173.17 fabricating, mining, or refining.

173.18 (d) For purposes of this subdivision:

173.19 (1) "Equipment" means independent devices or tools separate from machinery but  
173.20 essential to an integrated production process, including computers and computer software,  
173.21 used in operating, controlling, or regulating machinery and equipment; and any subunit or  
173.22 assembly comprising a component of any machinery or accessory or attachment parts of  
173.23 machinery, such as tools, dies, jigs, patterns, and molds.

173.24 (2) "Fabricating" means to make, build, create, produce, or assemble components or  
173.25 property to work in a new or different manner.

173.26 (3) "Integrated production process" means a process or series of operations through  
173.27 which tangible personal property is manufactured, fabricated, mined, or refined. For  
173.28 purposes of this clause, (i) manufacturing begins with the removal of raw materials  
173.29 from inventory and ends when the last process prior to loading for shipment has been  
173.30 completed; (ii) fabricating begins with the removal from storage or inventory of the  
173.31 property to be assembled, processed, altered, or modified and ends with the creation  
173.32 or production of the new or changed product; (iii) mining begins with the removal of  
173.33 overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and  
173.34 ends when the last process before stockpiling is completed; and (iv) refining begins with  
173.35 the removal from inventory or storage of a natural resource and ends with the conversion  
173.36 of the item to its completed form.

174.1 (4) "Machinery" means mechanical, electronic, or electrical devices, including  
174.2 computers and computer software, that are purchased or constructed to be used for the  
174.3 activities set forth in paragraph (a), beginning with the removal of raw materials from  
174.4 inventory through completion of the product, including packaging of the product.

174.5 (5) "Machinery and equipment used for pollution control" means machinery and  
174.6 equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity  
174.7 described in paragraph (a).

174.8 (6) "Manufacturing" means an operation or series of operations where raw materials  
174.9 are changed in form, composition, or condition by machinery and equipment and which  
174.10 results in the production of a new article of tangible personal property. For purposes of  
174.11 this subdivision, "manufacturing" includes the generation of electricity or steam to be  
174.12 sold at retail.

174.13 (7) "Mining" means the extraction of minerals, ores, stone, or peat.

174.14 (8) "Online data retrieval system" means a system whose cumulation of information  
174.15 is equally available and accessible to all its customers.

174.16 (9) "Primarily" means machinery and equipment used 50 percent or more of the time  
174.17 in an activity described in paragraph (a).

174.18 (10) "Refining" means the process of converting a natural resource to an intermediate  
174.19 or finished product, including the treatment of water to be sold at retail.

174.20 (11) This subdivision does not apply to telecommunications equipment as  
174.21 provided in subdivision 35, and does not apply to wire, cable, fiber, poles, or conduit  
174.22 for telecommunications services.

174.23 (e) Materials exempt under this section may be purchased without imposing and  
174.24 collecting the tax and without applying for a refund under section 297A.75, provided that:

174.25 (1) the purchaser employed not more than 80 full-time equivalent employees at  
174.26 any time during calendar year 2013; and

174.27 (2) if another business owns at least 20 percent of the purchaser, then the sum of the  
174.28 number of full-time equivalent employees employed by the purchaser and the number  
174.29 of full-time equivalent employees employed by any other business that owns at least 20  
174.30 percent of the purchaser's business is not more than 80 full-time equivalent employees  
174.31 during calendar year 2013. This clause must be applied for each business that owns at  
174.32 least 20 percent of the purchaser.

174.33 (f) For the state's fiscal year 2016 and thereafter, all purchases exempt under this  
174.34 section may be purchased without imposing and collecting the tax and without applying  
174.35 for a refund under section 297A.75.

175.1 **EFFECTIVE DATE.** Paragraph (e) is effective for sales and purchases made  
175.2 after June 30, 2014, and through June 30, 2015. Paragraph (f) is effective for sales and  
175.3 purchases made after June 30, 2015.

175.4 Sec. 30. Minnesota Statutes 2012, section 297A.68, subdivision 10, is amended to read:

175.5 Subd. 10. **Publications; publication materials.** Tangible personal property that  
175.6 is used or consumed in producing any publication regularly issued at average intervals  
175.7 not exceeding three months is exempt, and any such publication is exempt. "Publication"  
175.8 includes, but is not limited to, a qualified newspaper as defined by section 331A.02,  
175.9 together with any supplements or enclosures. "Publication" does not include magazines  
175.10 and periodicals, whether sold over the counter or by subscription. Tangible personal  
175.11 property that is used or consumed in producing a publication does not include machinery,  
175.12 equipment, implements, tools, accessories, appliances, contrivances, furniture, and fixtures  
175.13 used in the publication, or fuel, electricity, gas, or steam used for space heating or lighting.

175.14 Advertising contained in a publication is a nontaxable service and is exempt.  
175.15 Persons who publish or sell newspapers are engaging in a nontaxable service with  
175.16 respect to gross receipts realized from such news-gathering or news-publishing activities,  
175.17 including the sale of advertising.

175.18 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
175.19 June 30, 2013.

175.20 Sec. 31. Minnesota Statutes 2012, section 297A.68, subdivision 42, is amended to read:

175.21 Subd. 42. **Qualified data centers.** (a) Purchases of enterprise information  
175.22 technology equipment and computer software for use in a qualified data center are exempt.  
175.23 The tax on purchases exempt under this paragraph must be imposed and collected as if the  
175.24 rate under section 297A.62, subdivision 1, applied, and then refunded after June 30, 2013,  
175.25 in the manner provided in section 297A.75. This exemption includes enterprise information  
175.26 technology equipment and computer software purchased to replace or upgrade enterprise  
175.27 information technology equipment and computer software in a qualified data center.

175.28 (b) Electricity used or consumed in the operation of a qualified data center is exempt.

175.29 (c) For purposes of this subdivision, "qualified data center" means a facility in  
175.30 Minnesota:

175.31 (1) that is comprised of one or more buildings that consist in the aggregate of at least  
175.32 ~~30,000~~ 25,000 square feet, and that are located on a single parcel or on contiguous parcels,  
175.33 where the total cost of construction or refurbishment, investment in enterprise information

176.1 technology equipment, and computer software is at least ~~\$50,000,000~~ \$20,000,000 within  
176.2 a 24-month period;

176.3 (2) that is constructed or substantially refurbished after June 30, 2012, where  
176.4 "substantially refurbished" means that at least ~~30,000~~ 25,000 square feet have been rebuilt  
176.5 or modified; ~~and~~, including:

176.6 (i) installation of enterprise information technology equipment, environmental  
176.7 control, and energy efficiency improvements; and

176.8 (ii) building improvements; and

176.9 (3) that is used to house enterprise information technology equipment, where the  
176.10 facility has the following characteristics:

176.11 (i) uninterruptible power supplies, generator backup power, or both;

176.12 (ii) sophisticated fire suppression and prevention systems; and

176.13 (iii) enhanced security. A facility will be considered to have enhanced security if it  
176.14 has restricted access to the facility to selected personnel; permanent security guards; video  
176.15 camera surveillance; an electronic system requiring pass codes, keycards, or biometric  
176.16 scans, such as hand scans and retinal or fingerprint recognition; or similar security features.

176.17 In determining whether the facility has the required square footage, the square  
176.18 footage of the following spaces shall be included if the spaces support the operation  
176.19 of enterprise information technology equipment: office space, meeting space, and  
176.20 mechanical and other support facilities. For purposes of this subdivision, "computer  
176.21 software" includes, but is not limited to, software utilized or loaded at the qualified data  
176.22 center, including maintenance, licensing, and software customization.

176.23 (d) For purposes of this subdivision, "enterprise information technology equipment"  
176.24 means computers and equipment supporting computing, networking, or data storage,  
176.25 including servers and routers. It includes, but is not limited to: cooling systems,  
176.26 cooling towers, and other temperature control infrastructure; power infrastructure for  
176.27 transformation, distribution, or management of electricity used for the maintenance  
176.28 and operation of a qualified data center, including but not limited to exterior dedicated  
176.29 business-owned substations, backup power generation systems, battery systems, and  
176.30 related infrastructure; and racking systems, cabling, and trays, which are necessary for  
176.31 the maintenance and operation of the qualified data center.

176.32 (e) A qualified data center may claim the exemptions in this subdivision for  
176.33 purchases made either within 20 years of the date of its first purchase qualifying for the  
176.34 exemption under paragraph (a), or by June 30, 2042, whichever is earlier.

176.35 (f) The purpose of this exemption is to create jobs in the construction and data  
176.36 center industries.

177.1 (g) This subdivision is effective for sales and purchases made after June 30, 2012,  
177.2 and before July 1, 2042.

177.3 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
177.4 June 30, 2013.

177.5 Sec. 32. Minnesota Statutes 2012, section 297A.68, is amended by adding a  
177.6 subdivision to read:

177.7 **Subd. 49. Greater Minnesota business expansions.** (a) Purchases and use of  
177.8 tangible personal property or taxable services by a qualified business, as defined in section  
177.9 116J.3738, are exempt if:

177.10 (1) the business subsidy agreement provides that the exemption under this  
177.11 subdivision applies;

177.12 (2) the property or services are primarily used or consumed in greater Minnesota; and

177.13 (3) the purchase was made and delivery received during the duration of the  
177.14 certification of the business as a qualified business under section 116J.3738.

177.15 (b) Purchase and use of construction materials and supplies used or consumed in,  
177.16 and equipment incorporated into, the construction of improvements to real property in  
177.17 greater Minnesota are exempt if the improvements after completion of construction are  
177.18 to be used in the conduct of the trade or business of the qualified business, as defined in  
177.19 section 116J.3738. This exemption applies regardless of whether the purchases are made  
177.20 by the business or a contractor.

177.21 (c) The exemptions under this subdivision apply to a local sales and use tax.

177.22 (d) A qualifying business may claim an exemption under this subdivision in an  
177.23 amount up to \$15,000.

177.24 (e) The tax on purchases imposed under this subdivision must be imposed and  
177.25 collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in  
177.26 the manner provided in section 297A.75. No more than \$1,000,000 may be refunded in a  
177.27 fiscal year for all purchases under this subdivision. Any portion of the balance of funds  
177.28 allocated for refunds under this paragraph does not cancel and shall be carried forward to  
177.29 and available for refunds in subsequent fiscal years.

177.30 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
177.31 June 30, 2013.

177.32 Sec. 33. Minnesota Statutes 2012, section 297A.70, subdivision 2, is amended to read:

178.1 Subd. 2. **Sales to government.** (a) All sales, except those listed in paragraph (b),  
 178.2 to the following governments and political subdivisions, or to the listed agencies or  
 178.3 instrumentalities of governments and political subdivisions, are exempt:

178.4 (1) the United States and its agencies and instrumentalities;

178.5 (2) school districts, local governments, the University of Minnesota, state universities,  
 178.6 community colleges, technical colleges, state academies, the Perpich Minnesota Center for  
 178.7 Arts Education, and an instrumentality of a political subdivision that is accredited as an  
 178.8 optional/special function school by the North Central Association of Colleges and Schools;

178.9 (3) hospitals and nursing homes owned and operated by political subdivisions of  
 178.10 the state of tangible personal property and taxable services used at or by hospitals and  
 178.11 nursing homes;

178.12 (4) the Metropolitan Council, for its purchases of vehicles and repair parts to equip  
 178.13 operations provided for in section 473.4051;

178.14 (5) other states or political subdivisions of other states, if the sale would be exempt  
 178.15 from taxation if it occurred in that state; and

178.16 (6) public libraries, public library systems, multicounty, multitype library systems as  
 178.17 defined in section 134.001, county law libraries under chapter 134A, state agency libraries,  
 178.18 the state library under section 480.09, and the Legislative Reference Library; ~~and~~

178.19 ~~(7) towns.~~

178.20 (b) This exemption does not apply to the sales of the following products and services:

178.21 (1) building, construction, or reconstruction materials purchased by a contractor  
 178.22 or a subcontractor as a part of a lump-sum contract or similar type of contract with a  
 178.23 guaranteed maximum price covering both labor and materials for use in the construction,  
 178.24 alteration, or repair of a building or facility;

178.25 (2) construction materials purchased by tax exempt entities or their contractors to  
 178.26 be used in constructing buildings or facilities which will not be used principally by the  
 178.27 tax exempt entities;

178.28 (3) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11,  
 178.29 except for leases entered into by the United States or its agencies or instrumentalities;

178.30 (4) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause  
 178.31 (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section  
 178.32 297A.67, subdivision 2, except for lodging, prepared food, candy, soft drinks, and alcoholic  
 178.33 beverages purchased directly by the United States or its agencies or instrumentalities; or

178.34 (5) goods or services purchased by a ~~town~~ local government as inputs to goods and  
 178.35 services that are generally provided by a private business and the purchases would be  
 178.36 taxable if made by a private business engaged in the same activity.

179.1 (c) As used in this subdivision, "school districts" means public school entities and  
 179.2 districts of every kind and nature organized under the laws of the state of Minnesota, and  
 179.3 any instrumentality of a school district, as defined in section 471.59.

179.4 (d) As used in this subdivision, "local governments" means cities, counties, and  
 179.5 townships.

179.6 ~~(d)~~ (e) As used in this subdivision, "goods or services generally provided by a private  
 179.7 business" include, but are not limited to, goods or services provided by liquor stores, gas  
 179.8 and electric utilities, golf courses, marinas, health and fitness centers, campgrounds, cafes,  
 179.9 and laundromats. "Goods or services generally provided by a private business" do not  
 179.10 include housing services, sewer and water services, wastewater treatment, ambulance and  
 179.11 other public safety services, correctional services, chore or homemaking services provided  
 179.12 to elderly or disabled individuals, or road and street maintenance or lighting.

179.13 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 179.14 June 30, 2013.

179.15 Sec. 34. Minnesota Statutes 2012, section 297A.70, subdivision 4, is amended to read:

179.16 Subd. 4. **Sales to nonprofit groups.** (a) All sales, except those listed in paragraph  
 179.17 (b), to the following "nonprofit organizations" are exempt:

179.18 (1) a corporation, society, association, foundation, or institution organized and  
 179.19 operated exclusively for charitable, religious, or educational purposes if the item  
 179.20 purchased is used in the performance of charitable, religious, or educational functions; and

179.21 (2) any senior citizen group or association of groups that:

179.22 (i) in general limits membership to persons who are either age 55 or older, or  
 179.23 physically disabled;

179.24 (ii) is organized and operated exclusively for pleasure, recreation, and other  
 179.25 nonprofit purposes, not including housing, no part of the net earnings of which inures to  
 179.26 the benefit of any private shareholders; and

179.27 (iii) is an exempt organization under section 501(c) of the Internal Revenue Code.

179.28 For purposes of this subdivision, charitable purpose includes the maintenance of a  
 179.29 cemetery owned by a religious organization.

179.30 (b) This exemption does not apply to the following sales:

179.31 (1) building, construction, or reconstruction materials purchased by a contractor  
 179.32 or a subcontractor as a part of a lump-sum contract or similar type of contract with a  
 179.33 guaranteed maximum price covering both labor and materials for use in the construction,  
 179.34 alteration, or repair of a building or facility;

180.1 (2) construction materials purchased by tax-exempt entities or their contractors to  
180.2 be used in constructing buildings or facilities that will not be used principally by the  
180.3 tax-exempt entities; and

180.4 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause  
180.5 (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section  
180.6 297A.67, subdivision 2, except wine purchased by an established religious organization  
180.7 for sacramental purposes or as allowed under subdivision 9a; and

180.8 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except  
180.9 as provided in paragraph (c).

180.10 (c) This exemption applies to the leasing of a motor vehicle as defined in section  
180.11 297B.01, subdivision 11, only if the vehicle is:

180.12 (1) a truck, as defined in section 168.002, a bus, as defined in section 168.002, or a  
180.13 passenger automobile, as defined in section 168.002, if the automobile is designed and  
180.14 used for carrying more than nine persons including the driver; and

180.15 (2) intended to be used primarily to transport tangible personal property or  
180.16 individuals, other than employees, to whom the organization provides service in  
180.17 performing its charitable, religious, or educational purpose.

180.18 (d) A limited liability company also qualifies for exemption under this subdivision if  
180.19 (1) it consists of a sole member that would qualify for the exemption, and (2) the items  
180.20 purchased qualify for the exemption.

180.21 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
180.22 made after June 30, 2012.

180.23 Sec. 35. Minnesota Statutes 2012, section 297A.70, subdivision 5, is amended to read:

180.24 Subd. 5. **Veterans groups.** Sales to an organization of military service veterans or  
180.25 an auxiliary unit of an organization of military service veterans are exempt if:

180.26 (1) the organization or auxiliary unit is organized within the state of Minnesota  
180.27 and is exempt from federal taxation under section 501(c), clause (19), of the Internal  
180.28 Revenue Code; and

180.29 (2) the tangible personal property is or services are for charitable, civic, educational,  
180.30 or nonprofit uses and not for social, recreational, pleasure, or profit uses.

180.31 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
180.32 June 30, 2013.

180.33 Sec. 36. Minnesota Statutes 2012, section 297A.70, subdivision 7, is amended to read:

181.1 Subd. 7. **Hospitals and, outpatient surgical centers, and critical access dental**  
181.2 **providers.** (a) Sales, except for those listed in paragraph (e) (d), to a hospital are exempt,  
181.3 if the items purchased are used in providing hospital services. For purposes of this  
181.4 subdivision, "hospital" means a hospital organized and operated for charitable purposes  
181.5 within the meaning of section 501(c)(3) of the Internal Revenue Code, and licensed under  
181.6 chapter 144 or by any other jurisdiction, and "hospital services" are services authorized or  
181.7 required to be performed by a "hospital" under chapter 144.

181.8 (b) Sales, except for those listed in paragraph (e) (d), to an outpatient surgical center  
181.9 are exempt, if the items purchased are used in providing outpatient surgical services. For  
181.10 purposes of this subdivision, "outpatient surgical center" means an outpatient surgical  
181.11 center organized and operated for charitable purposes within the meaning of section  
181.12 501(c)(3) of the Internal Revenue Code, and licensed under chapter 144 or by any other  
181.13 jurisdiction. For the purposes of this subdivision, "outpatient surgical services" means:  
181.14 (1) services authorized or required to be performed by an outpatient surgical center under  
181.15 chapter 144; and (2) urgent care. For purposes of this subdivision, "urgent care" means  
181.16 health services furnished to a person whose medical condition is sufficiently acute to  
181.17 require treatment unavailable through, or inappropriate to be provided by, a clinic or  
181.18 physician's office, but not so acute as to require treatment in a hospital emergency room.

181.19 (c) Sales, except for those listed in paragraph (d), to a critical access dental provider  
181.20 are exempt, if the items purchased are used in providing critical access dental care  
181.21 services. For the purposes of this subdivision, "critical access dental provider" means  
181.22 a dentist or dental clinic designated as a critical access dental provider under section  
181.23 256B.76, subdivision 4, that serve only recipients of Minnesota health care programs.

181.24 (d) This exemption does not apply to the following products and services:

181.25 (1) purchases made by a clinic, physician's office, or any other medical facility not  
181.26 operating as a hospital or outpatient surgical center, or critical access dental provider,  
181.27 even though the clinic, office, or facility may be owned and operated by a hospital or  
181.28 outpatient surgical center, or critical access dental provider;

181.29 (2) sales under section 297A.61, subdivision 3, paragraph (g), clause (2), and  
181.30 prepared food, candy, and soft drinks;

181.31 (3) building and construction materials used in constructing buildings or facilities  
181.32 that will not be used principally by the hospital or outpatient surgical center, or critical  
181.33 access dental provider;

181.34 (4) building, construction, or reconstruction materials purchased by a contractor or a  
181.35 subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed

182.1 maximum price covering both labor and materials for use in the construction, alteration, or  
 182.2 repair of a hospital or outpatient surgical center, or critical access dental provider; or

182.3 (5) the leasing of a motor vehicle as defined in section 297B.01, subdivision 11.

182.4 ~~(d)~~ (e) A limited liability company also qualifies for exemption under this

182.5 subdivision if (1) it consists of a sole member that would qualify for the exemption, and

182.6 (2) the items purchased qualify for the exemption.

182.7 ~~(e)~~ (f) An entity that contains both a hospital and a nonprofit unit may claim this

182.8 exemption on purchases made for both the hospital and nonprofit unit provided that:

182.9 (1) the nonprofit unit would have qualified for exemption under subdivision 4; and

182.10 (2) the items purchased would have qualified for the exemption.

182.11 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
 182.12 made after June 30, 2007. Purchasers may apply for a refund of tax paid for qualifying  
 182.13 purchases under this subdivision made after June 30, 2007, and before July 1, 2013, in the  
 182.14 manner provided in Minnesota Statutes, section 297A.75.

182.15 Sec. 37. Minnesota Statutes 2012, section 297A.70, is amended by adding a  
 182.16 subdivision to read:

182.17 **Subd. 9a. Established religious orders.** Sales of lodging, prepared food, candy,  
 182.18 soft drinks, and alcoholic beverages at noncatered events between an established religious  
 182.19 order and an affiliated institution of higher education are exempt. For purposes of this  
 182.20 subdivision, an institution of higher education is "affiliated" with an established religious  
 182.21 order if members of the religious order are represented on the governing board of the  
 182.22 institution of higher education and the two organizations share campus space and common  
 182.23 facilities.

182.24 **EFFECTIVE DATE.** This section is effective retroactively for sales and purchases  
 182.25 made after June 30, 2012.

182.26 Sec. 38. Minnesota Statutes 2012, section 297A.70, subdivision 13, is amended to read:

182.27 **Subd. 13. Fund-raising sales by or for nonprofit groups.** (a) The following  
 182.28 sales by the specified organizations for fund-raising purposes are exempt, subject to the  
 182.29 limitations listed in paragraph (b):

182.30 (1) all sales made by a nonprofit organization that exists solely for the purpose of  
 182.31 providing educational or social activities for young people primarily age 18 and under;

182.32 (2) all sales made by an organization that is a senior citizen group or association of  
 182.33 groups if (i) in general it limits membership to persons age 55 or older; (ii) it is organized

183.1 and operated exclusively for pleasure, recreation, and other nonprofit purposes; and (iii)  
183.2 no part of its net earnings inures to the benefit of any private shareholders;

183.3 (3) the sale or use of tickets or admissions to a golf tournament held in Minnesota if  
183.4 the beneficiary of the tournament's net proceeds qualifies as a tax-exempt organization  
183.5 under section 501(c)(3) of the Internal Revenue Code; and

183.6 (4) sales of candy sold for fund-raising purposes by a nonprofit organization that  
183.7 provides educational and social activities primarily for young people age 18 and under.

183.8 (b) The exemptions listed in paragraph (a) are limited in the following manner:

183.9 (1) the exemption under paragraph (a), clauses (1) and (2), applies only if the gross  
183.10 annual receipts of the organization from fund-raising do not exceed \$10,000; and

183.11 (2) the exemption under paragraph (a), clause (1), does not apply if the sales are  
183.12 derived from admission charges or from activities for which the money must be deposited  
183.13 with the school district treasurer under section 123B.49, subdivision 2, or be recorded in  
183.14 the same manner as other revenues or expenditures of the school district under section  
183.15 123B.49, subdivision 4.

183.16 (c) Sales of tangible personal property and services are exempt if the entire proceeds,  
183.17 less the necessary expenses for obtaining the property or services, will be contributed to  
183.18 a registered combined charitable organization described in section 43A.50, to be used  
183.19 exclusively for charitable, religious, or educational purposes, and the registered combined  
183.20 charitable organization has given its written permission for the sale. Sales that occur over  
183.21 a period of more than 24 days per year are not exempt under this paragraph.

183.22 (d) For purposes of this subdivision, a club, association, or other organization of  
183.23 elementary or secondary school students organized for the purpose of carrying on sports,  
183.24 educational, or other extracurricular activities is a separate organization from the school  
183.25 district or school for purposes of applying the \$10,000 limit.

183.26 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
183.27 June 30, 2013.

183.28 Sec. 39. Minnesota Statutes 2012, section 297A.70, subdivision 14, is amended to read:

183.29 Subd. 14. **Fund-raising events sponsored by nonprofit groups.** (a) Sales of  
183.30 tangible personal property or services at, and admission charges for fund-raising events  
183.31 sponsored by, a nonprofit organization are exempt if:

183.32 (1) all gross receipts are recorded as such, in accordance with generally accepted  
183.33 accounting practices, on the books of the nonprofit organization; and

184.1 (2) the entire proceeds, less the necessary expenses for the event, will be used solely  
 184.2 and exclusively for charitable, religious, or educational purposes. Exempt sales include  
 184.3 the sale of prepared food, candy, and soft drinks at the fund-raising event.

184.4 (b) This exemption is limited in the following manner:

184.5 (1) it does not apply to admission charges for events involving bingo or other  
 184.6 gambling activities or to charges for use of amusement devices involving bingo or other  
 184.7 gambling activities;

184.8 (2) all gross receipts are taxable if the profits are not used solely and exclusively for  
 184.9 charitable, religious, or educational purposes;

184.10 (3) it does not apply unless the organization keeps a separate accounting record,  
 184.11 including receipts and disbursements from each fund-raising event that documents all  
 184.12 deductions from gross receipts with receipts and other records;

184.13 (4) it does not apply to any sale made by or in the name of a nonprofit corporation as  
 184.14 the active or passive agent of a person that is not a nonprofit corporation;

184.15 (5) all gross receipts are taxable if fund-raising events exceed 24 days per year;

184.16 (6) it does not apply to fund-raising events conducted on premises leased for more  
 184.17 than five days but less than 30 days; and

184.18 (7) it does not apply if the risk of the event is not borne by the nonprofit organization  
 184.19 and the benefit to the nonprofit organization is less than the total amount of the state and  
 184.20 local tax revenues forgone by this exemption.

184.21 (c) For purposes of this subdivision, a "nonprofit organization" means any unit of  
 184.22 government, corporation, society, association, foundation, or institution organized and  
 184.23 operated for charitable, religious, educational, civic, fraternal, and senior citizens' or  
 184.24 veterans' purposes, no part of the net earnings of which inures to the benefit of a private  
 184.25 individual.

184.26 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 184.27 June 30, 2013.

184.28 Sec. 40. Minnesota Statutes 2012, section 297A.70, is amended by adding a  
 184.29 subdivision to read:

184.30 **Subd. 18. Nursing homes and boarding care homes.** (a) All sales, except those  
 184.31 listed in paragraph (b), to a nursing home licensed under section 144A.02 or a boarding  
 184.32 care home certified as a nursing facility under title 19 of the Social Security Act are  
 184.33 exempt if the facility:

184.34 (1) is exempt from federal income taxation pursuant to section 501(c)(3) of the  
 184.35 Internal Revenue Code; and

185.1 (2) is certified to participate in the medical assistance program under title 19 of the  
185.2 Social Security Act, or certifies to the commissioner that it does not discharge residents  
185.3 due to the inability to pay.

185.4 (b) This exemption does not apply to the following sales:

185.5 (1) building, construction, or reconstruction materials purchased by a contractor  
185.6 or a subcontractor as a part of a lump-sum contract or similar type of contract with a  
185.7 guaranteed maximum price covering both labor and materials for use in the construction,  
185.8 alteration, or repair of a building or facility;

185.9 (2) construction materials purchased by tax-exempt entities or their contractors to  
185.10 be used in constructing buildings or facilities that will not be used principally by the  
185.11 tax-exempt entities;

185.12 (3) lodging as defined under section 297A.61, subdivision 3, paragraph (g), clause  
185.13 (2), and prepared food, candy, soft drinks, and alcoholic beverages as defined in section  
185.14 297A.67, subdivision 2; and

185.15 (4) leasing of a motor vehicle as defined in section 297B.01, subdivision 11, except  
185.16 as provided in paragraph (c).

185.17 (c) This exemption applies to the leasing of a motor vehicle as defined in section  
185.18 297B.01, subdivision 11, only if the vehicle is:

185.19 (1) a truck, as defined in section 168.002; a bus, as defined in section 168.002; or a  
185.20 passenger automobile, as defined in section 168.002, if the automobile is designed and  
185.21 used for carrying more than nine persons including the driver; and

185.22 (2) intended to be used primarily to transport tangible personal property or residents  
185.23 of the nursing home or boarding care home.

185.24 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
185.25 June 30, 2013.

185.26 Sec. 41. Minnesota Statutes 2012, section 297A.71, is amended by adding a  
185.27 subdivision to read:

185.28 Subd. 45. **Biopharmaceutical manufacturing facility.** (a) Materials and  
185.29 supplies used or consumed in, capital equipment incorporated into, and privately  
185.30 owned infrastructure in support of the construction, improvement, or expansion of a  
185.31 biopharmaceutical manufacturing facility in the state are exempt if the following criteria  
185.32 are met:

185.33 (1) the facility is used for the manufacturing of biologics;

185.34 (2) the total capital investment made at the facility exceeds \$50,000,000; and

186.1 (3) the facility creates and maintains at least 190 full-time equivalent positions at the  
186.2 facility. These positions must be new jobs in Minnesota and not the result of relocating  
186.3 jobs that currently exist in Minnesota.

186.4 (b) The tax must be imposed and collected as if the rate under section 297A.62,  
186.5 subdivision 1, applied, and refunded in the manner provided in section 297A.75.

186.6 (c) To be eligible for a refund, the owner of the biopharmaceutical manufacturing  
186.7 facility must:

186.8 (1) initially apply to the Department of Employment and Economic Development  
186.9 for certification no later than one year from the final completion date of construction,  
186.10 improvement, or expansion of the facility; and

186.11 (2) for each year that the owner of the biopharmaceutical manufacturing facility  
186.12 applies for a refund, the owner must have received written certification from the  
186.13 Department of Employment and Economic Development that the facility has met the  
186.14 criteria of paragraph (a).

186.15 (d) The refund is to be paid annually at a rate of 25 percent of the total allowable  
186.16 refund payable to date, with the commissioner making annual payments of the remaining  
186.17 refund until all of the refund has been paid.

186.18 (e) For purposes of this subdivision, "biopharmaceutical" and "biologics" are  
186.19 interchangeable and mean medical drugs or medicinal preparations produced using  
186.20 technology that uses biological systems, living organisms or derivatives of living  
186.21 organisms, to make or modify products or processes for specific use. The medical drugs or  
186.22 medicinal preparations include but are not limited to proteins, antibodies, nucleic acids,  
186.23 and vaccines.

186.24 **EFFECTIVE DATE.** This section is effective retroactively to capital investments  
186.25 made and jobs created after December 31, 2012, and effective retroactively for sales and  
186.26 purchases made after December 31, 2012, and before July 1, 2019.

186.27 Sec. 42. Minnesota Statutes 2012, section 297A.71, is amended by adding a  
186.28 subdivision to read:

186.29 Subd. 46. **Research and development facilities.** Materials and supplies used  
186.30 or consumed in, and equipment incorporated into, the construction or improvement of  
186.31 a research and development facility that has laboratory space of at least 400,000 square  
186.32 feet and utilizes both high-intensity and low-intensity laboratories, provided that the  
186.33 project has a total construction cost of at least \$140,000,000 within a 24-month period.  
186.34 The tax on purchases imposed under this subdivision must be imposed and collected as if

187.1 the rate under section 297A.62, subdivision 1, applied and then refunded in the manner  
187.2 provided in section 297A.75.

187.3 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
187.4 June 30, 2013, and before September 1, 2015.

187.5 Sec. 43. Minnesota Statutes 2012, section 297A.71, is amended by adding a  
187.6 subdivision to read:

187.7 **Subd. 47. Industrial measurement manufacturing and controls facility.** (a)  
187.8 Materials and supplies used or consumed in, capital equipment incorporated into,  
187.9 fixtures installed in, and privately owned infrastructure in support of the construction,  
187.10 improvement, or expansion of an industrial measurement manufacturing and controls  
187.11 facility are exempt if:

187.12 (1) the total capital investment made at the facility is at least \$60,000,000;

187.13 (2) the facility employs at least 250 full-time equivalent employees that are not  
187.14 employees currently employed by the company in the state; and

187.15 (3) the Department of Employment and Economic Development determines that  
187.16 the expansion, remodeling, or improvement of the facility has a significant impact on  
187.17 the state economy.

187.18 (b) The tax must be imposed and collected as if the rate under section 297A.62,  
187.19 subdivisions 1 and 1a, applied and refunded in the manner provided in section 297A.75,  
187.20 only after the following criteria are met:

187.21 (1) a refund may not be issued until the owner of the facility has received  
187.22 certification from the Department of Employment and Economic Development that the  
187.23 company meets the requirements in paragraph (a); and

187.24 (2) to receive the refund, the owner of the industrial measurement manufacturing  
187.25 and controls facility must initially apply to the Department of Employment and Economic  
187.26 Development for certification no later than one year from the final completion date of  
187.27 construction, improvement, or expansion of the industrial measurement manufacturing  
187.28 and controls facility.

187.29 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
187.30 June 30, 2013, and before December 31, 2015.

187.31 Sec. 44. Minnesota Statutes 2012, section 297A.71, is amended by adding a  
187.32 subdivision to read:

188.1 Subd. 48. **Retail, hotel, amusement, and office construction project.** Materials  
 188.2 and supplies used or consumed in, and equipment incorporated into the construction or  
 188.3 improvement of buildings and infrastructure for retail, hotel, amusement, and office use  
 188.4 within a two square mile area with a capital investment of at least \$250,000,000, are  
 188.5 exempt. The tax on purchases exempt under this provision must be imposed and collected  
 188.6 as if the rate under section 297A.62, subdivision 1, applied and then refunded in the  
 188.7 manner provided in section 297A.75. This subdivision expires June 30, 2023.

188.8 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 188.9 June 30, 2014, and before July 1, 2024.

188.10 Sec. 45. Minnesota Statutes 2012, section 297A.75, subdivision 1, is amended to read:

188.11 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the  
 188.12 following exempt items must be imposed and collected as if the sale were taxable and the  
 188.13 rate under section 297A.62, subdivision 1, applied. The exempt items include:

188.14 ~~(1)~~ capital equipment exempt under section 297A.68, subdivision 5;

188.15 ~~(2)~~ (1) building materials for an agricultural processing facility exempt under section  
 188.16 297A.71, subdivision 13;

188.17 ~~(3)~~ (2) building materials for mineral production facilities exempt under section  
 188.18 297A.71, subdivision 14;

188.19 ~~(4)~~ (3) building materials for correctional facilities under section 297A.71,  
 188.20 subdivision 3;

188.21 ~~(5)~~ (4) building materials used in a residence for disabled veterans exempt under  
 188.22 section 297A.71, subdivision 11;

188.23 ~~(6)~~ (5) elevators and building materials exempt under section 297A.71, subdivision  
 188.24 12;

188.25 ~~(7)~~ (6) building materials for the Long Lake Conservation Center exempt under  
 188.26 section 297A.71, subdivision 17;

188.27 ~~(8)~~ (7) materials and supplies for qualified low-income housing under section  
 188.28 297A.71, subdivision 23;

188.29 ~~(9)~~ (8) materials, supplies, and equipment for municipal electric utility facilities  
 188.30 under section 297A.71, subdivision 35;

188.31 ~~(10)~~ (9) equipment and materials used for the generation, transmission, and  
 188.32 distribution of electrical energy and an aerial camera package exempt under section  
 188.33 297A.68, subdivision 37;

188.34 ~~(11)~~ (10) commuter rail vehicle and repair parts under section 297A.70, subdivision  
 188.35 3, paragraph (a), clause (10);

189.1 ~~(12)~~ (11) materials, supplies, and equipment for construction or improvement of  
 189.2 projects and facilities under section 297A.71, subdivision 40;

189.3 ~~(13)~~ (12) materials, supplies, and equipment for construction or improvement of a  
 189.4 meat processing facility exempt under section 297A.71, subdivision 41;

189.5 ~~(14)~~ (13) materials, supplies, and equipment for construction, improvement, or  
 189.6 expansion of:

189.7 (i) an aerospace defense manufacturing facility exempt under section 297A.71,  
 189.8 subdivision 42;

189.9 (ii) a biopharmaceutical manufacturing facility exempt under section 297A.71,  
 189.10 subdivision 45;

189.11 (iii) a research and development facility exempt under section 297A.71, subdivision  
 189.12 4b;

189.13 (iv) an industrial measurement manufacturing and controls facility exempt under  
 189.14 section 297A.71, subdivision 47; and

189.15 (v) buildings and infrastructure for retail, hotel, amusement, and office facilities  
 189.16 exempt under section 297A.71, subdivision 48;

189.17 ~~(15)~~ (14) enterprise information technology equipment and computer software for  
 189.18 use in a qualified data center exempt under section 297A.68, subdivision 42; ~~and~~

189.19 ~~(16)~~ (15) materials, supplies, and equipment for qualifying capital projects under  
 189.20 section 297A.71, subdivision 44;

189.21 (16) items purchased for use in providing critical access dental services exempt  
 189.22 under section 297A.70, subdivision 7, paragraph (c);

189.23 (17) items purchased in transactions covered under Medicare or Medicaid exempt  
 189.24 under section 297A.67, subdivision 7, paragraphs (b) and (c), and accessories and supplies  
 189.25 exempt under section 297A.67, subdivision 7a; and

189.26 (18) items and services purchased under a business subsidy agreement for use or  
 189.27 consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 49.

189.28 **EFFECTIVE DATE.** The change to clause (1) is effective for sales and purchases  
 189.29 made after June 30, 2015. The changes in clauses (13), (16), and (17), are effective the  
 189.30 day following final enactment.

189.31 Sec. 46. Minnesota Statutes 2012, section 297A.75, subdivision 2, is amended to read:

189.32 Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the  
 189.33 commissioner, a refund equal to the tax paid on the gross receipts of the exempt items  
 189.34 must be paid to the applicant. Only the following persons may apply for the refund:

190.1 (1) for subdivision 1, clauses ~~(1) to (3)~~ (2), (16), and (17), the applicant must be  
 190.2 the purchaser;

190.3 (2) for subdivision 1, clauses ~~(4)~~ (3) and ~~(7)~~ (6), the applicant must be the  
 190.4 governmental subdivision;

190.5 (3) for subdivision 1, clause ~~(5)~~ (4), the applicant must be the recipient of the  
 190.6 benefits provided in United States Code, title 38, chapter 21;

190.7 (4) for subdivision 1, clause ~~(6)~~ (5), the applicant must be the owner of the  
 190.8 homestead property;

190.9 (5) for subdivision 1, clause ~~(8)~~ (7), the owner of the qualified low-income housing  
 190.10 project;

190.11 (6) for subdivision 1, clause ~~(9)~~ (8), the applicant must be a municipal electric utility  
 190.12 or a joint venture of municipal electric utilities;

190.13 (7) for subdivision 1, clauses ~~(10), (9), (12), (13), (14), and (15)~~ (9), (12), (13), (14), and (18), the owner  
 190.14 of the qualifying business; and

190.15 (8) for subdivision 1, clauses (10), (11), (12), and (16) ~~(15)~~, the applicant must be  
 190.16 the governmental entity that owns or contracts for the project or facility.

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

190.18 Sec. 47. Minnesota Statutes 2012, section 297A.75, subdivision 3, is amended to read:

190.19 Subd. 3. **Application.** (a) The application must include sufficient information  
 190.20 to permit the commissioner to verify the tax paid. If the tax was paid by a contractor,  
 190.21 subcontractor, or builder, under subdivision 1, clause (3), (4), (5), (6), (7), (8), (9), (10),  
 190.22 (11), (12), (13), (14), (15), or ~~(16)~~ (18), the contractor, subcontractor, or builder must  
 190.23 furnish to the refund applicant a statement including the cost of the exempt items and the  
 190.24 taxes paid on the items unless otherwise specifically provided by this subdivision. The  
 190.25 provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

190.26 (b) An applicant may not file more than two applications per calendar year for  
 190.27 refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

190.28 (c) Total refunds for purchases of items in section 297A.71, subdivision 40, must not  
 190.29 exceed \$5,000,000 in fiscal years 2010 and 2011. Applications for refunds for purchases  
 190.30 of items in sections 297A.70, subdivision 3, paragraph (a), clause (11), and 297A.71,  
 190.31 subdivision 40, must not be filed until after June 30, 2009.

190.32 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 190.33 June 30, 2015.

191.1 Sec. 48. Minnesota Statutes 2012, section 297A.815, subdivision 3, is amended to read:

191.2 Subd. 3. **Motor vehicle lease sales tax revenue.** (a) For purposes of this  
191.3 subdivision, "net revenue" means an amount equal to:

191.4 (1) the revenues, including interest and penalties; that would have been collected  
191.5 under this section; during the fiscal year if the rate had been 6.875 percent; less

191.6 (2) in fiscal year 2011, \$30,100,000; in fiscal year 2012, \$31,100,000; and in fiscal  
191.7 year 2013 and following fiscal years, \$32,000,000.

191.8 (b) On or before June 30 of each fiscal year, the commissioner of revenue shall  
191.9 estimate the amount of the revenues and subtraction under paragraph (a) for the current  
191.10 fiscal year.

191.11 (c) On or after July 1 of the subsequent fiscal year, the commissioner of management  
191.12 and budget shall transfer the net revenue as estimated in paragraph (b) from the general  
191.13 fund, as follows:

191.14 (1) 50 percent to the greater Minnesota transit account; and

191.15 (2) 50 percent to the county state-aid highway fund. Notwithstanding any other law  
191.16 to the contrary, the commissioner of transportation shall allocate the funds transferred  
191.17 under this clause to the counties in the metropolitan area, as defined in section 473.121,  
191.18 subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall  
191.19 receive of such amount the percentage that its population, as defined in section 477A.011,  
191.20 subdivision 3, estimated or established by July 15 of the year prior to the current calendar  
191.21 year, bears to the total population of the counties receiving funds under this clause.

191.22 (d) For fiscal years 2010 and 2011, the amount under paragraph (a), clause (1), must  
191.23 be calculated using the following percentages of the total revenues:

191.24 (1) for fiscal year 2010, 83.75 percent; and

191.25 (2) for fiscal year 2011, 93.75 percent.

191.26 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
191.27 June 30, 2013.

191.28 Sec. 49. Minnesota Statutes 2012, section 297A.99, subdivision 1, is amended to read:

191.29 Subdivision 1. **Authorization; scope.** (a) A political subdivision of this state may  
191.30 impose a general sales tax (1) under section 297A.992, (2) under section 297A.993, (3) if  
191.31 permitted by special law, or (4) if the political subdivision enacted and imposed the tax  
191.32 before January 1, 1982, and its predecessor provision.

191.33 (b) This section governs the imposition of a general sales tax by the political  
191.34 subdivision. The provisions of this section preempt the provisions of any special law:

191.35 (1) enacted before June 2, 1997, or

192.1 (2) enacted on or after June 2, 1997, that does not explicitly exempt the special law  
192.2 provision from this section's rules by reference.

192.3 (c) This section does not apply to or preempt a sales tax on motor vehicles or a  
192.4 special excise tax on motor vehicles.

192.5 (d) A political subdivision may not advertise or expend funds for the promotion of a  
192.6 referendum to support imposing a local option sales tax.

192.7 (e) Notwithstanding paragraph (d), a political subdivision may only expend funds to:

192.8 (1) conduct the referendum;

192.9 (2) disseminate information included in the resolution adopted under subdivision 2;

192.10 (3) provide notice of, and conduct public forums at which proponents and opponents  
192.11 on the merits of the referendum are given equal time to express their opinions on the  
192.12 merits of the referendum;

192.13 (4) provide facts and data on the impact of the proposed sales tax on consumer  
192.14 purchases; and

192.15 (5) provide facts and data related to the programs and projects to be funded with  
192.16 the sales tax.

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

192.18 Sec. 50. Minnesota Statutes 2012, section 469.190, is amended by adding a subdivision  
192.19 to read:

192.20 Subd. 1a. **Tax base; locally collected taxes.** A tax imposed on the gross receipts  
192.21 from lodging under this section or under a special law applies to the same base as taxes  
192.22 collected by the commissioner of revenue under subdivision 7 and section 270C.171.

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

192.24 In enacting this section, the legislature confirms its original intent in enacting Minnesota  
192.25 Statutes, section 469.190, its predecessor provisions, and any special laws authorizing  
192.26 political subdivisions to impose lodging taxes, and that those taxes were and are intended  
192.27 to apply to the entire consideration paid to obtain access to transient lodging, including  
192.28 ancillary or related services, such as services provided by accommodation intermediaries  
192.29 as defined in Minnesota Statutes, section 297A.61, and similar services. The provisions of  
192.30 this section must not be interpreted to imply a narrower construction of the tax base under  
192.31 lodging tax provisions of Minnesota law prior to the enactment of this section.

192.32 Sec. 51. Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended by  
192.33 Laws 1997, chapter 231, article 7, section 40, Laws 1998, chapter 389, article 8, section

193.1 30, Laws 2003, First Special Session chapter 21, article 8, section 13, Laws 2005, First  
193.2 Special Session chapter 3, article 5, section 26, and Laws 2009, chapter 88, article 4,  
193.3 section 15, is amended to read:

193.4       **Subd. 2. Use of revenues.** Revenues received from the tax authorized by subdivision  
193.5 1 may only be used by the city to pay the cost of collecting the tax, and, except as provided in  
193.6 paragraph (e), to pay for the following projects or to secure or pay any principal, premium,  
193.7 or interest on bonds issued in accordance with subdivision 3 for the following projects.

193.8       (a) To pay all or a portion of the capital expenses of construction, equipment and  
193.9 acquisition costs for the expansion and remodeling of the St. Paul Civic Center complex,  
193.10 including the demolition of the existing arena and the construction and equipping of a  
193.11 new arena.

193.12       (b) Except as provided in paragraphs (e) and (f), the remainder of the funds must be  
193.13 spent for:

193.14       (1) capital projects to further residential, cultural, commercial, and economic  
193.15 development in both downtown St. Paul and St. Paul neighborhoods; and

193.16       (2) capital and operating expenses of cultural organizations in the city, provided  
193.17 that the amount spent under this clause must equal ten percent of the total amount spent  
193.18 under this paragraph in any year.

193.19       (c) The amount apportioned under paragraph (b) shall be no less than 60 percent  
193.20 of the revenues derived from the tax each year, except to the extent that a portion of that  
193.21 amount is required to pay debt service on (1) bonds issued for the purposes of paragraph (a)  
193.22 prior to March 1, 1998; or (2) bonds issued for the purposes of paragraph (a) after March 1,  
193.23 1998, but only if the city council determines that 40 percent of the revenues derived from  
193.24 the tax together with other revenues pledged to the payment of the bonds, including the  
193.25 proceeds of definitive bonds, is expected to exceed the annual debt service on the bonds.

193.26       (d) If in any year more than 40 percent of the revenue derived from the tax authorized  
193.27 by subdivision 1 is used to pay debt service on the bonds issued for the purposes of  
193.28 paragraph (a) and to fund a reserve for the bonds, the amount of the debt service payment  
193.29 that exceeds 40 percent of the revenue must be determined for that year. In any year when  
193.30 40 percent of the revenue produced by the sales tax exceeds the amount required to pay  
193.31 debt service on the bonds and to fund a reserve for the bonds under paragraph (a), the  
193.32 amount of the excess must be made available for capital projects to further residential,  
193.33 cultural, commercial, and economic development in the neighborhoods and downtown  
193.34 until the cumulative amounts determined for all years under the preceding sentence have  
193.35 been made available under this sentence. The amount made available as reimbursement in  
193.36 the preceding sentence is not included in the 60 percent determined under paragraph (c).

194.1 (e) ~~In each of calendar years 2006 to 2014, revenue not to exceed \$3,500,000 may be~~  
 194.2 ~~used to pay the principal of bonds issued for capital projects of the city. After December~~  
 194.3 ~~31, 2014, revenue from the tax imposed under subdivision 1 may not be used for this~~  
 194.4 ~~purpose. If the amount necessary to meet obligations under paragraphs (a) and (d) are less~~  
 194.5 ~~than 40 percent of the revenue from the tax in any year, the city may place the difference~~  
 194.6 ~~between 40 percent of the revenue and the amounts allocated under paragraphs (a) and (d)~~  
 194.7 ~~in an economic development fund to be used for any economic development purposes.~~

194.8 (f) By January 15 of each year, the mayor and the city council must report to the  
 194.9 legislature on the use of sales tax revenues during the preceding one-year period.

194.10 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
 194.11 governing body of the city of St. Paul with Minnesota Statutes, section 645.021,  
 194.12 subdivisions 2 and 3.

194.13 Sec. 52. Laws 1993, chapter 375, article 9, section 46, subdivision 5, as amended by  
 194.14 Laws 1998, chapter 389, article 8, section 32, is amended to read:

194.15 Subd. 5. **Expiration of taxing authority.** The authority granted by subdivision 1 to  
 194.16 the city to impose a sales tax shall expire on December 31, ~~2030~~ 2040, or at an earlier  
 194.17 time as the city shall, by ordinance, determine. Any funds remaining after completion of  
 194.18 projects approved under subdivision 2, paragraph (a) and retirement or redemption of any  
 194.19 bonds or other obligations may be placed in the general fund of the city.

194.20 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
 194.21 governing body of the city of St. Paul with Minnesota Statutes, section 645.021,  
 194.22 subdivisions 2 and 3.

194.23 Sec. 53. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision  
 194.24 2, is amended to read:

194.25 Subd. 2. **Use of revenues.** (a) Revenues received from the tax authorized by  
 194.26 subdivision 1 by the city of St. Cloud must be used for the cost of collecting and  
 194.27 administering the tax and to pay all or part of the capital or administrative costs of the  
 194.28 development, acquisition, construction, improvement, and securing and paying debt  
 194.29 service on bonds or other obligations issued to finance the following regional projects as  
 194.30 approved by the voters and specifically detailed in the referendum authorizing the tax or  
 194.31 extending the tax:

- 194.32 (1) St. Cloud Regional Airport;  
 194.33 (2) regional transportation improvements;

195.1 (3) regional community and aquatics centers;

195.2 (4) regional public libraries; and

195.3 (5) acquisition and improvement of regional park land and open space.

195.4 (b) Revenues received from the tax authorized by subdivision 1 by the cities of St.

195.5 Joseph, Waite Park, Sartell, Sauk Rapids, and St. Augusta must be used for the cost of

195.6 collecting and administering the tax and to pay all or part of the capital or administrative

195.7 costs of the development, acquisition, construction, improvement, and securing and paying

195.8 debt service on bonds or other obligations issued to fund the projects specifically approved

195.9 by the voters at the referendum authorizing the tax or extending the tax. The portion of

195.10 revenues from the city going to fund the regional airport or regional library located in the

195.11 city of St. Cloud will be as required under the applicable joint powers agreement.

195.12 (c) The use of revenues received from the taxes authorized in subdivision 1 for

195.13 projects allowed under paragraphs (a) and (b) are limited to the amount authorized for

195.14 each project under the enabling referendum.

195.15 **EFFECTIVE DATE.** This section is effective for the city that approves them the

195.16 day after compliance by the governing body of each city with Minnesota Statutes, section

195.17 645.021, subdivision 3.

195.18 Sec. 54. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision

195.19 4, is amended to read:

195.20 Subd. 4. **Termination of tax.** The tax imposed in the cities of St. Joseph, St. Cloud,

195.21 St. Augusta, Sartell, Sauk Rapids, and Waite Park under subdivision 1 expires when the

195.22 city council determines that sufficient funds have been collected from the tax to retire or

195.23 redeem the bonds and obligations authorized under subdivision 2, paragraph (a), but no

195.24 later than December 31, 2018. Notwithstanding Minnesota Statutes, section 297A.99,

195.25 subdivision 3, paragraphs (a), (c), and (d), a city may extend the tax imposed under

195.26 subdivision 1 through December 31, 2038, if approved under the referendum authorizing

195.27 the tax under subdivision 1 or if approved by voters of the city at a general election held

195.28 no later than November 6, 2017.

195.29 **EFFECTIVE DATE.** This section is effective for the city that approves them the

195.30 day after compliance by the governing body of each city with Minnesota Statutes, section

195.31 645.021, subdivision 3.

195.32 Sec. 55. Laws 2008, chapter 366, article 7, section 19, subdivision 3, as amended by

195.33 Laws 2011, First Special Session chapter 7, article 4, section 8, is amended to read:

196.1 Subd. 3. **Use of revenues.** Notwithstanding Minnesota Statutes, section 297A.99,  
 196.2 subdivision 3, paragraph (b), the proceeds of the tax imposed under this section shall be  
 196.3 used to pay for the costs of improvements to the Sportsman Park/Ballfields, Riverside  
 196.4 Park, Lions Park/Pavilion, Cedar South Park also known as Eldorado Park, and Spring  
 196.5 Street Park; improvements to and extension of the River County Bike Trail; acquisition,  
 196.6 and construction, improvement, and development of regional parks, bicycle trails, park  
 196.7 land, open space, and of a pedestrian walkways, as described in the city improvement  
 196.8 plan adopted by the city council by resolution on December 12, 2006, and walkway  
 196.9 over Interstate 94 and State Highway 24; and the acquisition of land and construction of  
 196.10 buildings for a community and recreation center. The total amount of revenues from the  
 196.11 taxes in subdivisions 1 and 2 that may be used to fund these projects is \$12,000,000  
 196.12 plus any associated bond costs.

196.13 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
 196.14 governing body of the city of Clearwater with Minnesota Statutes, section 645.021,  
 196.15 subdivisions 2 and 3.

196.16 Sec. 56. **DULUTH LOCAL SALES TAX; RATE REDUCTION.**

196.17 Notwithstanding Minnesota Statutes, section 297A.99 or 645.021, or any ordinance,  
 196.18 city charter, or other provision of law, the city of Duluth shall reduce its rate of tax  
 196.19 authorized under Laws 1973, chapter 461, section 1, as amended by Laws 1977, chapter  
 196.20 438, to 0.87 percent.

196.21 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 196.22 June 30, 2013.

196.23 Sec. 57. **REVISOR'S INSTRUCTION.**

196.24 In Minnesota Rules, part 8130.9700, the revisor of statutes shall remove the last  
 196.25 sentence in subpart 3, item B, that reads "Use of equipment on a time-sharing basis,  
 196.26 where access to the equipment is only by means of remote access facilities, is not taxable  
 196.27 leasing of such equipment."

196.28 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 196.29 June 30, 2013.

196.30 Sec. 58. **REPEALER.**

196.31 (a) Minnesota Statutes 2012, sections 297A.61, subdivision 27; 297A.66, subdivision  
 196.32 4; 297A.67, subdivision 8; and 297A.68, subdivisions 9, 22, and 35, are repealed.

197.1 (b) Minnesota Rules, part 8130.0500, subpart 2, is repealed.

197.2 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 197.3 June 30, 2013.

## 197.4 **ARTICLE 8**

### 197.5 **LOCAL DEVELOPMENT**

197.6 Section 1. Minnesota Statutes 2012, section 469.174, subdivision 2, is amended to read:

197.7 Subd. 2. **Authority.** "Authority" means a rural development financing authority  
 197.8 created pursuant to sections 469.142 to 469.151; a housing and redevelopment authority  
 197.9 created pursuant to sections 469.001 to 469.047; a port authority created pursuant to  
 197.10 sections 469.048 to 469.068; an economic development authority created pursuant to  
 197.11 sections 469.090 to 469.108; a redevelopment agency as defined in sections 469.152 to  
 197.12 469.165; a municipality that is administering a development district created pursuant to  
 197.13 sections 469.124 to 469.134 or any special law; a municipality that undertakes a project  
 197.14 pursuant to sections 469.152 to 469.165, except a town located outside the metropolitan  
 197.15 area or with a population of 5,000 persons or less; a municipality that undertakes a project  
 197.16 located in an area designated under subdivision 30; or a municipality that exercises the  
 197.17 powers of a port authority pursuant to any general or special law.

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

197.19 Sec. 2. Minnesota Statutes 2012, section 469.174, is amended by adding a subdivision  
 197.20 to read:

197.21 Subd. 19a. **Soil deficiency district.** "Soil deficiency district" means a type of tax  
 197.22 increment financing district consisting of a project, or portions of a project, within which  
 197.23 the authority finds by resolution that the following conditions exist:

197.24 (1) parcels consisting of 70 percent of the area of the district contain unusual terrain  
 197.25 or soil deficiencies which require substantial filling, grading, or other physical preparation  
 197.26 for use and a parcel is eligible for inclusion if at least 50 percent of the area of the parcel  
 197.27 requires substantial filling, grading, or other physical preparation for use; and

197.28 (2) the estimated cost of the physical preparation under clause (1), but excluding  
 197.29 costs directly related to roads as defined in section 160.01, and local improvements as  
 197.30 described in sections 429.021, subdivision 1, clauses (1) to (7), (11), and (12), and 430.01,  
 197.31 exceeds the fair market value of the land before completion of the preparation.

198.1 **EFFECTIVE DATE.** This section is effective for districts for which the request for  
 198.2 certification is made after April 30, 2013.

198.3 Sec. 3. Minnesota Statutes 2012, section 469.174, is amended by adding a subdivision  
 198.4 to read:

198.5 Subd. 30. **Mining reclamation project area.** (a) An authority may designate an  
 198.6 area within its jurisdiction as a mining reclamation project area by finding by resolution,  
 198.7 that parcels consisting of at least 70 percent of the acreage, excluding street and railroad  
 198.8 rights-of-way, are characterized by one or more of the following conditions:

198.9 (1) peat or other soils with geotechnical deficiencies that impair development of  
 198.10 buildings or infrastructure;

198.11 (2) soils or terrain that requires substantial filling in order to permit the development  
 198.12 of buildings or infrastructure;

198.13 (3) landfills, dumps, or similar deposits of municipal or private waste;

198.14 (4) quarries or similar resource extraction sites;

198.15 (5) floodway; and

198.16 (6) substandard buildings, within the meaning of section 469.174, subdivision 10.

198.17 (b) For the purposes of paragraph (a), clauses (1) to (5), a parcel is characterized by  
 198.18 the relevant condition if at least 50 percent of the area of the parcel contains the relevant  
 198.19 condition. For the purposes of paragraph (a), clause (6), a parcel is characterized by  
 198.20 substandard buildings if substandard buildings occupy at least 30 percent of the area  
 198.21 of the parcel.

198.22 **EFFECTIVE DATE.** This section is effective for districts for which the request for  
 198.23 certification is made after April 30, 2013.

198.24 Sec. 4. Minnesota Statutes 2012, section 469.175, subdivision 3, is amended to read:

198.25 Subd. 3. **Municipality approval.** (a) A county auditor shall not certify the original  
 198.26 net tax capacity of a tax increment financing district until the tax increment financing plan  
 198.27 proposed for that district has been approved by the municipality in which the district  
 198.28 is located. If an authority that proposes to establish a tax increment financing district  
 198.29 and the municipality are not the same, the authority shall apply to the municipality in  
 198.30 which the district is proposed to be located and shall obtain the approval of its tax  
 198.31 increment financing plan by the municipality before the authority may use tax increment  
 198.32 financing. The municipality shall approve the tax increment financing plan only after a  
 198.33 public hearing thereon after published notice in a newspaper of general circulation in the  
 198.34 municipality at least once not less than ten days nor more than 30 days prior to the date

199.1 of the hearing. The published notice must include a map of the area of the district from  
199.2 which increments may be collected and, if the project area includes additional area, a map  
199.3 of the project area in which the increments may be expended. The hearing may be held  
199.4 before or after the approval or creation of the project or it may be held in conjunction with  
199.5 a hearing to approve the project.

199.6 (b) Before or at the time of approval of the tax increment financing plan, the  
199.7 municipality shall make the following findings, and shall set forth in writing the reasons  
199.8 and supporting facts for each determination:

199.9 (1) that the proposed tax increment financing district is a redevelopment district, a  
199.10 renewal or renovation district, a housing district, a soils condition district, soil deficiency  
199.11 district, or an economic development district; if the proposed district is a redevelopment  
199.12 district or a renewal or renovation district, the reasons and supporting facts for the  
199.13 determination that the district meets the criteria of section 469.174, subdivision 10,  
199.14 paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented in writing  
199.15 and retained and made available to the public by the authority until the district has been  
199.16 terminated;

199.17 (2) that, in the opinion of the municipality:

199.18 (i) the proposed development or redevelopment would not reasonably be expected to  
199.19 occur solely through private investment within the reasonably foreseeable future; and

199.20 (ii) the increased market value of the site that could reasonably be expected to occur  
199.21 without the use of tax increment financing would be less than the increase in the market  
199.22 value estimated to result from the proposed development after subtracting the present  
199.23 value of the projected tax increments for the maximum duration of the district permitted  
199.24 by the plan. The requirements of this item do not apply if the district is a housing district;

199.25 (3) that the tax increment financing plan conforms to the general plan for the  
199.26 development or redevelopment of the municipality as a whole;

199.27 (4) that the tax increment financing plan will afford maximum opportunity,  
199.28 consistent with the sound needs of the municipality as a whole, for the development or  
199.29 redevelopment of the project by private enterprise;

199.30 (5) that the municipality elects the method of tax increment computation set forth in  
199.31 section 469.177, subdivision 3, paragraph (b), if applicable; and

199.32 (6) that for a redevelopment district, renewal and renovation district, soils condition  
199.33 district, or soil deficiency district established by the authority in a mining reclamation  
199.34 project area, the reasons and supporting facts for the determination that the mining  
199.35 reclamation project area meets the requirements under section 469.174, subdivision 30,  
199.36 must be documented in writing and retained and made available to the public by the

200.1 authority until two years after the district is decertified. These findings must have been  
 200.2 made and documented no more than ten years before approval of the tax increment  
 200.3 financing plan for the district.

200.4 (c) When the municipality and the authority are not the same, the municipality shall  
 200.5 approve or disapprove the tax increment financing plan within 60 days of submission by the  
 200.6 authority. When the municipality and the authority are not the same, the municipality may  
 200.7 not amend or modify a tax increment financing plan except as proposed by the authority  
 200.8 pursuant to subdivision 4. Once approved, the determination of the authority to undertake  
 200.9 the project through the use of tax increment financing and the resolution of the governing  
 200.10 body shall be conclusive of the findings therein and of the public need for the financing.

200.11 (d) For a district that is subject to the requirements of paragraph (b), clause (2),  
 200.12 item (ii), the municipality's statement of reasons and supporting facts must include all of  
 200.13 the following:

200.14 (1) an estimate of the amount by which the market value of the site will increase  
 200.15 without the use of tax increment financing;

200.16 (2) an estimate of the increase in the market value that will result from the  
 200.17 development or redevelopment to be assisted with tax increment financing; and

200.18 (3) the present value of the projected tax increments for the maximum duration of  
 200.19 the district permitted by the tax increment financing plan.

200.20 (e) For purposes of this subdivision, "site" means the parcels on which the  
 200.21 development or redevelopment to be assisted with tax increment financing will be located.

200.22 **EFFECTIVE DATE.** This section is effective for districts for which the request for  
 200.23 certification is made after April 30, 2013.

200.24 Sec. 5. Minnesota Statutes 2012, section 469.176, subdivision 1b, is amended to read:

200.25 Subd. 1b. **Duration limits; terms.** (a) No tax increment shall in any event be  
 200.26 paid to the authority:

200.27 (1) after 15 years after receipt by the authority of the first increment for a renewal  
 200.28 and renovation district;

200.29 (2) after 20 years after receipt by the authority of the first increment for a soils  
 200.30 condition district or a soil deficiency district;

200.31 (3) after eight years after receipt by the authority of the first increment for an  
 200.32 economic development district;

200.33 (4) for a housing district, a compact development district, or a redevelopment  
 200.34 district, after 25 years from the date of receipt by the authority of the first increment.

201.1 (b) For purposes of determining a duration limit under this subdivision or subdivision  
 201.2 1e that is based on the receipt of an increment, any increments from taxes payable in the year  
 201.3 in which the district terminates shall be paid to the authority. This paragraph does not affect  
 201.4 a duration limit calculated from the date of approval of the tax increment financing plan or  
 201.5 based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph  
 201.6 does not supersede the restrictions on payment of delinquent taxes in subdivision 1f.

201.7 (c) An action by the authority to waive or decline to accept an increment has no  
 201.8 effect for purposes of computing a duration limit based on the receipt of increment under  
 201.9 this subdivision or any other provision of law. The authority is deemed to have received an  
 201.10 increment for any year in which it waived or declined to accept an increment, regardless  
 201.11 of whether the increment was paid to the authority.

201.12 (d) Receipt by a hazardous substance subdistrict of an increment as a result of a  
 201.13 reduction in original net tax capacity under section 469.174, subdivision 7, paragraph  
 201.14 (b), does not constitute receipt of increment by the overlying district for the purpose of  
 201.15 calculating the duration limit under this section.

201.16 **EFFECTIVE DATE.** This section is effective for districts for which the request for  
 201.17 certification is made after April 30, 2013.

201.18 Sec. 6. Minnesota Statutes 2012, section 469.176, subdivision 4b, is amended to read:

201.19 Subd. 4b. **Soils condition districts.** Revenue derived from Tax increment from a  
 201.20 soils condition district may be used only to (1) acquire parcels on which the improvements  
 201.21 described in clause (2) will occur; (2) pay for the cost of removal or remedial action; and  
 201.22 (3) pay for the administrative expenses of the authority allocable to the district, including  
 201.23 the cost of preparation of the development action response plan. For a soils condition  
 201.24 district located in a mining reclamation project area, tax increments may also be expended  
 201.25 on the additional cost of public improvements directly caused by the removal or remedial  
 201.26 action and located within the mining reclamation project area.

201.27 **EFFECTIVE DATE.** This section is effective for districts for which the request for  
 201.28 certification is made after April 30, 2013.

201.29 Sec. 7. Minnesota Statutes 2012, section 469.176, subdivision 4c, is amended to read:

201.30 Subd. 4c. **Economic development districts.** (a) Revenue derived from tax increment  
 201.31 from an economic development district may not be used to provide improvements, loans,  
 201.32 subsidies, grants, interest rate subsidies, or assistance in any form to developments

202.1 consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and  
 202.2 facilities (determined on the basis of square footage) are used for a purpose other than:

202.3 (1) the manufacturing or production of tangible personal property, including  
 202.4 processing resulting in the change in condition of the property;

202.5 (2) warehousing, storage, and distribution of tangible personal property, excluding  
 202.6 retail sales;

202.7 (3) research and development related to the activities listed in clause (1) or (2);

202.8 (4) telemarketing if that activity is the exclusive use of the property;

202.9 (5) tourism facilities; or

202.10 (6) ~~qualified border retail facilities; or~~

202.11 ~~(7) space necessary for and related to the activities listed in clauses (1) to (6)~~ (5).

202.12 (b) Notwithstanding the provisions of this subdivision, revenues derived from tax  
 202.13 increment from an economic development district may be used to provide improvements,  
 202.14 loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000  
 202.15 square feet of any separately owned commercial facility located within the municipal  
 202.16 jurisdiction of a small city, if the revenues derived from increments are spent only to  
 202.17 assist the facility directly or for administrative expenses, the assistance is necessary to  
 202.18 develop the facility, and all of the increments, except those for administrative expenses,  
 202.19 are spent only for activities within the district.

202.20 (c) A city is a small city for purposes of this subdivision if the city was a small city  
 202.21 in the year in which the request for certification was made and applies for the rest of  
 202.22 the duration of the district, regardless of whether the city qualifies or ceases to qualify  
 202.23 as a small city.

202.24 (d) Notwithstanding the requirements of paragraph (a) and the finding requirements  
 202.25 of section 469.174, subdivision 12, tax increments from an economic development district  
 202.26 may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or  
 202.27 assistance in any form to developments consisting of buildings and ancillary facilities, if  
 202.28 all the following conditions are met:

202.29 (1) the municipality finds that the project will create or retain jobs in this state,  
 202.30 including construction jobs, and that construction of the project would not have  
 202.31 commenced before ~~July 1, 2012~~ June 30, 2014, without the authority providing assistance  
 202.32 under the provisions of this paragraph;

202.33 (2) construction of the project begins no later than ~~July 1, 2012~~ June 30, 2014;

202.34 (3) the request for certification of the district is made no later than ~~June 30, 2012~~  
 202.35 December 31, 2014; and

203.1 (4) for development of housing under this paragraph, the construction must begin  
203.2 before January 1, 2012.

203.3 The provisions of this paragraph may not be used to assist housing that is developed  
203.4 to qualify under section 469.1761, subdivision 2 or 3, or similar requirements of other law,  
203.5 if construction of the project begins later than July 1, 2011.

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

203.7 Sec. 8. Minnesota Statutes 2012, section 469.176, subdivision 4m, is amended to read:

203.8 Subd. 4m. **Temporary authority to stimulate construction.** (a) Notwithstanding  
203.9 the restrictions in any other subdivision of this section or any other law to the contrary,  
203.10 except the requirement to pay bonds to which the increments are pledged and the  
203.11 provisions of subdivisions 4g and 4h, the authority may spend tax increments for one or  
203.12 more of the following purposes:

203.13 (1) to provide improvements, loans, interest rate subsidies, or assistance in any  
203.14 form to private development consisting of the construction or substantial rehabilitation  
203.15 of buildings and ancillary facilities, if doing so will create or retain jobs in this state,  
203.16 including construction jobs, and that the construction commences before ~~July 1, 2012~~June  
203.17 30, 2014, and would not have commenced before that date without the assistance; or

203.18 (2) to make an equity or similar investment in a corporation, partnership, or limited  
203.19 liability company that the authority determines is necessary to make construction of a  
203.20 development that meets the requirements of clause (1) financially feasible.

203.21 (b) The authority may undertake actions under the authority of this subdivision only  
203.22 after approval by the municipality of a written spending plan ~~that specifically authorizes~~  
203.23 ~~the authority to take the actions.~~ The spending plan must contain a detailed description  
203.24 of each action to be undertaken. The municipality shall approve the spending plan only  
203.25 after a public hearing after published notice in a newspaper of general circulation in  
203.26 the municipality at least once, not less than ten days nor more than 30 days prior to the  
203.27 date of the hearing.

203.28 (c) The authority to spend tax increments under this subdivision expires ~~December~~  
203.29 ~~31, 2012~~ December 31, 2014.

203.30 ~~(d) For a development consisting of housing, the authority to spend tax increments~~  
203.31 ~~under this subdivision expires December 31, 2011, and construction must commence~~  
203.32 ~~before July 1, 2011, except the authority to spend tax increments on market rate housing~~  
203.33 ~~developments under this subdivision expires July 31, 2012, and construction must~~  
203.34 ~~commence before January 1, 2012.~~

204.1 **EFFECTIVE DATE.** This section is effective the day following final enactment  
204.2 and applies to all tax increment financing districts, regardless of when the request for  
204.3 certification was made. The amendments to paragraph (b) apply to projects approved  
204.4 after the day following final enactment.

204.5 Sec. 9. Minnesota Statutes 2012, section 469.176, is amended by adding a subdivision  
204.6 to read:

204.7 Subd. 4n. **Soil deficiency district.** Tax increments from a soil deficiency district  
204.8 may only be used to pay for the following costs for activities located within the mining  
204.9 reclamation project area:

204.10 (1) acquisition of parcels on which the improvements described in clause (2) will  
204.11 occur;

204.12 (2) the cost of correcting the unusual terrain or soil deficiencies and the additional  
204.13 cost of installing public improvements directly caused by the deficiencies;

204.14 (3) administrative expenses of the authority allocable to the district; and

204.15 (4) costs described in subdivision 4j for the district, if these payments do not exceed  
204.16 25 percent of the tax increment from the district.

204.17 **EFFECTIVE DATE.** This section is effective for districts for which the request for  
204.18 certification is made after April 30, 2013.

204.19 Sec. 10. Minnesota Statutes 2012, section 469.176, subdivision 6, is amended to read:

204.20 Subd. 6. **Action required.** (a) If, after four years from the date of certification of  
204.21 the original net tax capacity of the tax increment financing district pursuant to section  
204.22 469.177, no demolition, rehabilitation, or renovation of property or other site preparation,  
204.23 including qualified improvement of a street adjacent to a parcel but not installation  
204.24 of utility service including sewer or water systems, has been commenced on a parcel  
204.25 located within a tax increment financing district by the authority or by the owner of the  
204.26 parcel in accordance with the tax increment financing plan, no additional tax increment  
204.27 may be taken from that parcel, and the original net tax capacity of that parcel shall be  
204.28 excluded from the original net tax capacity of the tax increment financing district. If the  
204.29 authority or the owner of the parcel subsequently commences demolition, rehabilitation,  
204.30 or renovation or other site preparation on that parcel including qualified improvement of  
204.31 a street adjacent to that parcel, in accordance with the tax increment financing plan, the  
204.32 authority shall certify to the county auditor that the activity has commenced, and the  
204.33 county auditor shall certify the net tax capacity thereof as most recently certified by the  
204.34 commissioner of revenue and add it to the original net tax capacity of the tax increment

205.1 financing district. The county auditor must enforce the provisions of this subdivision. The  
205.2 authority must submit to the county auditor evidence that the required activity has taken  
205.3 place for each parcel in the district. The evidence for a parcel must be submitted by  
205.4 February 1 of the fifth year following the year in which the parcel was certified as included  
205.5 in the district. For purposes of this subdivision, qualified improvements of a street are  
205.6 limited to (1) construction or opening of a new street, (2) relocation of a street, and (3)  
205.7 substantial reconstruction or rebuilding of an existing street.

205.8 (b) For districts which were certified on or after January 1, 2005, and before April  
205.9 20, 2009, the four-year period under paragraph (a) is ~~increased to six years~~ deemed to end  
205.10 on December 31, 2016.

205.11 **EFFECTIVE DATE.** This section is effective the day following final enactment  
205.12 and applies to districts certified on or after January 1, 2005, and before April 20, 2009.

205.13 Sec. 11. Minnesota Statutes 2012, section 469.1763, subdivision 3, is amended to read:

205.14 Subd. 3. **Five-year Ten-year rule.** (a) Revenues derived from tax increments are  
205.15 considered to have been expended on an activity within the district under subdivision 2  
205.16 only if one of the following occurs:

205.17 (1) before or within ~~five~~ ten years after certification of the district, the revenues are  
205.18 actually paid to a third party with respect to the activity;

205.19 (2) bonds, the proceeds of which must be used to finance the activity, are issued and  
205.20 sold to a third party before or within ~~five~~ ten years after certification, the revenues are  
205.21 spent to repay the bonds, and the proceeds of the bonds either are, on the date of issuance,  
205.22 reasonably expected to be spent before the end of the later of (i) the ~~five-year~~ ten-year  
205.23 period, or (ii) a reasonable temporary period within the meaning of the use of that term  
205.24 under section 148(c)(1) of the Internal Revenue Code, or are deposited in a reasonably  
205.25 required reserve or replacement fund;

205.26 (3) binding contracts with a third party are entered into for performance of the  
205.27 activity before or within ~~five~~ ten years after certification of the district and the revenues  
205.28 are spent under the contractual obligation;

205.29 (4) costs with respect to the activity are paid before or within ~~five~~ ten years after  
205.30 certification of the district and the revenues are spent to reimburse a party for payment  
205.31 of the costs, including interest on unreimbursed costs; or

205.32 (5) expenditures are made for housing purposes as permitted by subdivision 2,  
205.33 paragraphs (b) and (d), or for public infrastructure purposes within a zone as permitted  
205.34 by subdivision 2, paragraph (e).

206.1 (b) For purposes of this subdivision, bonds include subsequent refunding bonds if  
 206.2 the original refunded bonds meet the requirements of paragraph (a), clause (2).

206.3 ~~(e) For a redevelopment district or a renewal and renovation district certified after~~  
 206.4 ~~June 30, 2003, and before April 20, 2009, the five-year periods described in paragraph~~  
 206.5 ~~(a) are extended to ten years after certification of the district. This extension is provided~~  
 206.6 ~~primarily to accommodate delays in development activities due to unanticipated economic~~  
 206.7 ~~circumstances.~~

206.8 (d) If the authority so elects in the tax increment financing plan for a redevelopment  
 206.9 district, renewal and renovation district, soils condition district, or soil deficiency district  
 206.10 located in a mining reclamation project area, the ten-year periods described in paragraph  
 206.11 (a) do not apply.

206.12 **EFFECTIVE DATE.** This section is effective for districts certified after June 30,  
 206.13 2003.

206.14 Sec. 12. Minnesota Statutes 2012, section 469.1763, subdivision 4, is amended to read:

206.15 Subd. 4. **Use of revenues for decertification.** (a) In each year beginning with the  
 206.16 ~~sixth~~ 11th year following certification of the district, if the applicable in-district percent of  
 206.17 the revenues derived from tax increments paid by properties in the district exceeds the  
 206.18 amount of expenditures that have been made for costs permitted under subdivision 3, an  
 206.19 amount equal to the difference between the in-district percent of the revenues derived from  
 206.20 tax increments paid by properties in the district and the amount of expenditures that have  
 206.21 been made for costs permitted under subdivision 3 must be used and only used to pay or  
 206.22 defease the following or be set aside to pay the following:

206.23 (1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

206.24 (2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4);

206.25 (3) credit enhanced bonds to which the revenues derived from tax increments are  
 206.26 pledged, but only to the extent that revenues of the district for which the credit enhanced  
 206.27 bonds were issued are insufficient to pay the bonds and to the extent that the increments  
 206.28 from the applicable pooling percent share for the district are insufficient; or

206.29 (4) the amount provided by the tax increment financing plan to be paid under  
 206.30 subdivision 2, paragraphs (b), (d), and (e).

206.31 (b) The district must be decertified and the pledge of tax increment discharged  
 206.32 when the outstanding bonds have been defeased and when sufficient money has been set  
 206.33 aside to pay, based on the increment to be collected through the end of the calendar year,  
 206.34 the following amounts:

207.1 (1) contractual obligations as defined in subdivision 3, paragraph (a), clauses (3)  
 207.2 and (4);

207.3 (2) the amount specified in the tax increment financing plan for activities qualifying  
 207.4 under subdivision 2, paragraph (b), that have not been funded with the proceeds of bonds  
 207.5 qualifying under paragraph (a), clause (1); and

207.6 (3) the additional expenditures permitted by the tax increment financing plan for  
 207.7 housing activities under an election under subdivision 2, paragraph (d), that have not been  
 207.8 funded with the proceeds of bonds qualifying under paragraph (a), clause (1).

207.9 (c) If the authority so elects in the tax increment financing plan for a redevelopment  
 207.10 district, renewal and renovation district, soils condition district, or soil deficiency district  
 207.11 located in a mining reclamation project area, the provisions of this section do not apply.

207.12 **EFFECTIVE DATE.** This section is effective for districts certified after June 30,  
 207.13 2003.

207.14 Sec. 13. Minnesota Statutes 2012, section 469.177, subdivision 1a, is amended to read:

207.15 Subd. 1a. **Original local tax rate.** At the time of the initial certification of the  
 207.16 original net tax capacity for a tax increment financing district or a subdistrict, the county  
 207.17 auditor shall certify the original local tax rate that applies to the district or subdistrict. The  
 207.18 original local tax rate is the sum of all the local tax rates, excluding that portion of the  
 207.19 school rate attributable to the general education levy under section 126C.13, that apply  
 207.20 to a property in the district or subdistrict. The local tax rate to be certified is the rate in  
 207.21 effect for the same taxes payable year applicable to the tax capacity values certified as  
 207.22 the district's or subdistrict's original tax capacity. The resulting tax capacity rate is the  
 207.23 original local tax rate for the life of the district or subdistrict.

207.24 **EFFECTIVE DATE.** This section is effective for districts for which the request for  
 207.25 certification is made after April 15, 2013.

207.26 Sec. 14. Laws 2008, chapter 366, article 5, section 26, is amended to read:

207.27 Sec. 26. **BLOOMINGTON TAX INCREMENT FINANCING; FIVE-YEAR**  
 207.28 **RULE.**

207.29 (a) The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that  
 207.30 activities must be undertaken within a five-year period from the date of certification of  
 207.31 a tax increment financing district, are increased to a ~~ten-year~~ 15-year period for the  
 207.32 Port Authority of the City of Bloomington's Tax Increment Financing District No. 1-I,  
 207.33 Bloomington Central Station.

208.1 (b) Notwithstanding the provisions of Minnesota Statutes, section 469.176, or any  
 208.2 other law to the contrary, the city of Bloomington and its port authority may extend the  
 208.3 duration limits of the district for a period through December 31, 2039.

208.4 (c) Effective for taxes payable in 2014, tax increment for the district must be  
 208.5 computed using the current local tax rate, notwithstanding the provisions of Minnesota  
 208.6 Statutes, section 469.177, subdivision 1a.

208.7 **EFFECTIVE DATE.** Paragraphs (a) and (c) are effective upon compliance by  
 208.8 the governing body of the city of Bloomington with the requirements of Minnesota  
 208.9 Statutes, section 645.021, subdivision 3. Paragraph (b) is effective upon compliance by  
 208.10 the governing bodies of the city of Bloomington, Hennepin County, and Independent  
 208.11 School District No. 271 with the requirements of Minnesota Statutes, sections 469.1782,  
 208.12 subdivision 2, and 645.021, subdivision 3.

208.13 Sec. 15. Laws 2008, chapter 366, article 5, section 34, as amended by Laws 2009,  
 208.14 chapter 88, article 5, section 11, is amended to read:

208.15 Sec. 34. **CITY OF OAKDALE; ~~ORIGINAL TAX CAPACITY PARCELS~~**  
 208.16 **DEEMED OCCUPIED.**

208.17 ~~(a) The provisions of this section apply to redevelopment tax increment financing~~  
 208.18 ~~districts created by the Housing and Redevelopment Authority in and for the city of~~  
 208.19 ~~Oakdale in the areas comprised of the parcels with the following parcel identification~~  
 208.20 ~~numbers: (1) 3102921320053; 3102921320054; 3102921320055; 3102921320056;~~  
 208.21 ~~3102921320057; 3102921320058; 3102921320062; 3102921320063; 3102921320059;~~  
 208.22 ~~3102921320060; 3102921320061; 3102921330005; and 3102921330004; and (2)~~  
 208.23 ~~2902921330001 and 2902921330005.~~

208.24 ~~(b) For a district subject to this section, the Housing and Redevelopment Authority~~  
 208.25 ~~may, when requesting certification of the original tax capacity of the district under~~  
 208.26 ~~Minnesota Statutes, section 469.177, elect to have the original tax capacity of the district~~  
 208.27 ~~be certified as the tax capacity of the land.~~

208.28 ~~(c) The authority to request certification of a district under this section expires on~~  
 208.29 ~~July 1, 2013.~~

208.30 (a) Parcel numbers 3102921320054, 3102921320055, 3102921320056,  
 208.31 3102921320057, 3102921320061, and 3102921330004 are deemed to meet the  
 208.32 requirements of Minnesota Statutes, section 469.174, subdivision 10, paragraph (d),  
 208.33 notwithstanding any contrary provisions of that paragraph, if the following conditions  
 208.34 are met:

209.1 (1) a building located on any part of each of the specified parcels was demolished after  
 209.2 the Housing and Redevelopment Authority for the city of Oakdale adopted a resolution  
 209.3 under Minnesota Statutes, section 469.174, subdivision 10, paragraph (d), clause (3);

209.4 (2) the building was removed either by the authority, by a developer under a  
 209.5 development agreement with the Housing and Redevelopment Authority for the city of  
 209.6 Oakdale, or by the owner of the property without entering into a development agreement  
 209.7 with the Housing and Redevelopment Authority for the city of Oakdale; and

209.8 (3) the request for certification of the parcel as part of a district is filed with the  
 209.9 county auditor by December 31, 2017.

209.10 (b) The provisions of this section allow an election by the authority for the parcels  
 209.11 deemed occupied under paragraph (a), notwithstanding the provisions of Minnesota  
 209.12 Statutes, sections 469.174, subdivision 10, paragraph (d), and 469.177, subdivision 1,  
 209.13 paragraph (f).

209.14 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
 209.15 body of the city of Oakdale with the requirements of Minnesota Statutes, section 645.021,  
 209.16 subdivision 3.

209.17 Sec. 16. Laws 2010, chapter 216, section 55, is amended to read:

209.18 Sec. 55. **OAKDALE; TAX INCREMENT FINANCING DISTRICT.**

209.19 Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota  
 209.20 Statutes, section 469.176, subdivision 1b, the city of Oakdale may collect tax increments  
 209.21 from Tax Increment Financing District No. 6 (Bergen Plaza) through December 31, 2024  
 209.22 2030, subject to the conditions described in subdivision 2.

209.23 Subd. 2. **Conditions for extension.** (a) Subdivision 1 applies only if the following  
 209.24 conditions are met:

209.25 (1) by July 1, 2011, the city of Oakdale has entered into a development agreement  
 209.26 with a private developer for development or redevelopment of all or a substantial part of  
 209.27 the area parcels described in clause (2); and

209.28 (2) by November 1, 2011, the city of Oakdale or a private developer commences  
 209.29 construction of streets, traffic improvements, water, sewer, or related infrastructure that  
 209.30 serves one or both of the parcels with the following parcel identification numbers:  
 209.31 2902921330001 and 2902921330005. For the purposes of this section, construction  
 209.32 commences upon grading or other visible improvements that are part of the subject  
 209.33 infrastructure.

209.34 (b) All tax increments received by the city of Oakdale under subdivision 1 after  
 209.35 December 31, 2016, must be used only to pay costs that are both:

210.1 (1) related to redevelopment of the parcels specified in this subdivision or  
 210.2 parcel numbers 3102921320053, 3102921320054, 3102921320055, 3102921320056,  
 210.3 3102921320057, 3102921320058, 3102921320059, 3102921320060, 3102921320061,  
 210.4 3102921320062, 3102921320063, 3102921330004, and 3102921330005, including,  
 210.5 without limitation, any of the infrastructure referenced in this subdivision, that serves  
 210.6 any of the referenced parcels; and

210.7 (2) otherwise eligible under law to be paid with increments from the specified tax  
 210.8 increment financing district, ~~except the authority under this clause does not apply to~~  
 210.9 ~~increments collected after the conclusion of the duration limit under general law.~~

210.10 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
 210.11 body of the city of Oakdale with the requirements of Minnesota Statutes, sections  
 210.12 469.1782, subdivision 2, and 645.021, subdivision 3.

210.13 Sec. 17. **USE OF TAX INCREMENT.**

210.14 Notwithstanding Minnesota Statutes, section 469.176, subdivision 4d, beginning  
 210.15 on the effective date of this section, the city of Oakdale may spend tax increments from  
 210.16 Tax Increment Financing District No. 1-6 (Echo Ridge) to pay costs that are related to  
 210.17 redevelopment of parcel numbers 3102921320053, 3102921320054, 3102921320055,  
 210.18 3102921320056, 3102921320057, 3102921320058, 3102921320059, 3102921320060,  
 210.19 3102921320061, 3102921320062, 3102921320063, 3102921330004, and 3102921330005  
 210.20 (the Tanner's Lake redevelopment site), including without limitation any infrastructure  
 210.21 that serves the referenced parcels.

210.22 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
 210.23 body of the city of Oakdale with the requirements of Minnesota Statutes, section 645.021,  
 210.24 subdivision 3.

210.25 Sec. 18. **CITY OF MINNEAPOLIS; STREETCAR FINANCING.**

210.26 Subdivision 1. Definitions. (a) For purposes of this section, the following terms  
 210.27 have the meanings given them.

210.28 (b) "City" means the city of Minneapolis.

210.29 (c) "County" means Hennepin County.

210.30 (d) "District" means the areas certified by the city under subdivision 2 for collection  
 210.31 of value capture taxes.

210.32 (e) "Project area" means the area including one city block on either side of a streetcar  
 210.33 line designated by the city to serve the downtown and adjacent neighborhoods of the city.

211.1 Subd. 2. Authority to establish district. (a) The governing body of the city may,  
 211.2 by resolution, establish a value capture district consisting of some or all of the following  
 211.3 parcels located within the city, as described in the resolution: 27-029-24-31-0130;  
 211.4 22-029-24-41-0008; 22-029-24-44-0038; 22-029-24-44-0035; 22-029-24-44-0036;  
 211.5 22-029-24-44-0037; and 22-029-24-42-0051.

211.6 (b) The city may establish the district and the project area only after holding a public  
 211.7 hearing on its proposed creation after publishing notice of the hearing and the proposal at  
 211.8 least once not less than ten days nor more than 30 days before the date of the hearing.

211.9 Subd. 3. Calculation of value capture district; administrative provisions. (a) If  
 211.10 the city establishes a value capture district under subdivision 2, the city shall request the  
 211.11 county auditor to certify the district for calculation of the district's tax revenues.

211.12 (b) For purposes of calculating the tax revenues of the district, the county auditor  
 211.13 shall treat the district as if it were a request for certification of a tax increment financing  
 211.14 district under the provisions of Minnesota Statutes, section 469.177, subdivision 1,  
 211.15 and shall calculate the tax revenues of the district for each year of its duration under  
 211.16 subdivision 4 as equaling the amount of tax increment under Minnesota Statutes, section  
 211.17 469.177, subdivisions 1, 2, and 3. The city shall provide the county auditor with the  
 211.18 necessary information to certify the district, including the option for calculating revenues  
 211.19 derived from the areawide tax rate under Minnesota Statutes, chapter 473F.

211.20 (c) The county auditor shall pay to the city at the same times provided for settlement  
 211.21 of taxes and payment of tax increments the tax revenues of the district. The city must use  
 211.22 the tax revenues as provided under subdivision 4.

211.23 Subd. 4. Permitted uses of district tax revenues. (a) In addition to paying for  
 211.24 reasonable administrative costs of the district, the city may spend tax revenues of the  
 211.25 district for property acquisition, improvements, and equipment to be used for operations  
 211.26 within the project area, along with related costs, for:

211.27 (1) planning, design, and engineering services related to the construction of the  
 211.28 streetcar line;

211.29 (2) acquiring property for, constructing, and installing a streetcar line;

211.30 (3) acquiring and maintaining equipment and rolling stock and related facilities, such  
 211.31 as maintenance facilities, which need not be located in the project area;

211.32 (4) acquiring, constructing, or improving transit stations; and

211.33 (5) acquiring or improving public space, including the construction and installation  
 211.34 of improvements to streets and sidewalks, decorative lighting and surfaces, and plantings  
 211.35 related to the streetcar line.

212.1 (b) The city may issue bonds or other obligations under Minnesota Statutes, chapter  
 212.2 475, without an election, to fund acquisition or improvement of property of a capital  
 212.3 nature authorized by this section, including any costs of issuance. The city may also issue  
 212.4 bonds or other obligations to refund those bonds or obligations. Payment of principal  
 212.5 and interest on the bonds or other obligations issued under this paragraph is a permitted  
 212.6 use of the district's tax revenues.

212.7 (c) Tax revenues of the district may not be used for the operation of the streetcar line.

212.8 Subd. 5. **Duration of the district.** A district established under this section is limited  
 212.9 to the lesser of (1) 25 years of tax revenues, or (2) the time necessary to collect tax revenues  
 212.10 equal to the amount of the capital costs permitted under subdivision 4 or the amount needed  
 212.11 to pay or defease bonds or other obligations issued under subdivision 4, whichever is later.

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

212.13 Sec. 19. **DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY; TAX**  
 212.14 **INCREMENT FINANCING DISTRICT.**

212.15 Subdivision 1. **Authorization.** Notwithstanding the provisions of any other law,  
 212.16 the Dakota County Community Development Agency may establish a redevelopment tax  
 212.17 increment financing district comprised of the properties that (1) were included in the  
 212.18 CDA 10 Robert and South Street district in the city of West St. Paul, and (2) were not  
 212.19 decertified before July 1, 2012. The district created under this section terminates no later  
 212.20 than December 31, 2028.

212.21 Subd. 2. **Special rules.** The requirements for qualifying a redevelopment district  
 212.22 under Minnesota Statutes, section 469.174, subdivision 10, do not apply to parcels located  
 212.23 within the district. Minnesota Statutes, section 469.176, subdivision 4j, do not apply to the  
 212.24 district. The original tax capacity of the district is \$93,239.

212.25 Subd. 3. **Authorized expenditures.** Tax increment from the district may be  
 212.26 expended to pay for any eligible activities authorized by Minnesota Statutes, chapter 469,  
 212.27 within the redevelopment area that includes the district provided that the boundaries of the  
 212.28 redevelopment area may not be expanded to add new area after April 1, 2013. All such  
 212.29 expenditures are deemed to be activities within the district under Minnesota Statutes,  
 212.30 section 469.1763, subdivisions 2 and 4.

212.31 Subd. 4. **Adjusted net tax capacity.** The captured tax capacity of the district must  
 212.32 be included in the adjusted net tax capacity of the city, county, and school district for the  
 212.33 purposes of determining local government aid, education aid, and county program aid.  
 212.34 The county auditor shall report to the commissioner of revenue the amount of the captured  
 212.35 tax capacity for the district at the time the assessment abstracts are filed.

213.1 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
 213.2 body of the Dakota County Community Development Agency with the requirements of  
 213.3 Minnesota Statutes, section 645.021, subdivision 3.

213.4 Sec. 20. **ST. CLOUD; TAX INCREMENT FINANCING.**

213.5 The request for certification of Tax Increment District No. 2, commonly referred to  
 213.6 as the Norwest District, in the city of St. Cloud is deemed to have been made on or after  
 213.7 August 1, 1979, and before July 1, 1982. Revenues derived from tax increment for that  
 213.8 district must be treated for purposes of any law as revenue of a tax increment financing  
 213.9 district for which the request for certification was made during that time period.

213.10 **EFFECTIVE DATE.** This section is effective upon approval by the governing  
 213.11 body of the city of St. Cloud and compliance with Minnesota Statutes, section 645.021,  
 213.12 subdivision 3.

213.13 Sec. 21. **CITY OF ELY; TAX INCREMENT FINANCING.**

213.14 Subdivision 1. **Extension of district.** Notwithstanding Minnesota Statutes, section  
 213.15 469.176, subdivision 1b, or any other law, the city of Ely may collect tax increment from  
 213.16 Tax Increment Financing District No. 1 through December 31, 2021. Increments from the  
 213.17 district may only be used to pay binding obligations and administrative expenses.

213.18 Subd. 2. **Binding obligations.** For purposes of this section, "binding obligations"  
 213.19 means the binding contractual or debt obligation of Tax Increment Financing District  
 213.20 No. 1 entered into before January 1, 2013.

213.21 Subd. 3. **Expenditures outside district.** Notwithstanding Minnesota Statutes,  
 213.22 section 469.1763, subdivision 2, the governing body of the city of Ely may elect to  
 213.23 transfer revenues derived from its Tax Increment Financing District No. 3 to the tax  
 213.24 increment account established under Minnesota Statutes, section 469.177, subdivision  
 213.25 5, for Tax Increment Financing District No. 1. The amount that may be transferred is  
 213.26 limited to the lesser of:

213.27 (1) \$168,000; or

213.28 (2) the total amount due on binding obligations and outstanding on that date, less the  
 213.29 amount of increment collected by Tax Increment Financing District No. 1 after December  
 213.30 31, 2012, and administrative expenses of Tax Increment Financing District No. 1 incurred  
 213.31 after December 31, 2012.

213.32 **EFFECTIVE DATE.** This section is effective upon approval by the governing  
 213.33 body of the city of Ely, St. Louis County, and Independent School District No. 696, with

214.1 the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021,  
 214.2 subdivision 3.

214.3 **Sec. 22. CITY OF GLENCOE; TAX INCREMENT FINANCING DISTRICT**  
 214.4 **EXTENSION.**

214.5 Subdivision 1. **Duration of district.** Notwithstanding the provisions of Minnesota  
 214.6 Statutes, section 469.176, subdivision 1b, paragraph (a), clause (4), or any other law to  
 214.7 the contrary, the city of Glencoe may collect tax increments from tax increment financing  
 214.8 district No. 4 (McLeod County District No. 007) through December 31, 2023, subject to  
 214.9 the conditions in subdivision 2.

214.10 Subd. 2. **Exclusive use of revenues.** (a) All tax increments derived from tax  
 214.11 increment financing district No. 4 (McLeod County District No. 007) that are collected  
 214.12 after December 31, 2013, must be used only to pay debt service on or to defease bonds that  
 214.13 were outstanding on January 1, 2013, and that were issued to finance improvements serving:

214.14 (1) tax increment financing district No. 14 (McLeod County District No. 033)  
 214.15 (Downtown);

214.16 (2) tax increment financing district No. 15 (McLeod County District No. 035)  
 214.17 (Industrial Park); and

214.18 (3) benefited properties as further described in proceedings related to the city's series  
 214.19 2007A bonds, dated September 1, 2007, and any bonds issued to refund those bonds.

214.20 (b) Increment may also be used to pay debt service on or to defease bonds issued to  
 214.21 refund the bonds described in paragraph (a), if the refunding bonds do not increase the  
 214.22 present value of debt service due on the refunded bonds when the refunding is closed.

214.23 (c) When the bonds described in paragraphs (a) and (b) have been paid or defeased,  
 214.24 the district must be decertified and any remaining increment returned to the city, county,  
 214.25 and school district as provided by Minnesota Statutes, section 469.176, subdivision 2,  
 214.26 paragraph (c), clause (4).

214.27 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
 214.28 body of the city of Glencoe, McLeod County, and Independent School District No. 2859  
 214.29 with the requirements of Minnesota Statutes, sections 469.1782, subdivision 2, and  
 214.30 645.021, subdivision 3.

214.31 **Sec. 23. CITY OF BLOOMINGTON; TAX INCREMENT FINANCING.**

214.32 Subdivision 1. **Addition of property to Tax Increment Financing District**  
 214.33 **No. 1-G.** (a) Notwithstanding the provisions of Minnesota Statutes, section 469.175,  
 214.34 subdivision 4, or any other law to the contrary, the governing bodies of the Port Authority

215.1 of the city of Bloomington and the city of Bloomington may elect to eliminate the real  
 215.2 property north of the existing building line on Lot 1, Block 1, Mall of America 7th  
 215.3 Addition, exclusive of Lots 2 and 3 from Tax Increment Financing District No. 1-C  
 215.4 within Industrial Development District No. 1 Airport South in the city of Bloomington,  
 215.5 Minnesota, and expand the boundaries of Tax Increment Financing District No. 1-G  
 215.6 to include that property.

215.7 (b) If the city elects to transfer parcels under this authority, the county auditor shall  
 215.8 transfer the original tax capacity of the affected parcels from Tax Increment Financing  
 215.9 District No. 1-C to Tax Increment Financing District No. 1-G.

215.10 **EFFECTIVE DATE.** This section is effective upon compliance of the governing  
 215.11 body of the city of Bloomington with the requirements of Minnesota Statutes, section  
 215.12 645.021, subdivision 3.

215.13 **Sec. 24. CITY OF APPLE VALLEY; USE OF TAX INCREMENT FINANCING.**

215.14 **Subdivision 1. Developments consisting of building and ancillary facilities.**

215.15 Notwithstanding Minnesota Statutes, section 469.176, subdivisions 4c and 4m, the city of  
 215.16 Apple Valley may use tax increment financing to provide improvements, loans, subsidies,  
 215.17 grants, interest rate subsidies, or assistance in any form to developments consisting of  
 215.18 buildings and ancillary facilities, if all of the following conditions are met:

215.19 (1) the city of Apple Valley finds that the project will create or retain jobs in  
 215.20 Minnesota, including construction jobs;

215.21 (2) the city of Apple Valley finds that construction of the project will not commence  
 215.22 before July 1, 2014, without the use of tax increment financing;

215.23 (3) the request for certification of the district is made no later than June 30, 2014;

215.24 (4) construction of the project begins no later than July 1, 2014; and

215.25 (5) for development of housing, construction of the project begins no later than  
 215.26 December 31, 2013.

215.27 **Subd. 2. Extension of authority to spend tax increments.** Notwithstanding the  
 215.28 time limits in Minnesota Statutes, section 469.176, subdivision 4m, the city of Apple  
 215.29 Valley has the authority to spend tax increments under Minnesota Statutes, section  
 215.30 469.176, subdivision 4m, until December 31, 2014.

215.31 **EFFECTIVE DATE.** This section is effective upon approval by the governing  
 215.32 body of the city of Apple Valley and timely compliance with Minnesota Statutes, section  
 215.33 645.021, subdivision 3.

216.1       Sec. 25. **CITY OF MAPLEWOOD; TAX INCREMENT FINANCING**  
216.2 **DISTRICT; SPECIAL RULES.**

216.3           (a) If the city of Maplewood elects, upon the adoption of a tax increment financing  
216.4 plan for a district, the rules under this section apply to one or more redevelopment  
216.5 tax increment financing districts established by the city or the economic development  
216.6 authority of the city. The area within which the redevelopment tax increment districts may  
216.7 be created is parcel 362922240002 (the "parcel") or any replatted parcels constituting a  
216.8 part of the parcel and the adjacent rights-of-way. For purposes of this section, the parcel is  
216.9 the "3M Renovation and Retention Project Area" or "project area."

216.10          (b) The requirements for qualifying redevelopment tax increment districts under  
216.11 Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcel, which is  
216.12 deemed eligible for inclusion in a redevelopment tax increment district.

216.13          (c) The 90 percent rule under Minnesota Statutes, section 469.176, subdivision  
216.14 4j, does not apply to the parcel.

216.15          (d) The expenditures outside district rule under Minnesota Statutes, section  
216.16 469.1763, subdivision 2, does not apply; the five-year rule under Minnesota Statutes,  
216.17 section 469.1763, subdivision 3, is extended to ten years; and expenditures must only  
216.18 be made within the project area.

216.19          (e) If, after one year from the date of certification of the original net tax capacity  
216.20 of the tax increment district, no demolition, rehabilitation, or renovation of property has  
216.21 been commenced on a parcel located within the tax increment district, no additional tax  
216.22 increment may be taken from that parcel, and the original net tax capacity of the parcel  
216.23 shall be excluded from the original net tax capacity of the tax increment district. If 3M  
216.24 Company subsequently commences demolition, rehabilitation, or renovation, the authority  
216.25 shall certify to the county auditor that the activity has commenced, and the county auditor  
216.26 shall certify the net tax capacity thereof as most recently certified by the commissioner  
216.27 of revenue and add it to the original net tax capacity of the tax increment district. The  
216.28 authority must submit to the county auditor evidence that the required activity has taken  
216.29 place for each parcel in the district.

216.30          (f) The authority to approve a tax increment financing plan and to establish a tax  
216.31 increment financing district under this section expires December 31, 2018.

216.32           **EFFECTIVE DATE.** This section is effective upon approval by the governing  
216.33 body of the city of Maplewood and upon compliance with Minnesota Statutes, section  
216.34 645.021, subdivision 3.

217.1 **ARTICLE 9**

217.2 **DESTINATION MEDICAL CENTER**

217.3 Section 1. Minnesota Statutes 2012, section 297A.71, is amended by adding a  
217.4 subdivision to read:

217.5 Subd. 45. **Construction materials, public infrastructure related to the**  
217.6 **destination medical center.** Materials and supplies used in, and equipment incorporated  
217.7 into, the construction and improvement of publicly owned buildings and infrastructure  
217.8 included in the development plan adopted under section 469.42, and financed with public  
217.9 funds, are exempt.

217.10 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
217.11 June 30, 2015.

217.12 Sec. 2. **[469.40] DEFINITIONS.**

217.13 Subdivision 1. **Application.** For the purposes of section 469.40 to 469.46, the terms  
217.14 defined in this section have the meanings given them.

217.15 Subd. 2. **Authority.** "Authority" means the Destination Medical Center Authority  
217.16 established in section 469.41.

217.17 Subd. 3. **Board.** "Board" means the governing body of the Destination Medical  
217.18 Center Authority.

217.19 Subd. 4. **City.** "City" means the city of Rochester.

217.20 Subd. 5. **County.** "County" means Olmsted County.

217.21 Subd. 6. **Destination medical center development district.** "Destination medical  
217.22 center development district" or "development district" means a geographic area in the  
217.23 city identified in the adopted authority development plan in which public infrastructure  
217.24 projects are implemented.

217.25 Subd. 7. **Development plan.** "Development plan" means the plan adopted by the  
217.26 authority under section 469.46.

217.27 Subd. 8. **Medical business entity.** "Medical business entity" means a medical  
217.28 business entity with its principal place of business in the city that, as of the effective date  
217.29 of this section, together with all business entities of which it is the sole member or sole  
217.30 shareholder, collectively employs more than 30,000 persons in the state.

217.31 Subd. 9. **Public infrastructure project.** (a) "Public infrastructure project" means  
217.32 a project financed in part or whole with public money in order to support the medical  
217.33 business entity's development plans, as identified in the adopted development plan. A  
217.34 project may be to:

- 218.1 (1) acquire real property and other assets associated with the real property;  
 218.2 (2) demolish, repair, or rehabilitate buildings;  
 218.3 (3) remediate land and buildings as required to prepare the property for acquisition  
 218.4 or development;  
 218.5 (4) install, construct, or reconstruct elements of public infrastructure required to  
 218.6 support the overall development of the destination medical center development district,  
 218.7 including, but not limited to, streets, roadways, utilities systems and related facilities,  
 218.8 utility relocations and replacements, network and communication systems, streetscape  
 218.9 improvements, drainage systems, sewer and water systems, subgrade structures and  
 218.10 associated improvements, landscaping, façade construction and restoration, wayfinding  
 218.11 and signage, and other components of community infrastructure;  
 218.12 (5) acquire, construct or reconstruct, and equip parking facilities and other facilities  
 218.13 to encourage intermodal transportation and public transit;  
 218.14 (6) install, construct or reconstruct, furnish, and equip parks, cultural, and  
 218.15 recreational facilities, facilities to promote tourism and hospitality, conferencing and  
 218.16 conventions, broadcast and related multimedia infrastructure;  
 218.17 (7) make related site improvements, including, without limitation, excavation, earth  
 218.18 retention, soil stabilization and correction, site improvements to support the destination  
 218.19 medical center development district;  
 218.20 (8) prepare land for private development and to sell or lease land; and  
 218.21 (9) to construct and equip all or a portion of one or more suitable structures on land  
 218.22 owned by the authority for sale or lease of private development; provided, however, that  
 218.23 the portion of any such structure directly financed as a project cost must not be sold or  
 218.24 leased to a medical business entity.  
 218.25 (b) A public infrastructure project is not a business subsidy under section 116J.993.

218.26 **Sec. 3. [469.41] AUTHORITY ESTABLISHMENT; BOARD MEMBERS;**  
 218.27 **TERMS, VACANCIES, PAY, CONTINUITY.**

218.28 **Subdivision 1. Destination Medical Center Authority; establishment.** The  
 218.29 Destination Medical Center Authority is established. The authority's governing board  
 218.30 shall have eight members, and a quorum of the board consists of at least six members.  
 218.31 Four members are appointed by the governor and confirmed by the senate. One member  
 218.32 shall represent the county and is appointed by the county board of commissioners. Two  
 218.33 members shall represent the city and are appointed by the city council. One member  
 218.34 shall represent the medical business entity and is appointed by the board of directors of  
 218.35 the medical business entity. A member appointed by the governor must not be a resident

219.1 of Rochester. A member must not have a direct or indirect financial interest in the Mayo  
219.2 Clinic, its subsidiaries, or affiliated businesses, the Destination Medical Center, or any  
219.3 projects authorized by or under consideration by the authority, except for the member.  
219.4 This provision does not apply to the member appointed by the medical business entity.

219.5 Subd. 2. **Terms; vacancies.** The initial eight members shall be appointed by the  
219.6 first Monday in January 2014. Except as provided in this subdivision, a member's term is  
219.7 six years. The governor shall make replacement appointments for two of the governor's  
219.8 appointees by the first Monday in January 2017 and every six years thereafter. The city  
219.9 council shall make one replacement appointment and the county board of commissioners  
219.10 shall make its replacement appointment by the first Monday in January 2017 and every  
219.11 six years thereafter. The medical business entity shall make its replacement appointment  
219.12 by the first Monday in January 2020 and every six years thereafter. Each member shall  
219.13 serve until a replacement for the member's seat on the board has been confirmed by the  
219.14 senate in the case of the governor's appointments. When a member resigns or is removed  
219.15 for cause, the governor shall fill the vacancy for the balance of the member's term shall  
219.16 be filled subject to the same confirmation required for an appointment for a full term as  
219.17 provided in subdivision 1.

219.18 Subd. 3. **Chair.** The governor shall appoint a chair from the board's membership,  
219.19 and the chair shall convene the first meeting within two months of senate confirmation of  
219.20 the governor's appointed members.

219.21 Subd. 4. **Pay.** Members must be compensated as provided in section 15.0575,  
219.22 subdivision 3, for each regular or special authority board meeting attended. In addition,  
219.23 the board members may be reimbursed for actual expenses incurred in doing official  
219.24 business of the authority. All money paid for compensation or reimbursement must be  
219.25 paid out of the authority's budget.

219.26 Subd. 5. **Removal for cause.** A member may be removed by the board for  
219.27 inefficiency, neglect of duty, or misconduct in office. A member may be removed only  
219.28 after a hearing of the board. A copy of the charges must be given to the board member at  
219.29 least ten days before the hearing. The board member must be given an opportunity to be  
219.30 heard in person or by counsel at the hearing. When written charges have been submitted  
219.31 against a board member, the board may temporarily suspend the member. If the board finds  
219.32 that those charges have not been substantiated, the board member shall be immediately  
219.33 reinstated. If a board member is removed, a record of the proceedings, together with the  
219.34 charges and findings, shall be filed with the office of the appointing authority.

220.1 Subd. 6. **Sunset.** The authority shall sunset December 31, 2043. When the authority  
220.2 sunsets, all right, title, and interest to all assets held by the authority are transferred or  
220.3 assigned to the city of Rochester.

220.4 Sec. 4. **[469.42] CHARACTERISTICS AND JURISDICTION.**

220.5 Subdivision 1. **Public body characteristics.** The authority is a body politic and  
220.6 corporate and a political subdivision of the state, with the right to sue and be sued in  
220.7 its own name.

220.8 Subd. 2. **Boundaries.** The boundary for activities and the use of the powers of  
220.9 the authority must be within a medical center development district. The authority also  
220.10 has the power to finance activities outside of a medical center development district but  
220.11 within the county, if necessary; provided, however, that the financing of activities outside  
220.12 of a medical center development district but within the county must be included in the  
220.13 development plan and must be approved by, and subject to the planning, zoning, sanitary  
220.14 and building laws, ordinances, regulations, and land use plans applicable to, the city,  
220.15 county, or town in which such activities are undertaken.

220.16 Sec. 5. **[469.43] OFFICERS; DUTIES; ORGANIZATIONAL MATTERS.**

220.17 Subdivision 1. **Bylaws, rules, seal.** The authority may adopt bylaws and rules of  
220.18 procedure and may adopt an official seal.

220.19 Subd. 2. **Officers.** The authority shall annually elect a treasurer. The authority shall  
220.20 appoint a secretary and assistant treasurer. The secretary and assistant treasurer need  
220.21 not, but may, be members of the board.

220.22 Subd. 3. **Duties and powers.** The officers have the usual duties and powers of their  
220.23 offices. They may be given other duties and powers by the authority.

220.24 Subd. 4. **Treasurer's duties.** The treasurer:

220.25 (1) shall receive and is responsible for authority money;

220.26 (2) is responsible for the acts of the assistant treasurer;

220.27 (3) shall disburse authority money by check or electronic procedures;

220.28 (4) shall keep an account of the source of all receipts, and the nature, purpose, and  
220.29 authority of all disbursements; and

220.30 (5) shall file the authority's detailed financial statement with its secretary at least  
220.31 once a year at times set by the authority.

220.32 Subd. 5. **Secretary.** The secretary shall perform duties as required by the board.

220.33 Subd. 6. **Assistant treasurer.** The assistant treasurer has the powers and duties of  
220.34 the treasurer if the treasurer is absent or disabled.

221.1 Subd. 7. **Treasurer's bond.** The treasurer shall give bond to the state conditioned  
 221.2 for the faithful discharge of official duties. The bond must be approved as to form and  
 221.3 surety by the authority and filed with its secretary. The bond must be for twice the amount  
 221.4 of money likely to be on hand at any one time, as determined at least annually by the  
 221.5 authority, except that the bond must not exceed \$300,000.

221.6 Subd. 8. **Public money.** Authority money is public money.

221.7 Subd. 9. **Checks.** An authority check must be signed by the treasurer and by one  
 221.8 other officer named by the authority in a resolution. The check must state the name of the  
 221.9 payee and the nature of the claim for which the check is issued.

221.10 Subd. 10. **Financial statements; filing with state auditor.** The financial statements  
 221.11 of the authority must be prepared, audited, filed, and published or posted in the manner  
 221.12 required for the financial statements of the city. The authority shall employ a certified  
 221.13 public accountant to annually examine and audit its books. The report of the exam and audit  
 221.14 must be filed with the state auditor by June 30 of each year. The state auditor shall review  
 221.15 the report and may accept it or, in the public interest, audit the books of the authority.

221.16 Subd. 11. **Meetings.** Except at otherwise provided in this chapter, the authority is  
 221.17 subject to chapters 13 and 13D.

221.18 **Sec. 6. [469.44] DEPOSITORIES; DEFAULT; COLLATERAL.**

221.19 Subdivision 1. **Named; bond.** Every two years the authority shall name national  
 221.20 or state banks within the state as depositories. Before acting as a depository, a named  
 221.21 bank shall give the authority a bond approved as to form and surety by the authority.  
 221.22 The bond must be conditioned for the safekeeping and prompt repayment of deposits.  
 221.23 The amount of the bond must be at least equal to the maximum sum expected to be on  
 221.24 deposit at any one time.

221.25 Subd. 2. **Default; collateral.** When authority funds are deposited by the treasurer  
 221.26 in a bonded depository, the treasurer and the surety on the treasurer's official bond are  
 221.27 exempt from liability for the loss of the deposits because of the failure, bankruptcy, or any  
 221.28 other act or default of the depository. The authority may accept assignments of collateral  
 221.29 from its depository to secure deposits in the same manner as assignments of collateral are  
 221.30 permitted for a government entity under section 118A.03.

221.31 **Sec. 7. [469.45] TAX LEVIES; CITY OR COUNTY APPROPRIATIONS;**  
 221.32 **OTHER FISCAL MATTERS.**

222.1 Subdivision 1. **Obligations.** The authority must not levy a tax or special assessment,  
222.2 pledge the credit of the state or the state's municipal corporations or other subdivisions, or  
222.3 incur an obligation enforceable on property not owned by the authority.

222.4 Subd. 2. **Budget.** The authority shall annually send its budget to the city, county,  
222.5 governor, and the chair and ranking minority members of the house and senate committees  
222.6 with jurisdiction over taxation.

222.7 Subd. 3. **Fiscal year.** The fiscal year of the authority may be established by the  
222.8 authority.

222.9 Subd. 4. **City or county appropriations; levy.** The city council of the city or the  
222.10 county board of the county may appropriate money for the use of the authority and may  
222.11 levy the amount of its appropriation in its general levy. The levy is a special levy within  
222.12 the meaning of, and as if specifically enumerated in, section 275.70, subdivision 5.

222.13 Subd. 5. **Outside budget laws.** Money appropriated to the authority by the city  
222.14 or county under this section is not subject to a budget law that applies to the city or  
222.15 county, respectively.

222.16 Subd. 6. **City or county payment.** The city or county treasurer shall pay money  
222.17 appropriated by a city or county under subdivision 4 when and in the manner directed by  
222.18 the city council or county board, as applicable.

222.19 Subd. 7. **Local government tax base not reduced.** Nothing in sections 469.41 to  
222.20 469.52 reduces the tax base or affects the taxes due and payable to the city, the county,  
222.21 or any school district within the boundaries of the city, including, without limitation, the  
222.22 city's 0.5 percent local sales tax.

222.23 Sec. 8. **[469.451] COUNTY TAX AUTHORITY.**

222.24 (a) Notwithstanding sections 297A.99, 297A.993, and 477A.016, or any other  
222.25 contrary provision of law, ordinance, or charter, and in addition to any taxes the county  
222.26 may impose under another law or statute, the board of commissioners of Olmsted County  
222.27 may, by resolution, impose a transportation tax of up to one quarter of one percent on  
222.28 retail sales and uses taxable under chapter 297A. The provisions of section 297A.99,  
222.29 subdivisions 4 to 13, govern the imposition, administration, collection, and enforcement  
222.30 of the tax authorized under this paragraph.

222.31 (b) The board of commissioners of Olmsted County may, by resolution, levy an  
222.32 annual wheelage tax of up to \$10 on each motor vehicle kept in the county when not in  
222.33 operation which is subject to annual registration and taxation under chapter 168, for  
222.34 transportation projects within the county. The wheelage tax shall not be imposed on the  
222.35 vehicles exempt from wheelage tax under section 163.051, subdivision 1. The board

223.1 by resolution may provide for collection of the wheelage tax by county officials or it  
 223.2 may request that the tax be collected by the state registrar on behalf of the county. The  
 223.3 provisions of section 163.051, subdivisions 2, 2a, 3, and 7, shall govern the administration,  
 223.4 collection, and enforcement of the tax authorized under this paragraph. The tax authorized  
 223.5 under this section is in addition to any tax the county may be authorized to impose under  
 223.6 section 163.051, but until January 1, 2018, the county tax imposed under this paragraph,  
 223.7 in combination with any tax imposed under section 163.051, must equal the specified  
 223.8 rate under section 163.051.

223.9 (c) The proceeds of the tax imposed under paragraph (a), less refunds and costs of  
 223.10 collection, must be first used by the county to meet its share of obligations for financing  
 223.11 transportation infrastructure related to the public infrastructure projects contained in  
 223.12 the development plan, including any associated financing costs. Revenues collected in  
 223.13 any calendar year in excess of the county obligation to pay for projects contained in the  
 223.14 development plan may be retained by the county and used for funding other transportation  
 223.15 projects, including roads and bridges, airport and transportation improvements.

223.16 (d) Any taxes imposed under paragraph (a), expire December 31, 2046, or at an  
 223.17 earlier time if approved by resolution of the county board of commissioners. However,  
 223.18 the taxes may not terminate before the county board of commissioners determines that  
 223.19 revenues from these taxes and any other revenue source the county dedicates are sufficient  
 223.20 to pay the county share of transit project costs and associated financing costs under the  
 223.21 adopted development plan.

223.22 **Sec. 9. [469.46] DEVELOPMENT PLAN.**

223.23 **Subdivision 1. Development plan; adoption by authority; notice; findings. (a)**  
 223.24 The authority shall prepare and adopt a development plan. The authority must hold a  
 223.25 public hearing before adopting a development plan. At least 60 days before the hearing,  
 223.26 the authority shall make copies of the proposed plan available to the public at the authority  
 223.27 and city offices during normal business hours, on the authority's and city's Web site,  
 223.28 and as otherwise determined appropriate by the authority. At least ten days before the  
 223.29 hearing, the authority shall publish notice of the hearing in a daily newspaper of general  
 223.30 circulation in the city. The development plan may not be adopted unless the authority  
 223.31 finds by resolution that:

223.32 (1) the plan provides an outline for the development of the city as a destination  
 223.33 medical center, and the plan is sufficiently complete, including the identification of planned  
 223.34 and anticipated projects, to indicate its relationship to definite state and local objectives;

224.1 (2) the proposed development affords maximum opportunity, consistent with the  
 224.2 needs of the city, county, and state, for the development of the city by private enterprise  
 224.3 as a destination medical center;

224.4 (3) the proposed development conforms to the general plan for the development of  
 224.5 the city and is consistent with the city comprehensive plan;

224.6 (4) the plan includes:

224.7 (i) strategic planning consistent with a destination medical center in the core areas of  
 224.8 commercial research and technology, learning environment, hospitality and convention,  
 224.9 sports and recreation, livable communities, including mixed-use urban development  
 224.10 and neighborhood residential development, retail/dining/entertainment, and health and  
 224.11 wellness;

224.12 (ii) estimates of short- and long-range fiscal and economic impacts;

224.13 (iii) a framework to identify and prioritize short- and long-term public investment  
 224.14 and public infrastructure project development and to facilitate private investment and  
 224.15 development;

224.16 (iv) land use planning;

224.17 (v) transportation and transit planning;

224.18 (vi) operational planning required to support the medical center development  
 224.19 district; and

224.20 (vii) ongoing market research plans.

224.21 (b) The identification of planned and anticipated projects under paragraph (a), clause  
 224.22 (1), must give priority to projects that will pay wages at least equal to the basic cost of  
 224.23 living wage as calculated by the commissioner of employment and economic development  
 224.24 for the county in which the project is located. The calculation of the basic cost of living  
 224.25 wage shall be done as provided for under Minnesota Statutes, section 116J.013, if enacted  
 224.26 by the 2013 legislature.

224.27 Subd. 2. **Development plan; review by city; finding.** After adoption by the  
 224.28 authority under subdivision 1, the authority shall submit the development plan to the city.  
 224.29 The city shall review the development plan and make its finding regarding consistency  
 224.30 with the adopted comprehensive plan of the city within 60 days of submission of  
 224.31 the adopted development plan. If the city determines, by written resolution, that the  
 224.32 development plan is not consistent with the adopted comprehensive plan of the city, the  
 224.33 resolution shall state the reasons and supporting facts for each determination, and the city  
 224.34 shall transmit the resolution to the authority within seven days of adoption.

224.35 Subd. 3. **Modification of development plan.** The authority may modify the  
 224.36 development plan at any time. The authority must update the development plan not less

225.1 than every five years. A modification or update under this subdivision must be adopted by  
225.2 the authority upon the notice and after the public hearing and findings required for the  
225.3 original adoption of the development plan.

225.4 Subd. 4. **Authority consultant.** (a) The authority shall engage a business entity  
225.5 consultant to provide experience and expertise in developing the destination medical center.  
225.6 The consultant shall assist the authority in preparing the development plan and provide  
225.7 services to assist the authority or city in implementing, consistent with the development  
225.8 plan. The consultant shall work with the city and the medical business entity on the goals,  
225.9 objectives, and strategies in the development plan, including, but not limited to:

225.10 (1) developing and updating the criteria for evaluating and underwriting  
225.11 development proposals;

225.12 (2) implementing the development plan, including soliciting and evaluating  
225.13 proposals for development and evaluating and making recommendations to the authority  
225.14 and the city regarding those proposals;

225.15 (3) providing transactional services in connection with approved projects;

225.16 (4) developing patient, visitor, and community outreach programs for a destination  
225.17 medical center development district;

225.18 (5) working with the authority to acquire and facilitate the sale, lease, or other  
225.19 transactions involving land and real property;

225.20 (6) seeking financial support for the authority, the city, and a project;

225.21 (7) partnering with other development agencies and organizations and the county in  
225.22 joint efforts to promote economic development and establish a destination medical center;

225.23 (8) supporting and administering the planning and development activities required to  
225.24 implement the development plan;

225.25 (9) preparing and supporting the marketing and promotion of the medical center  
225.26 development district;

225.27 (10) preparing and implementing a program for community and public relations in  
225.28 support of the medical center development district;

225.29 (11) assisting the authority or city and others in applications for federal grants, tax  
225.30 credits, and other sources of funding to aid both private and public development; and

225.31 (12) making other general advisory recommendations to the authority and the city,  
225.32 as requested.

225.33 (b) The authority may contract with the consultant to provide administrative services  
225.34 to the authority with regard to the destination medical center plan implementation. The  
225.35 authority may pay for those services out of any revenue sources available to it.

226.1 Subd. 5. **Audit of consultant contracts.** Any contract for services between the  
226.2 authority and a consultant paid, in whole or in part, with public money gives the authority,  
226.3 the city, and the state auditor the right to audit the books and records of the consultant  
226.4 that are necessary to certify (1) the nature and extent of the services furnished pursuant to  
226.5 the contract, and (2) that the payment for services and related disbursements complies  
226.6 with all state laws, regulations, and the terms of the contract. Any contract for services  
226.7 between the authority and the consultant paid, in whole or in part, with public money shall  
226.8 require the authority to maintain for the life of the authority accurate and complete books  
226.9 and records directly relating to the contract.

226.10 Subd. 6. **Report.** By January 15 of each year, the authority and city must submit  
226.11 a report to the chairs and ranking minority members of the legislative committees with  
226.12 jurisdiction over local and state government operations, economic development, and  
226.13 taxes, and to the commissioners of revenue and employment and economic development,  
226.14 and the county. The authority and city must also submit the report as provided in section  
226.15 3.195. The report must include:

226.16 (1) the adopted development plan and any proposed changes to the development plan;

226.17 (2) progress of projects identified in the development plan;

226.18 (3) actual costs and financing sources, including the amount paid with state aid under  
226.19 section 469.46 and required local contributions, of projects completed in the previous two  
226.20 years by the authority, city, the county, and the medical business entity;

226.21 (4) estimated costs and financing sources for projects to be begun in the next two  
226.22 years by the authority, city, the county, and the medical business entity; and

226.23 (5) debt service schedules for all outstanding obligations of the authority and the city  
226.24 for debt issued for projects identified in the plan.

226.25 Subd. 7. **Public infrastructure project; construction requirements.** (a) For any  
226.26 real or personal property acquired, owned, leased, controlled, used, or occupied by the  
226.27 authority for a public infrastructure project, the authority may contract for construction,  
226.28 materials, supplies, and equipment in accordance with Minnesota Statutes, section 471.345,  
226.29 except that the authority may employ or contract with persons, firms, or corporations to  
226.30 perform one or more or all of the functions of an engineer, architect, construction manager,  
226.31 or program manager with respect to all or any part of a project to renovate, refurbish,  
226.32 and remodel the arena under either the traditional separate design and build, integrated  
226.33 design-build, design-bid-build or construction manager at risk, or a combination thereof.

226.34 (b) The authority may prepare a request for proposals for one or more of the  
226.35 functions described in paragraph (a). The request must be published in a newspaper  
226.36 of general circulation. The authority may prequalify offerors by issuing a request for

227.1 qualifications, in advance of the request for proposals, and select a short list of responsible  
 227.2 offerors to submit proposals.

227.3 (c) As provided in the request for proposals, the authority may conduct discussions  
 227.4 and negotiations with responsible offerors in order to determine which proposal is most  
 227.5 advantageous to the goals of the development plan, and to negotiate the terms of an  
 227.6 agreement. In conducting discussions, there shall be no disclosure of any information  
 227.7 derived from proposals submitted by competing offerors and the content of all proposals  
 227.8 is nonpublic data under Minnesota Statutes, chapter 13, until such time as a notice to  
 227.9 award a contract is given by the authority.

227.10 (d) Upon agreement on the guaranteed maximum price, the construction manager  
 227.11 or program manager may enter into contracts with subcontractors for labor, materials,  
 227.12 supplies, and equipment for the renovation project through the process of public bidding,  
 227.13 except that the construction manager or program manager may, with the consent of the  
 227.14 authority:

227.15 (1) narrow the listing of eligible bidders to those that the construction manager  
 227.16 or program manager determines to possess sufficient expertise to perform the intended  
 227.17 functions;

227.18 (2) award contracts to the subcontractors that the construction manager or program  
 227.19 manager determines provide the best value under a request for proposals, as described  
 227.20 in Minnesota Statutes, section 16C.28, subdivision 1, paragraph (a), clause (2), and  
 227.21 paragraph (c), that are not required to be the lowest responsible bidder; and

227.22 (3) for work the construction manager or program manager determines to be  
 227.23 critical to the completion schedule, perform work with its own forces without soliciting  
 227.24 competitive bids or proposals, if the construction manager or program manager provides  
 227.25 evidence of competitive pricing.

227.26 Sec. 10. **[469.47] POWERS AND DUTIES.**

227.27 Subdivision 1. **Powers generally.** The authority has the powers of a city under  
 227.28 chapter 462C and the powers of a redevelopment agency under sections 469.152 to  
 227.29 469.1651, in connection with private development in the city for which the authority  
 227.30 has previously undertaken or concurrently undertakes a project financed in whole or in  
 227.31 part with authority revenue or obligations issued pursuant to section 469.48; provided,  
 227.32 however, the authority shall not enter into any revenue agreement pursuant to section  
 227.33 469.155, subdivision 5, with a medical business entity.

227.34 Subd. 2. **Projects; project costs.** The authority may, within a medical center  
 227.35 development district, undertake public infrastructure projects and finance public

228.1 infrastructure project costs. The authority must find by resolution that the public  
228.2 infrastructure project is consistent with and in furtherance of the approved development  
228.3 plan. Subject to other applicable law, revenue derived by the authority from any source  
228.4 may be used by the authority to make loans or grants, or to provide direct or indirect  
228.5 financial support to state public bodies or to private entities in payment or reimbursement  
228.6 of project costs.

228.7 Subd. 3. **Revenue pooling.** The authority may deposit all its money from any  
228.8 source in one bank account.

228.9 Subd. 4. **Acquire property; exemption for taxes.** (a) The authority may acquire by  
228.10 lease, purchase, gift, or devise the needed right, title, and interest in property to create  
228.11 medical center development districts and undertake projects. The authority may exercise  
228.12 the power of eminent domain to acquire property for a public use, as defined in section  
228.13 117.025. It shall pay for the property out of money it receives under sections 469.41 to  
228.14 469.53. It may hold and dispose of the property subject to the limits and conditions in  
228.15 sections 469.41 to 469.53. The title to property acquired by eminent domain or purchase  
228.16 must be in fee simple, absolute. The authority may accept an interest in property acquired  
228.17 in another way subject to any condition of the grantor or donor. The condition must  
228.18 be consistent with the proper use of the property under sections 469.41 to 469.53. The  
228.19 authority may sign options to purchase, sell, or lease property.

228.20 (b) Property acquired, owned, leased, controlled, used, or occupied by the authority  
228.21 for any of the purposes of this section is for public governmental and municipal purposes  
228.22 and is exempt from taxation by the state or its political subdivisions, except to the extent  
228.23 that the property is subject to the sales and use tax under chapter 297A. The exemption in  
228.24 this paragraph applies only while the authority holds property for its own purpose, and is  
228.25 subject to section 272.02, subdivisions 8 and 39. When the property is sold it becomes  
228.26 subject to taxation.

228.27 Subd. 5. **Subject to city requirements.** All projects are subject to the planning,  
228.28 zoning, sanitary, and building laws, ordinances, regulations, and land use plans applicable  
228.29 to the city.

228.30 Subd. 6. **Sale of property.** The authority may sell, convey, and exchange any real  
228.31 or personal property owned or held by it in any manner and on any terms. Real property  
228.32 owned by the authority must not be sold, conveyed, exchanged, or have its title transferred  
228.33 without approval of two-thirds of the members of the board. All members must have ten  
228.34 days' written notice of a regular or special meeting at which a vote on sale, conveyance,  
228.35 exchange, or transfer of real property is to be taken. The notice must contain a complete

229.1 description of the affected real property. The resolution authorizing the real property  
229.2 transaction is not effective unless a quorum is present.

229.3 Subd. 7. **Contracts.** The authority may make contracts for the purpose of economic  
229.4 development within the powers given it in this subdivision and section 469.46. The  
229.5 authority may contract or arrange with the federal government, or any of its departments,  
229.6 with persons, public corporations, the state, or any of its political subdivisions,  
229.7 commissions, or agencies, for separate or joint action, on any matter related to using  
229.8 the authority's powers or performing its duties. The authority may contract to purchase  
229.9 and sell real and personal property. An obligation or expense must not be incurred  
229.10 by the authority unless existing appropriations together with the reasonably expected  
229.11 revenue of the authority from other sources are sufficient to discharge the obligation or  
229.12 pay the expense when due. The state and its municipal subdivisions are not liable on  
229.13 the obligations of the authority.

229.14 Subd. 8. **Contract for services.** The authority may contract for the services of  
229.15 consultants, agents, public accountants, legal counsel, and other persons needed to perform  
229.16 its duties and exercise its powers. The authority may contract with the city or county to  
229.17 provide administrative, clerical, and accounting services to the authority.

229.18 Subd. 9. **Supplies.** The authority may purchase the supplies and materials it needs  
229.19 to carry out sections 469.41 to 469.52.

229.20 Subd. 10. **City purchasing.** The authority may, by agreement with the city, use the  
229.21 facilities and services of the city's purchasing and public works departments in connection  
229.22 with construction work and to purchase equipment, supplies, or materials.

229.23 Subd. 11. **City facilities, services.** The city may furnish offices, structures and  
229.24 space, and clerical, engineering, or other services or assistance to the authority.

229.25 Subd. 12. **Delegation power.** The authority may delegate to one or more of its  
229.26 agents powers or duties as it deems proper.

229.27 Subd. 13. **Government agent.** The authority may cooperate with or act as agent  
229.28 for the federal or state government, a state public body, or an agency or instrumentality  
229.29 of a government or a public body to carry out sections 469.41 to 469.52 or any other  
229.30 related federal, state, or local law.

229.31 Subd. 14. **Acceptance of public land.** The authority may accept conveyances of  
229.32 land from all other public agencies, commissions, or other units of government, if the land  
229.33 can be properly used by the authority in a medical center development district, to carry  
229.34 out the purposes of this chapter. The city council of the city may transfer or cause to be  
229.35 transferred to the authority any property owned or controlled by the city and located  
229.36 within the jurisdiction of the authority. The transfer must be approved by majority vote

230.1 of the city council and may be with or without consideration. The city may also put the  
230.2 property in the possession or control of the authority by a lease or other agreement for a  
230.3 limited period or in fee.

230.4 Subd. 15. **Loans in anticipation of bonds.** After authorizing bonds under section  
230.5 469.52, the authority may borrow to provide money immediately required for the bond  
230.6 purposes. The loans may not exceed the amount of the bonds. The authority shall by  
230.7 resolution decide the terms of the loans. The loans must be evidenced by negotiable  
230.8 notes due in not more than 12 months from the date of the loan payable to the order of  
230.9 the lender, to be repaid with interest from the proceeds of the bonds when the bonds are  
230.10 issued and delivered to the bond purchasers. The loan must not be obtained from any  
230.11 board member of the authority or from any corporation, association, or other institution of  
230.12 which an authority board member is a stockholder or officer.

230.13 Subd. 16. **No tax increment financing powers.** The authority is not an authority as  
230.14 defined in section 469.174, subdivision 2.

230.15 Sec. 11. **[469.48] REVENUE OBLIGATIONS; PLEDGE; COVENANTS.**

230.16 Subdivision 1. **Powers.** The authority may decide by resolution to issue its revenue  
230.17 bonds, notes, or other obligations either at one time or in series from time to time. The  
230.18 revenue bonds may be issued to provide money to pay public infrastructure project costs.  
230.19 The issued bonds may include the amount the authority considers necessary to establish an  
230.20 initial reserve to pay principal of and interest on the bonds, including capitalized interest,  
230.21 and to pay the costs of issuance. The resolution shall state how the bonds are to be executed.

230.22 Subd. 2. **Form.** The bonds of each series issued by the authority under this section  
230.23 must bear interest at the rate or rates, mature at times not later than 30 years from the date  
230.24 of issuance, and be fully registered bonds in the form determined by the authority. All  
230.25 bonds issued under this section must be negotiable instruments.

230.26 Subd. 3. **Sale.** The sale of revenue bonds issued by the authority may be at public or  
230.27 private sale. The bonds may be sold in the manner and for the amount that the authority  
230.28 determines to be in the best interest of the authority. The bonds may be made callable upon  
230.29 terms as determined by the authority and may be refunded as provided in section 475.67.

230.30 Subd. 4. **Agreements.** The authority may by resolution make an agreement or  
230.31 covenant with the bondholders or their trustee if it determines that the agreement or  
230.32 covenant is needed or desirable to carry out the powers given to the authority under this  
230.33 section and to ensure that the revenue bonds are marketable and promptly paid.

230.34 Subd. 5. **Revenue pledge.** (a) In issuing bonds under this section, the authority may  
230.35 secure payment of the principal and interest on the bonds by:

231.1 (1) a pledge of and lien on authority revenue. The revenue must come from the  
 231.2 facility to be acquired, constructed, or improved with the bond proceeds or from other  
 231.3 facilities named in the bond-authorizing resolutions. The authority also may secure the  
 231.4 payment with its promise to impose, maintain, and collect enough rentals, rates, and  
 231.5 charges, for the use and occupancy of the facilities and for services furnished in connection  
 231.6 with the use and occupancy, to pay its current expenses to operate and maintain the named  
 231.7 facilities, and to produce and deposit sufficient net revenue in a special fund to meet the  
 231.8 interest and principal requirements of the bonds, and to collect and keep any more money  
 231.9 required by the resolutions. The authority shall decide what constitutes "current" expense  
 231.10 under this subdivision based on what is normal and reasonable under generally accepted  
 231.11 accounting principles. Revenues pledged by the authority must not be used or pledged for  
 231.12 any other authority purpose unless the other use or pledge is specifically authorized in the  
 231.13 bond-authorizing resolutions; or

231.14 (2) payments by a medical business entity and a pledge of and lien on other authority  
 231.15 revenue, including revenue received from the city or the county.

231.16 (b) No bonds may be issued by the authority under this subdivision later than  
 231.17 20 years from the date of final enactment of this act, and no bond issued under this  
 231.18 subdivision may have a maturity later than December 31, 2049.

231.19 Subd. 6. **Not city, county, or state debt.** Revenue bonds, notes, or other obligations  
 231.20 issued under this section are not a debt of the city, county, or state, nor a pledge of the full  
 231.21 faith and credit of the city, county, or state. All obligations under this section are payable  
 231.22 only from revenues described in subdivision 5. A revenue bond must contain on its face a  
 231.23 statement to the effect that the authority does not have to pay the bond or the interest on it  
 231.24 except from the revenues pledged thereto and that the faith, credit, and taxing power of the  
 231.25 city, the county, and the state are not pledged to pay the principal of or interest on the bond.

231.26 Sec. 12. **[469.50] CITY TAX AUTHORITY.**

231.27 Subdivision 1. **Rochester, other local taxes authorized.** (a) Notwithstanding  
 231.28 section 477A.016, or any other contrary provision of law, ordinance, or city charter, and  
 231.29 in addition to any taxes the city may impose on these transactions under another statute  
 231.30 or law, the city of Rochester may, by ordinance, impose at a rate determined by the city,  
 231.31 a tax on the admission receipts to entertainment and recreational facilities, as defined  
 231.32 by ordinance, in the city.

231.33 (b) The provisions of section 297A.99, subdivisions 4 to 13, govern the  
 231.34 administration, collection, and enforcement of any tax imposed by the city under  
 231.35 paragraph (a).

232.1 (c) The proceeds of any taxes imposed under this subdivision, less refunds and costs  
232.2 of collection, must be used by the city to fund obligations related to public infrastructure  
232.3 projects contained in the development plan, including any associated financing costs. Any  
232.4 tax imposed under paragraph (a) expires at the earlier of December 31, 2041, or when the  
232.5 city council determines that sufficient funds have been raised from the tax plus all other  
232.6 local funding sources authorized in this article to meet the city obligation for financing a  
232.7 public infrastructure project contained in the development plan, including any associated  
232.8 financing costs.

232.9 Subd. 2. **General sales tax authority.** The city may elect to extend the existing  
232.10 local sales and use tax under section 11 or to impose an additional rate of up to one-quarter  
232.11 of one percent tax on sales and use under section 9.

232.12 Subd. 3. **Special abatement rules.** (a) If the city or the county elects to use tax  
232.13 abatement under sections 469.1812 to 469.1815 to finance costs of public infrastructure  
232.14 projects, the special rules under this subdivision apply.

232.15 (b) The limitations under section 469.1813, subdivision 6, do not apply to the city  
232.16 or the county.

232.17 (c) The limitations under section 469.1813, subdivision 8, do not apply and property  
232.18 taxes abated by the city or the county to finance costs of public infrastructure projects are  
232.19 not included for purposes of applying section 469.1813, subdivision 8, to the use of tax  
232.20 abatement for other purposes of the city or the county; however, the total amount of property  
232.21 taxes abated by the city and the county under this authority must not exceed \$87,750,000.

232.22 Subd. 4. **Special tax increment financing rules.** If the city elects to establish  
232.23 a redevelopment tax increment financing district or districts within the area of the  
232.24 destination medical center development district, the requirements of section 469.174,  
232.25 subdivision 10, restricting the geographic areas that may be designated as a district do not  
232.26 apply and increments from the district are not required to be spent in accordance with the  
232.27 requirements of section 469.176, subdivision 4j.

232.28 **Sec. 13. [469.52] STATE INFRASTRUCTURE AID.**

232.29 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
232.30 have the meanings given them.

232.31 (b) "Commissioner" means the commissioner of employment and economic  
232.32 development.

232.33 (c) "Construction projects" means construction of buildings in the city for which the  
232.34 building permit was issued after June 30, 2013.

233.1 (d) "Expenditures" means expenditures made by a medical business entity, including  
 233.2 any affiliated entities, on construction projects for the capital cost of the project, including  
 233.3 but not limited to:

233.4 (1) design and predesign, including architectural, engineering, and similar services;

233.5 (2) legal, regulatory, and other compliance costs of the project;

233.6 (3) land acquisition, demolition of existing improvements, and other site preparation  
 233.7 costs;

233.8 (4) construction costs including all materials and supplies of the project; and

233.9 (5) equipment and furnishings that are attached to or become part of the real property.

233.10 Expenditures exclude supplies and other items with a useful life of less than a year that  
 233.11 are not used or consumed in constructing improvements to real property or are otherwise  
 233.12 chargeable to capital costs.

233.13 (e) "Qualified expenditures" has the following meaning. In the first year in which  
 233.14 aid is paid under this section "qualified expenditures" mean the total certified expenditures  
 233.15 since June 30, 2013, through the end of the previous calendar year minus \$250,000,000.

233.16 For subsequent years "qualified expenditures" mean the certified expenditures for the  
 233.17 previous calendar year.

233.18 (f) "Transportation costs" means the portions of a public infrastructure project  
 233.19 that are for public transportation intended primarily to serve the district, such as transit  
 233.20 stations, equipment, right-of-way, and similar costs.

233.21 Subd. 2. **Certification of expenditures.** By April 1 of each year, the medical  
 233.22 business entity must certify to the commissioner the amount of expenditures made in the  
 233.23 prior calendar year. The certification must be made in the form that the commissioner  
 233.24 prescribes and include any documentation of and supporting information regarding the  
 233.25 expenditures that the commissioner requires. By August 1 of each year, the commissioner  
 233.26 shall determine the amount of the expenditures for the prior calendar year.

233.27 Subd. 3. **General state infrastructure aid.** (a) General state infrastructure aid may  
 233.28 not be paid out under this section until total expenditures exceed \$250,000,000.

233.29 (b) The amount of the general state infrastructure aid for a fiscal year equals the sum  
 233.30 of qualified expenditures, multiplied by 3.0 percent. If the commissioner determines  
 233.31 that the city has made the required matching local contribution under subdivision 4, the  
 233.32 commissioner shall pay to the authority the amount of general state infrastructure aid for  
 233.33 the year by September 1.

233.34 (c) The commissioner, in consultation with the commissioner of management and  
 233.35 budget and representatives of the city and the corporation, shall establish a total limit on  
 233.36 the amount of state aid payable under this subdivision that is sufficient, in combination

234.1 with the local contribution, to pay for \$455,000,000 of general public infrastructure  
234.2 projects, plus financing costs.

234.3 Subd. 4. **General aid; local matching contribution.** In order to qualify for general  
234.4 state infrastructure aid, the city must enter a written agreement with the commissioner that  
234.5 requires the city to make a qualifying local matching contribution to pay for \$128,000,000  
234.6 of the cost of public infrastructure projects, including associated financing costs, using  
234.7 funds other than state aid received under this section. This agreement must provide for the  
234.8 manner, timing, and amounts of the city contributions, including the city's commitment for  
234.9 each year. The commissioner and city may agree to amend the agreement at any time in  
234.10 light of new information or other appropriate factors. The city may enter arrangements  
234.11 with the county to pay for or otherwise meet the local matching contribution requirement.

234.12 Subd. 5. **State transit aid.** (a) The city qualifies for state transit aid under this  
234.13 section if:

234.14 (1) the county has elected to impose the transit sales tax under section 469.51 for a  
234.15 calendar year; and

234.16 (2) the county contributes the required local matching contribution under subdivision  
234.17 6 or the city or county have agreed to make an equivalent contribution out of other funds.

234.18 (b) The amount of the state transit aid for a fiscal year equals the sum of qualified  
234.19 expenditures, as certified by the commissioner for the prior calendar year, multiplied  
234.20 by 0.75 percent, reduced by the amount of the local contribution under subdivision 6.

234.21 The maximum amount of state transit aid payable in any year is limited to no more than  
234.22 \$7,500,000. If the aid entitlement for the year exceeds the maximum annual limit, the  
234.23 excess is an aid carryover to later years. The carryover aid must be paid in the first year  
234.24 in which the aid entitlement for the current year is less than the maximum annual limit,  
234.25 but only to the extent the carryover, when added to the current year aid, is less than the  
234.26 maximum annual limit.

234.27 (c) The commissioner, in consultation with the commissioner of management and  
234.28 budget and representatives of the city and the corporation, shall establish a total limit on  
234.29 the amount of state aid payable under this subdivision that is sufficient, in combination  
234.30 with the local contribution, to pay for \$116,000,000 of general public infrastructure  
234.31 projects, plus associated financing costs.

234.32 Subd. 6. **Transit aid; local matching contribution.** (a) The required local matching  
234.33 contribution for state transit aid equals the amount that would be raised by a 0.15 percent  
234.34 sales tax imposed by the county in the prior calendar year. The county may impose the  
234.35 sales tax under section 469.51 to meet this obligation.

235.1 (b) If the county elects not to impose the tax authorized under section 469.51, the  
 235.2 county or city or both may agree to make the local contribution out of other available  
 235.3 funds, other than state aid payable under this section. The commissioner of revenue shall  
 235.4 estimate the required amount and certify it to the commissioner, city, and county.

235.5 Subd. 7. **Termination.** No aid may be paid under this section after fiscal year 2046.

235.6 Subd. 8. **Appropriation.** An amount sufficient to pay the state general infrastructure  
 235.7 and state transit aid authorized under this section is appropriated to the commissioner  
 235.8 from the general fund.

235.9 Sec. 14. Laws 1998, chapter 389, article 8, section 43, subdivision 1, is amended to read:

235.10 Subdivision 1. **Sales and use taxes authorized.** (a) Notwithstanding Minnesota  
 235.11 Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city  
 235.12 charter, upon termination of the taxes authorized under Laws 1992, chapter 511, article  
 235.13 8, section 33, subdivision 1, and if approved by the voters of the city at a general or  
 235.14 special election held within one year of the date of final enactment of this act, the city of  
 235.15 Rochester may, by ordinance, impose an additional sales and use tax of up to one-half  
 235.16 of one percent. The provisions of Minnesota Statutes, section ~~297A.48~~, 297A.99 govern  
 235.17 the imposition, administration, collection, and enforcement of the tax authorized under  
 235.18 this ~~subdivision~~ paragraph.

235.19 (b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any  
 235.20 other contrary provision of law, ordinance, or charter, the city of Rochester may, by  
 235.21 ordinance, impose an additional sales and use tax of up to one quarter of one percent. The  
 235.22 provisions of Minnesota Statutes, section 297A.99, subdivisions 1 and 4 to 13, govern  
 235.23 the imposition, administration, collection, and enforcement of the tax authorized under  
 235.24 this paragraph.

235.25 Sec. 15. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by  
 235.26 Laws 2005, First Special Session chapter 3, article 5, section 28, and Laws 2011, First  
 235.27 Special Session chapter 7, article 4, section 5, is amended to read:

235.28 Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized by  
 235.29 subdivisions 1, paragraph (a), and 2 must be used by the city to pay for the cost of  
 235.30 collecting and administering the taxes and to pay for the following projects:

235.31 (1) transportation infrastructure improvements including regional highway and  
 235.32 airport improvements;

235.33 (2) improvements to the civic center complex;

236.1 (3) a municipal water, sewer, and storm sewer project necessary to improve regional  
236.2 ground water quality; and

236.3 (4) construction of a regional recreation and sports center and other higher education  
236.4 facilities available for both community and student use.

236.5 (b) The total amount of capital expenditures or bonds for projects listed in paragraph  
236.6 (a) that may be paid from the revenues raised from the taxes authorized in this section  
236.7 may not exceed \$111,500,000. The total amount of capital expenditures or bonds for the  
236.8 project in clause (4) that may be paid from the revenues raised from the taxes authorized  
236.9 in this section may not exceed \$28,000,000.

236.10 (c) In addition to the projects authorized in paragraph (a) and not subject to the  
236.11 amount stated in paragraph (b), the city of Rochester may, if approved by the voters at an  
236.12 election under subdivision 5, paragraph (c), use the revenues received from the taxes and  
236.13 bonds authorized in this section to pay the costs of or bonds for the following purposes:

236.14 (1) \$17,000,000 for capital expenditures and bonds for the following Olmsted  
236.15 County transportation infrastructure improvements:

236.16 (i) County State Aid Highway 34 reconstruction;

236.17 (ii) Trunk Highway 63 and County State Aid Highway 16 interchange;

236.18 (iii) phase II of the Trunk Highway 52 and County State Aid Highway 22 interchange;

236.19 (iv) widening of County State Aid Highway 22 West Circle Drive; and

236.20 (v) 60th Avenue Northwest corridor preservation;

236.21 (2) \$30,000,000 for city transportation projects including:

236.22 (i) Trunk Highway 52 and 65th Street interchange;

236.23 (ii) NW transportation corridor acquisition;

236.24 (iii) Phase I of the Trunk Highway 52 and County State Aid Highway 22 interchange;

236.25 (iv) Trunk Highway 14 and Trunk Highway 63 intersection;

236.26 (v) Southeast transportation corridor acquisition;

236.27 (vi) Rochester International Airport expansion; and

236.28 (vii) a transit operations center bus facility;

236.29 (3) \$14,000,000 for the University of Minnesota Rochester academic and  
236.30 complementary facilities;

236.31 (4) \$6,500,000 for the Rochester Community and Technical College/Winona State  
236.32 University career technical education and science and math facilities;

236.33 (5) \$6,000,000 for the Rochester Community and Technical College regional  
236.34 recreation facilities at University Center Rochester;

236.35 (6) \$20,000,000 for the Destination Medical Community Initiative;

236.36 (7) \$8,000,000 for the regional public safety and 911 dispatch center facilities;

237.1 (8) \$20,000,000 for a regional recreation/senior center;

237.2 (9) \$10,000,000 for an economic development fund; and

237.3 (10) \$8,000,000 for downtown infrastructure.

237.4 (d) No revenues from the taxes raised from the taxes authorized in subdivisions 1  
237.5 and 2 may be used to fund transportation improvements related to a railroad bypass that  
237.6 would divert traffic from the city of Rochester.

237.7 (e) The city shall use \$5,000,000 of the money allocated to the purpose in paragraph  
237.8 (c), clause (9), for grants to the cities of Byron, Chatfield, Dodge Center, Dover, Elgin,  
237.9 Eyota, Kasson, Mantorville, Oronoco, Pine Island, Plainview, St. Charles, Stewartville,  
237.10 Zumbrota, Spring Valley, West Concord, ~~and Hayfield,~~ Racine, Grand Meadow, Dexter,  
237.11 Wanamingo, and Mazeppa for economic development projects that these communities  
237.12 would fund through their economic development authority or housing and redevelopment  
237.13 authority.

237.14 (f) Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 2 and 3, if  
237.15 the city decides to extend the taxes in subdivisions 1, paragraph (a), and 2, as allowed  
237.16 under subdivision 5, paragraph (c), the city must use any amount in excess of the amount  
237.17 necessary to meet obligations under paragraphs (a) to (c) from those taxes to fund  
237.18 obligations, including associated financing costs, related to public infrastructure projects  
237.19 in the development plan adopted under Minnesota Statutes, section 469.42.

237.20 (g) Revenues from the tax under subdivision 1, paragraph (b), must be used to  
237.21 fund obligations, including associated financing costs, related to the public infrastructure  
237.22 projects contained in the development plan adopted by the city under Minnesota Statutes,  
237.23 section 469.42.

237.24 Sec. 16. Laws 1998, chapter 389, article 8, section 43, subdivision 5, as amended by  
237.25 Laws 2005, First Special Session chapter 3, article 5, section 30, and Laws 2011, First  
237.26 Special Session chapter 7, article 4, section 7, is amended to read:

237.27 Subd. 5. **Termination of taxes.** (a) The taxes imposed under subdivisions 1 and 2  
237.28 expire at the later of (1) December 31, 2009, or (2) when the city council determines that  
237.29 sufficient funds have been received from the taxes to finance the first \$71,500,000 of capital  
237.30 expenditures and bonds for the projects authorized in subdivision 3, including the amount to  
237.31 prepay or retire at maturity the principal, interest, and premium due on any bonds issued for  
237.32 the projects under subdivision 4, unless the taxes are extended as allowed in paragraph (b).  
237.33 Any funds remaining after completion of the project and retirement or redemption of the  
237.34 bonds shall also be used to fund the projects under subdivision 3. The taxes imposed under  
237.35 subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

238.1 (b) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any  
238.2 other contrary provision of law, ordinance, or city charter, the city of Rochester may, by  
238.3 ordinance, extend the taxes authorized in subdivisions 1 and 2 beyond December 31, 2009,  
238.4 if approved by the voters of the city at a special election in 2005 or the general election in  
238.5 2006. The question put to the voters must indicate that an affirmative vote would allow  
238.6 up to an additional \$40,000,000 of sales tax revenues be raised and up to \$40,000,000  
238.7 of bonds to be issued above the amount authorized in the June 23, 1998, referendum for  
238.8 the projects specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are  
238.9 extended under this paragraph, the taxes expire when the city council determines that  
238.10 sufficient funds have been received from the taxes to finance the projects and to prepay  
238.11 or retire at maturity the principal, interest, and premium due on any bonds issued for the  
238.12 projects under subdivision 4. Any funds remaining after completion of the project and  
238.13 retirement or redemption of the bonds may be placed in the general fund of the city.

238.14 (c) Notwithstanding Minnesota Statutes, sections 297A.99 and 477A.016, or any  
238.15 other contrary provision of law, ordinance, or city charter, the city of Rochester may,  
238.16 by ordinance, extend the taxes authorized in subdivisions 1, paragraph (a), and 2 up to  
238.17 December 31, 2046, provided that all additional revenues above those necessary to fund  
238.18 the projects and associated financing costs listed in subdivision 3, paragraphs (a) to (e),  
238.19 are committed to fund public infrastructure projects contained in the development plan  
238.20 adopted under Minnesota Statutes, section 469.42, including all associated financing  
238.21 costs; otherwise the taxes terminate when ~~beyond the date~~ the city council determines  
238.22 that sufficient funds have been received from the taxes to finance \$111,500,000 of the  
238.23 expenditures and bonds for the projects authorized in subdivision 3, ~~paragraph (a)~~  
238.24 ~~paragraphs (a) to (e),~~ plus an amount equal to the costs of issuance of the bonds and  
238.25 including the amount to prepay or retire at maturity the principal, interest, and premiums  
238.26 due on any bonds issued for the projects under subdivision 4, ~~paragraph (a), if approved~~  
238.27 by the voters of the city at the general election in 2012. If the election to authorize the  
238.28 additional \$139,500,000 of bonds plus an amount equal to the costs of the issuance of the  
238.29 bonds is placed on the general election ballot in 2012, the city may continue to collect the  
238.30 taxes authorized in subdivisions 1 and 2 until December 31, 2012. The question put to  
238.31 the voters must indicate that an affirmative vote would allow sales tax revenues be raised  
238.32 for an extended period of time and an additional \$139,500,000 of bonds plus an amount  
238.33 equal to the costs of issuance of the bonds, to be issued above the amount authorized in  
238.34 the previous elections required under paragraphs (a) and (b) for the projects and amounts  
238.35 specified in subdivision 3. If the taxes authorized in subdivisions 1 and 2 are extended  
238.36 under this paragraph, the taxes expire when the city council determines that \$139,500,000

239.1 ~~has been received from the taxes to finance the projects plus an amount sufficient to~~  
 239.2 ~~prepay or retire at maturity the principal, interest, and premium due on any bonds issued~~  
 239.3 ~~for the projects under subdivision 4, including any bonds issued to refund the bonds. Any~~  
 239.4 ~~funds remaining after completion of the projects and retirement or redemption of the~~  
 239.5 ~~bonds may be placed in the general fund of the city.~~

239.6 (d) The tax imposed under subdivision 1, paragraph (b), expires at the earlier of  
 239.7 2046, or when the city council determines that sufficient funds have been raised from the  
 239.8 tax plus all other city funding sources authorized in this article to meet the city obligation  
 239.9 for financing the public infrastructure projects contained in the development plan adopted  
 239.10 under Minnesota Statutes, section 469.42, including all associated financing costs.

239.11 Sec. 17. Laws 2002, chapter 377, article 3, section 25, as amended by Laws 2009,  
 239.12 chapter 88, article 4, section 19, and Laws 2010, chapter 389, article 5, section 3, is  
 239.13 amended to read:

239.14 Sec. 25. **ROCHESTER LODGING TAX.**

239.15 Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section  
 239.16 469.190 or 477A.016, or any other law, the city of Rochester may impose an additional  
 239.17 tax of one percent on the gross receipts from the furnishing for consideration of lodging at  
 239.18 a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it  
 239.19 for a continuous period of 30 days or more.

239.20 Subd. 1a. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or  
 239.21 477A.016, or any other law, and in addition to the tax authorized by subdivision 1, the city  
 239.22 of Rochester may impose an additional tax of one percent on the gross receipts from the  
 239.23 furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court, or  
 239.24 resort, other than the renting or leasing of it for a continuous period of 30 days or more only  
 239.25 upon the approval of the city governing body of a total financial package for the project.

239.26 Subd. 1b. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190 or  
 239.27 477A.016, or any other law, and in addition to the taxes authorized by subdivisions 1 and 1a,  
 239.28 the city of Rochester may impose an additional tax of 3 percent on the gross receipts from  
 239.29 the furnishing for consideration of lodging at a hotel, motel, rooming house, tourist court,  
 239.30 or resort, other than the renting or leasing of it for a continuous period of 30 days or more.

239.31 Subd. 2. **Disposition of proceeds.** (a) The gross proceeds from the tax imposed  
 239.32 under subdivision 1 must be used by the city to fund a local convention or tourism bureau  
 239.33 for the purpose of marketing and promoting the city as a tourist or convention center.

239.34 (b) The gross proceeds from the one percent tax imposed under subdivision 1a  
 239.35 and the three percent tax imposed under subdivision 1b shall be used to pay for (1)

240.1 construction, renovation, improvement, and expansion of the Mayo Civic Center and  
240.2 related skyway access, lighting, parking, or landscaping; and (2) for payment of any  
240.3 principal, interest, or premium on bonds issued to finance the construction, renovation,  
240.4 improvement, and expansion of the Mayo Civic Center Complex.

240.5 Subd. 2a. **Bonds.** The city of Rochester may issue, without an election, general  
240.6 obligation bonds of the city, in one or more series, in the aggregate principal amount  
240.7 not to exceed \$43,500,000, to pay for capital and administrative costs for the design,  
240.8 construction, renovation, improvement, and expansion of the Mayo Civic Center Complex,  
240.9 and related skyway, access, lighting, parking, and landscaping. The city may pledge  
240.10 the lodging tax authorized by subdivision 1a and the food and beverage tax authorized  
240.11 under Laws 2009, chapter 88, article 4, section 23, to the payment of the bonds. The debt  
240.12 represented by the bonds is not included in computing any debt limitations applicable to  
240.13 the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the  
240.14 principal of and interest on the bonds is not subject to any levy limitation or included in  
240.15 computing or applying any levy limitation applicable to the city.

240.16 Subd. 3. **Expiration of taxing authority.** (a) The authority of the city to impose a  
240.17 tax under subdivision 1a shall expire when the principal and interest on any bonds or other  
240.18 obligations issued prior to December 31, 2014, to finance the construction, renovation,  
240.19 improvement, and expansion of the Mayo Civic Center Complex and related skyway  
240.20 access, lighting, parking, or landscaping have been paid, including any bonds issued to  
240.21 refund such bonds, or at an earlier time as the city shall, by ordinance, determine. Any  
240.22 funds remaining after completion of the project and retirement or redemption of the bonds  
240.23 shall be placed in the general fund of the city.

240.24 (b) The authority of the city to impose a tax under subdivision 1b shall expire at the  
240.25 earlier of December 31, 2046, or when the city council determines that sufficient funds  
240.26 have been raised from the tax, plus all other local funding sources authorized in this article  
240.27 to meet the city obligation for financing a public infrastructure project contained in the  
240.28 development plan, including associated financing costs.

240.29 Sec. 18. **EFFECTIVE DATE.**

240.30 Except as otherwise provided, this article is effective the day after the governing  
240.31 body of the city of Rochester and its chief clerical officer timely comply with Minnesota  
240.32 Statutes, section 645.021, subdivisions 2 and 3.

241.1 **ARTICLE 10**241.2 **MINERALS TAX**

241.3 Section 1. Minnesota Statutes 2012, section 126C.48, subdivision 8, is amended to read:

241.4 Subd. 8. **Taconite payment and other reductions.** (1) Reductions in levies  
241.5 pursuant to subdivision 1 must be made prior to the reductions in clause (2).

241.6 (2) Notwithstanding any other law to the contrary, districts that have revenue  
241.7 pursuant to sections 298.018; 298.225; 298.24 to 298.28, except an amount distributed  
241.8 under sections 298.26; 298.28, subdivision 4, paragraphs (c), clause (ii), and (d); 298.34  
241.9 to 298.39; 298.391 to 298.396; 298.405; 477A.15; and any law imposing a tax upon  
241.10 severed mineral values must reduce the levies authorized by this chapter and chapters  
241.11 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by 95 percent of the sum of the  
241.12 previous year's revenue specified under this clause and the amount attributable to the same  
241.13 production year distributed to the cities and townships within the school district under  
241.14 section 298.28, subdivision 2, paragraph (c).

241.15 (3) The amount of any voter approved referendum, facilities down payment, and  
241.16 debt levies shall not be reduced by more than 50 percent under this subdivision. In  
241.17 administering this paragraph, the commissioner shall first reduce the nonvoter approved  
241.18 levies of a district; then, if any payments, severed mineral value tax revenue or recognized  
241.19 revenue under paragraph (2) remains, the commissioner shall reduce any voter approved  
241.20 referendum levies authorized under section 126C.17; then, if any payments, severed  
241.21 mineral value tax revenue or recognized revenue under paragraph (2) remains, the  
241.22 commissioner shall reduce any voter approved facilities down payment levies authorized  
241.23 under section 123B.63 and then, if any payments, severed mineral value tax revenue or  
241.24 recognized revenue under paragraph (2) remains, the commissioner shall reduce any  
241.25 voter approved debt levies.

241.26 (4) Before computing the reduction pursuant to this subdivision of the health and  
241.27 safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, the commissioner  
241.28 shall ascertain from each affected school district the amount it proposes to levy under  
241.29 each section or subdivision. The reduction shall be computed on the basis of the amount  
241.30 so ascertained.

241.31 (5) To the extent the levy reduction calculated under paragraph (2) exceeds the  
241.32 limitation in paragraph (3), an amount equal to the excess must be distributed from the  
241.33 school district's distribution under sections 298.225, 298.28, and 477A.15 in the following  
241.34 year to the cities and townships within the school district in the proportion that their  
241.35 taxable net tax capacity within the school district bears to the taxable net tax capacity of

242.1 the school district for property taxes payable in the year prior to distribution. No city or  
242.2 township shall receive a distribution greater than its levy for taxes payable in the year prior  
242.3 to distribution. The commissioner of revenue shall certify the distributions of cities and  
242.4 towns under this paragraph to the county auditor by September 30 of the year preceding  
242.5 distribution. The county auditor shall reduce the proposed and final levies of cities and  
242.6 towns receiving distributions by the amount of their distribution. Distributions to the cities  
242.7 and towns shall be made at the times provided under section 298.27.

242.8 **EFFECTIVE DATE.** This section is effective for levies certified in 2013 and later.

242.9 Sec. 2. Minnesota Statutes 2012, section 298.17, is amended to read:

242.10 **298.17 OCCUPATION TAXES TO BE APPORTIONED.**

242.11 (a) All occupation taxes paid by persons, copartnerships, companies, joint stock  
242.12 companies, corporations, and associations, however or for whatever purpose organized,  
242.13 engaged in the business of mining or producing iron ore or other ores, when collected  
242.14 shall be apportioned and distributed in accordance with the Constitution of the state of  
242.15 Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited  
242.16 in the state treasury and credited to the general fund of which four-ninths shall be used  
242.17 for the support of elementary and secondary schools; and ten percent of the proceeds of  
242.18 the tax imposed by this section shall be deposited in the state treasury and credited to the  
242.19 general fund for the general support of the university.

242.20 (b) Of the moneys apportioned to the general fund by this section: (1) there is  
242.21 annually appropriated and credited to the mining environmental and regulatory account in  
242.22 the special revenue fund an amount equal to that which would have been generated by a five  
242.23 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar  
242.24 year. Money in the mining environmental and regulatory account is appropriated annually  
242.25 to the commissioner of natural resources to fund agency staff to work on environmental  
242.26 issues and provide regulatory services for ferrous and nonferrous mining operations in this  
242.27 state. Payment to the mining environmental and regulatory account shall be made by July  
242.28 1 annually. The commissioner of natural resources shall execute an interagency agreement  
242.29 with the pollution control agency to assist with the provision of environmental regulatory  
242.30 services such as monitoring and permitting required for ferrous and nonferrous mining  
242.31 operations; and (2) there is annually appropriated and credited to the Iron Range Resources  
242.32 and Rehabilitation Board account in the special revenue fund an amount equal to that which  
242.33 would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton  
242.34 produced in the preceding calendar year, to be expended for the purposes of section 298.22.

243.1 The money appropriated pursuant to ~~this section~~ clause (2) shall be used ~~(1)~~ (i)  
 243.2 to provide environmental development grants to local governments located within any  
 243.3 county in region 3 as defined in governor's executive order number 60, issued on June  
 243.4 12, 1970, which does not contain a municipality qualifying pursuant to section 273.134,  
 243.5 paragraph (b), or ~~(2)~~ (ii) to provide economic development loans or grants to businesses  
 243.6 located within any such county, provided that the county board or an advisory group  
 243.7 appointed by the county board to provide recommendations on economic development  
 243.8 shall make recommendations to the Iron Range Resources and Rehabilitation Board  
 243.9 regarding the loans. Payment to the Iron Range Resources and Rehabilitation Board  
 243.10 account shall be made by May 15 annually.

243.11 (c) Of the money allocated to Koochiching County, one-third must be paid to the  
 243.12 Koochiching County Economic Development Commission.

243.13 **EFFECTIVE DATE.** This section is effective beginning for the 2013 production  
 243.14 year.

243.15 Sec. 3. Minnesota Statutes 2012, section 298.227, as amended by Laws 2013, chapter  
 243.16 3, section 17, is amended to read:

243.17 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

243.18 (a) An amount equal to that distributed pursuant to each taconite producer's taxable  
 243.19 production and qualifying sales under section 298.28, subdivision 9a, shall be held by  
 243.20 the Iron Range Resources and Rehabilitation Board in a separate taconite economic  
 243.21 development fund for each taconite and direct reduced ore producer. Money from the  
 243.22 fund for each producer shall be released by the commissioner after review by a joint  
 243.23 committee consisting of an equal number of representatives of the salaried employees and  
 243.24 the nonsalaried production and maintenance employees of that producer. The District 11  
 243.25 director of the United States Steelworkers of America, on advice of each local employee  
 243.26 president, shall select the employee members. In nonorganized operations, the employee  
 243.27 committee shall be elected by the nonsalaried production and maintenance employees. The  
 243.28 review must be completed no later than six months after the producer presents a proposal  
 243.29 for expenditure of the funds to the committee. The funds held pursuant to this section may  
 243.30 be released only for workforce development and associated public facility improvement,  
 243.31 or for acquisition of plant and stationary mining equipment and facilities for the producer  
 243.32 or for research and development in Minnesota on new mining, or taconite, iron, or steel  
 243.33 production technology, but only if the producer provides a matching expenditure to be used  
 243.34 for the same purpose of at least 50 percent equal to the amount of the distribution ~~based on~~

244.1 ~~14.7 cents per ton~~ beginning with distributions in ~~2002~~ 2013. Effective for proposals for  
244.2 expenditures of money from the fund beginning May 26, 2007, the commissioner may not  
244.3 release the funds before the next scheduled meeting of the board. If a proposed expenditure  
244.4 is not approved by the board, the funds must be deposited in the Taconite Environmental  
244.5 Protection Fund under sections 298.222 to 298.225. If a producer uses money which has  
244.6 been released from the fund prior to May 26, 2007 to procure haulage trucks, mobile  
244.7 equipment, or mining shovels, and the producer removes the piece of equipment from the  
244.8 taconite tax relief area defined in section 273.134 within ten years from the date of receipt  
244.9 of the money from the fund, a portion of the money granted from the fund must be repaid  
244.10 to the taconite economic development fund. The portion of the money to be repaid is 100  
244.11 percent of the grant if the equipment is removed from the taconite tax relief area within 12  
244.12 months after receipt of the money from the fund, declining by ten percent for each of the  
244.13 subsequent nine years during which the equipment remains within the taconite tax relief  
244.14 area. If a taconite production facility is sold after operations at the facility had ceased, any  
244.15 money remaining in the fund for the former producer may be released to the purchaser of  
244.16 the facility on the terms otherwise applicable to the former producer under this section. If  
244.17 a producer fails to provide matching funds for a proposed expenditure within six months  
244.18 after the commissioner approves release of the funds, the funds are available for release to  
244.19 another producer in proportion to the distribution provided and under the conditions of  
244.20 this section. Any portion of the fund which is not released by the commissioner within  
244.21 one year of its deposit in the fund shall be divided between the taconite environmental  
244.22 protection fund created in section 298.223 and the Douglas J. Johnson economic protection  
244.23 trust fund created in section 298.292 for placement in their respective special accounts.  
244.24 Two-thirds of the unreleased funds shall be distributed to the taconite environmental  
244.25 protection fund and one-third to the Douglas J. Johnson economic protection trust fund.  
244.26 (b)(i) Notwithstanding the requirements of paragraph (a), setting the amount of  
244.27 distributions and the review process, an amount equal to ten cents per taxable ton of  
244.28 production in 2007, for distribution in 2008 only, that would otherwise be distributed  
244.29 under paragraph (a), may be used for a loan or grant for the cost of providing for a  
244.30 value-added wood product facility located in the taconite tax relief area and in a county  
244.31 that contains a city of the first class. This amount must be deducted from the distribution  
244.32 under paragraph (a) for which a matching expenditure by the producer is not required. The  
244.33 granting of the loan or grant is subject to approval by the board. If the money is provided  
244.34 as a loan, interest must be payable on the loan at the rate prescribed in section 298.2213,  
244.35 subdivision 3. (ii) Repayments of the loan and interest, if any, must be deposited in the  
244.36 taconite environment protection fund under sections 298.222 to 298.225. If a loan or

245.1 grant is not made under this paragraph by July 1, 2012, the amount that had been made  
 245.2 available for the loan under this paragraph must be transferred to the taconite environment  
 245.3 protection fund under sections 298.222 to 298.225. (iii) Money distributed in 2008 to the  
 245.4 fund established under this section that exceeds ten cents per ton is available to qualifying  
 245.5 producers under paragraph (a) on a pro rata basis.

245.6 (c) Repayment or transfer of money to the taconite environmental protection fund  
 245.7 under paragraph (b), item (ii), must be allocated by the Iron Range Resources and  
 245.8 Rehabilitation Board for public works projects in house legislative districts in the same  
 245.9 proportion as taxable tonnage of production in 2007 in each house legislative district, for  
 245.10 distribution in 2008, bears to total taxable tonnage of production in 2007, for distribution  
 245.11 in 2008. Notwithstanding any other law to the contrary, expenditures under this paragraph  
 245.12 do not require approval by the governor. For purposes of this paragraph, "house legislative  
 245.13 districts" means the legislative districts in existence on May 15, 2009.

245.14 **EFFECTIVE DATE.** This section is effective beginning for the 2013 distribution.

245.15 Sec. 4. Minnesota Statutes 2012, section 298.24, subdivision 1, is amended to read:

245.16 Subdivision 1. **Imposed; calculation.** (a) For concentrate produced in ~~2001, 2002,~~  
 245.17 ~~and 2003~~ 2013, there is imposed upon taconite and iron sulphides, and upon the mining  
 245.18 and quarrying thereof, and upon the production of iron ore concentrate therefrom, and  
 245.19 upon the concentrate so produced, a tax of ~~\$2.103~~ \$2.56 per gross ton of merchantable  
 245.20 iron ore concentrate produced therefrom. ~~For concentrates produced in 2005, the tax rate~~  
 245.21 ~~is the same rate imposed for concentrates produced in 2004. For concentrates produced in~~  
 245.22 ~~2009 and subsequent years,~~ The tax is also imposed upon other iron-bearing material.

245.23 (b) For concentrates produced in ~~2006~~ 2014 and subsequent years, the tax rate shall  
 245.24 be equal to the preceding year's tax rate plus an amount equal to the preceding year's tax  
 245.25 rate multiplied by the percentage increase in the implicit price deflator from the fourth  
 245.26 quarter of the second preceding year to the fourth quarter of the preceding year. "Implicit  
 245.27 price deflator" means the implicit price deflator for the gross domestic product prepared by  
 245.28 the Bureau of Economic Analysis of the United States Department of Commerce.

245.29 (c) An additional tax is imposed equal to three cents per gross ton of merchantable  
 245.30 iron ore concentrate for each one percent that the iron content of the product exceeds 72  
 245.31 percent, when dried at 212 degrees Fahrenheit.

245.32 (d) The tax on taconite and iron sulphides shall be imposed on the average of the  
 245.33 production for the current year and the previous two years. The rate of the tax imposed  
 245.34 will be the current year's tax rate. This clause shall not apply in the case of the closing  
 245.35 of a taconite facility if the property taxes on the facility would be higher if this clause

246.1 and section 298.25 were not applicable. The tax on other iron-bearing material shall be  
246.2 imposed on the current year production.

246.3 (e) If the tax or any part of the tax imposed by this subdivision is held to be  
246.4 unconstitutional, a tax of \$2.103 per gross ton of merchantable iron ore concentrate  
246.5 produced shall be imposed.

246.6 (f) Consistent with the intent of this subdivision to impose a tax based upon the  
246.7 weight of merchantable iron ore concentrate, the commissioner of revenue may indirectly  
246.8 determine the weight of merchantable iron ore concentrate included in fluxed pellets by  
246.9 subtracting the weight of the limestone, dolomite, or olivine derivatives or other basic  
246.10 flux additives included in the pellets from the weight of the pellets. For purposes of this  
246.11 paragraph, "fluxed pellets" are pellets produced in a process in which limestone, dolomite,  
246.12 olivine, or other basic flux additives are combined with merchantable iron ore concentrate.  
246.13 No subtraction from the weight of the pellets shall be allowed for binders, mineral and  
246.14 chemical additives other than basic flux additives, or moisture.

246.15 (g)(1) Notwithstanding any other provision of this subdivision, for the first two years  
246.16 of a plant's commercial production of direct reduced ore from ore mined in this state, no  
246.17 tax is imposed under this section. As used in this paragraph, "commercial production" is  
246.18 production of more than 50,000 tons of direct reduced ore in the current year or in any prior  
246.19 year, "noncommercial production" is production of 50,000 tons or less of direct reduced ore  
246.20 in any year, and "direct reduced ore" is ore that results in a product that has an iron content  
246.21 of at least 75 percent. For the third year of a plant's commercial production of direct  
246.22 reduced ore, the rate to be applied to direct reduced ore is 25 percent of the rate otherwise  
246.23 determined under this subdivision. For the fourth commercial production year, the rate is  
246.24 50 percent of the rate otherwise determined under this subdivision; for the fifth commercial  
246.25 production year, the rate is 75 percent of the rate otherwise determined under this  
246.26 subdivision; and for all subsequent commercial production years, the full rate is imposed.

246.27 (2) Subject to clause (1), production of direct reduced ore in this state is subject to  
246.28 the tax imposed by this section, but if that production is not produced by a producer of  
246.29 taconite, iron sulfides, or other iron-bearing material, the production of taconite, iron  
246.30 sulfides, or other iron-bearing material, that is consumed in the production of direct  
246.31 reduced iron in this state is not subject to the tax imposed by this section on taconite,  
246.32 iron sulfides, or other iron-bearing material.

246.33 (3) Notwithstanding any other provision of this subdivision, no tax is imposed  
246.34 on direct reduced ore under this section during the facility's noncommercial production  
246.35 of direct reduced ore. The taconite or iron sulphides consumed in the noncommercial  
246.36 production of direct reduced ore is subject to the tax imposed by this section on taconite

247.1 and iron sulphides. Three-year average production of direct reduced ore does not  
247.2 include production of direct reduced ore in any noncommercial year. Three-year average  
247.3 production for a direct reduced ore facility that has noncommercial production is the  
247.4 average of the commercial production of direct reduced ore for the current year and the  
247.5 previous two commercial years.

247.6 (4) This paragraph applies only to plants for which all environmental permits have  
247.7 been obtained and construction has begun before July 1, 2008.

247.8 **EFFECTIVE DATE.** This section is effective beginning for the 2013 production  
247.9 year.

247.10 Sec. 5. Minnesota Statutes 2012, section 298.28, subdivision 4, is amended to read:

247.11 Subd. 4. **School districts.** (a) ~~23.15~~ 32.15 cents per taxable ton, plus the increase  
247.12 provided in paragraph (d), less the amount that would have been computed under  
247.13 Minnesota Statutes 2008, section 126C.21, subdivision 4, for the current year for that  
247.14 district, must be allocated to qualifying school districts to be distributed, based upon the  
247.15 certification of the commissioner of revenue, under paragraphs (b), (c), and (f).

247.16 (b)(i) 3.43 cents per taxable ton must be distributed to the school districts in which  
247.17 the lands from which taconite was mined or quarried were located or within which the  
247.18 concentrate was produced. The distribution must be based on the apportionment formula  
247.19 prescribed in subdivision 2.

247.20 (ii) Four cents per taxable ton from each taconite facility must be distributed to  
247.21 each affected school district for deposit in a fund dedicated to building maintenance  
247.22 and repairs, as follows:

247.23 (1) proceeds from Keewatin Taconite or its successor are distributed to Independent  
247.24 School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor  
247.25 districts;

247.26 (2) proceeds from the Hibbing Taconite Company or its successor are distributed to  
247.27 Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor  
247.28 districts;

247.29 (3) proceeds from the Mittal Steel Company and Minntac or their successors are  
247.30 distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia,  
247.31 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

247.32 (4) proceeds from the Northshore Mining Company or its successor are distributed  
247.33 to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior,  
247.34 or their successor districts; and

248.1 (5) proceeds from United Taconite or its successor are distributed to Independent  
248.2 School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their  
248.3 successor districts.

248.4 Revenues that are required to be distributed to more than one district shall be  
248.5 apportioned according to the number of pupil units identified in section 126C.05,  
248.6 subdivision 1, enrolled in the second previous year.

248.7 (c)(i) ~~15.72~~ 24.72 cents per taxable ton, less any amount distributed under paragraph  
248.8 (e), shall be distributed to a group of school districts comprised of those school districts  
248.9 which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is  
248.10 a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion  
248.11 to school district indexes as follows: for each school district, its pupil units determined  
248.12 under section 126C.05 for the prior school year shall be multiplied by the ratio of the  
248.13 average adjusted net tax capacity per pupil unit for school districts receiving aid under  
248.14 this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year  
248.15 ending prior to distribution to the adjusted net tax capacity per pupil unit of the district.  
248.16 Each district shall receive that portion of the distribution which its index bears to the sum  
248.17 of the indices for all school districts that receive the distributions.

248.18 (ii) Notwithstanding clause (i), each school district that receives a distribution  
248.19 under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this  
248.20 clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on  
248.21 severed mineral values after reduction for any portion distributed to cities and towns  
248.22 under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its  
248.23 levy reduction under section 126C.48, subdivision 8, for the second year prior to the  
248.24 year of the distribution shall receive a distribution equal to the difference; the amount  
248.25 necessary to make this payment shall be derived from proportionate reductions in the  
248.26 initial distribution to other school districts under clause (i). If there are insufficient tax  
248.27 proceeds to make the distribution provided under this paragraph in any year, money must  
248.28 be transferred from the taconite property tax relief account in subdivision 6, to the extent  
248.29 of the shortfall in the distribution.

248.30 (d)(1) Any school district described in paragraph (c) where a levy increase pursuant  
248.31 to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in  
248.32 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175  
248.33 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second  
248.34 previous year or the 1983-1984 school year, whichever is greater, less the product of 1.8  
248.35 percent times the district's taxable net tax capacity in ~~the second previous year~~ 2011.

249.1 (2) Districts receiving revenue under clause (d)(1) must also receive 21.5 percent  
 249.2 of the sum of \$415 plus the referendum allowance on the payable 2012 levy limitation,  
 249.3 multiplied by the district's weight average daily membership in school year 2011-2012,  
 249.4 less the product of 1.8 percent of the districts taxable net tax capacity in 2011.

249.5 If the total amount provided by paragraph (d) is insufficient to make the payments  
 249.6 herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly  
 249.7 so as not to exceed the funds available. Any amounts received by a qualifying school  
 249.8 district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general  
 249.9 education aid which the district receives pursuant to section 126C.13 or the permissible  
 249.10 levies of the district. Any amount remaining after the payments provided in this paragraph  
 249.11 shall be paid to the commissioner of Iron Range resources and rehabilitation who shall  
 249.12 deposit the same in the taconite environmental protection fund and the Douglas J. Johnson  
 249.13 economic protection trust fund as provided in subdivision 11.

249.14 Each district receiving money according to this paragraph shall reserve the lesser of  
 249.15 the amount received under this paragraph or \$25 times the number of pupil units served  
 249.16 in the district. It may use the money for early childhood programs ~~or for outcome-based~~  
 249.17 ~~learning programs that enhance the academic quality of the district's curriculum. The~~  
 249.18 ~~outcome-based learning programs must be approved by the commissioner of education.~~

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

249.21 (f) Four cents per taxable ton must be distributed to qualifying school districts  
 249.22 according to the distribution specified in paragraph (b), clause (ii), and ~~two~~ eleven cents  
 249.23 per taxable ton must be distributed according to the distribution specified in paragraph  
 249.24 (c). These amounts are not subject to sections 126C.21, subdivision 4, and 126C.48,  
 249.25 subdivision 8.

249.26 **EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

249.27 Sec. 6. Minnesota Statutes 2012, section 298.28, subdivision 6, is amended to read:

249.28 Subd. 6. **Property tax relief.** (a) In ~~2002~~ 2014 and thereafter, ~~33.9~~ 34.8 cents per  
 249.29 taxable ton, less any amount required to be distributed under paragraphs (b) and (c), or  
 249.30 section 298.2961, subdivision 5, must be allocated to St. Louis County acting as the  
 249.31 counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

249.32 (b) If an electric power plant owned by and providing the primary source of power  
 249.33 for a taxpayer mining and concentrating taconite is located in a county other than the  
 249.34 county in which the mining and the concentrating processes are conducted, .1875 cent per  
 249.35 taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

250.1 (c) If an electric power plant owned by and providing the primary source of power  
 250.2 for a taxpayer mining and concentrating taconite is located in a school district other than  
 250.3 a school district in which the mining and concentrating processes are conducted, .4541  
 250.4 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to  
 250.5 the school district.

250.6 **EFFECTIVE DATE.** This section is effective beginning for the 2014 distribution.

250.7 **Sec. 7. 2013 DISTRIBUTION ONLY.**

250.8 For the 2013 distribution, a special fund is established to receive 32 cents per ton of  
 250.9 any excess of the balance remaining after distribution of amounts required under Minnesota  
 250.10 Statutes, section 298.28, subdivision 6. The following amounts are allocated to St. Louis  
 250.11 County acting as the fiscal agent for the recipients for the following specific purposes:

250.12 (1) 5.1 cents per ton to the city of Hibbing for improvements to the city's water  
 250.13 supply system;

250.14 (2) 4.3 cents per ton to the city of Mountain Iron for the cost of moving utilities  
 250.15 required as a result of actions undertaken by United States Steel Corporation;

250.16 (3) 2.5 cents per ton to the city of Biwabik for improvements to the city's water supply  
 250.17 system, payable upon agreement with ArcelorMittal to satisfy water permit conditions;

250.18 (4) 2.5 cents per ton to the city of Tower for the Tower Marina;

250.19 (5) 2.5 cents per ton to the city of Grand Rapids for an eco-friendly heat transfer  
 250.20 system to replace aging effluent lines and for parking lot repaving;

250.21 (6) 2.4 cents per ton to the city of Two Harbors for wastewater treatment plant  
 250.22 improvements;

250.23 (7) 0.9 cents per ton to the city of Ely for the sanitary sewer replacement project;

250.24 (8) 0.6 cents per ton to the town of Crystal Bay for debt service of the Claire Nelson  
 250.25 Intermodal Transportation Center;

250.26 (9) 0.5 cents per ton to the Greenway Joint Recreation Board for the Coleraine  
 250.27 hockey arena renovations;

250.28 (10) 1.2 cents per ton for the West Range Regional Fire Hall and Training Center  
 250.29 to merge the existing fire services of Coleraine, Bovey, Taconite Marble, Calumet, and  
 250.30 Greenway Township;

250.31 (11) 2.5 cents per ton to the city of Hibbing for the Memorial Building;

250.32 (12) 0.7 cents per ton to the city of Chisholm for Center Drive;

250.33 (13) 2.1 cents per ton to the Crane Lake Water and Sanitary District for sanitary  
 250.34 sewer extension and must be matched;

250.35 (14) 2.5 cents per ton for the city of Buhl for the roof on the Mesabi Academy;

- 251.1 (15) 1.2 cents per ton to the city of Gilbert for the New Jersey/Ohio Avenue project;  
 251.2 (16) 1.5 cents per ton to the city of Cook for street improvements, business park  
 251.3 infrastructure, and a maintenance garage;  
 251.4 (17) 0.5 cents per ton to the city of Cook for a water line project; and  
 251.5 (18) 0.2 cents per ton to the city of Eveleth to be used for the support of the Hockey  
 251.6 Hall of Fame, provided that it continues to operate in that city.

251.7 **EFFECTIVE DATE.** This section is effective for the 2013 distribution, and all  
 251.8 payments must be made separately and within ten days of the date of the August 2013  
 251.9 payment.

251.10 Sec. 8. **IRON RANGE RESOURCES AND REHABILITATION**  
 251.11 **COMMISSIONER; BONDS AUTHORIZED.**

251.12 Subdivision 1. **Issuance; purpose.** Notwithstanding any provision of Minnesota  
 251.13 Statutes, chapter 298, to the contrary, the commissioner of Iron Range resources and  
 251.14 rehabilitation may issue revenue bonds in a principal amount of \$38,000,000 in one  
 251.15 or more series, and bonds to refund those bonds. The proceeds of the bonds must be  
 251.16 used to make grants to school districts located in the taconite tax relief area defined in  
 251.17 Minnesota Statutes, section 273.134, or the taconite assistance area defined in Minnesota  
 251.18 Statutes, section 273.1341, to be used by the school districts to pay for building projects,  
 251.19 such as energy efficiency, technology, infrastructure, health, safety, and maintenance  
 251.20 improvements. Proceeds granted to School District No. 2142 must be used to reduce debt  
 251.21 service on the building bond passed on December 8, 2009.

251.22 Subd. 2. **Appropriation.** (a) There is annually appropriated from the distribution of  
 251.23 taconite production tax revenues under Minnesota Statutes, section 298.28, prior to the  
 251.24 calculation of the amount of the remainder under Minnesota Statutes, section 298.28,  
 251.25 subdivision 11, an amount sufficient to pay when due the principal and interest on the  
 251.26 bonds issued pursuant to subdivision 1. The appropriation under this section must not  
 251.27 exceed an amount equal to ten cents per taxable ton.

251.28 (b) If in any year the amount available under paragraph (a) is insufficient to pay  
 251.29 principal and interest due on the bonds in that year, an additional amount is appropriated  
 251.30 from the Douglas J. Johnson fund to make up the deficiency.

251.31 (c) The appropriation under this subdivision terminates upon payment or maturity of  
 251.32 the last of the bonds issued under this section.

251.33 Subd. 3. **Credit enhancement.** The bonds issued under this section are "debt  
 251.34 obligations" and the commissioner of Iron Range resources and rehabilitation is a "district"  
 251.35 for purposes of Minnesota Statutes, section 126C.55, provided that advances made under

252.1 Minnesota Statutes, section 126C.55, subdivision 2, are not subject to Minnesota Statutes,  
 252.2 section 126C.55, subdivisions 4 to 7.

252.3 **EFFECTIVE DATE.** This section is effective the day following final enactment and  
 252.4 applies beginning with the 2014 distribution under Minnesota Statutes, section 298.28.

252.5 **Sec. 9. IRON RANGE FISCAL DISPARITIES STUDY.**

252.6 The commissioner of revenue, in coordination with the commissioner of the Iron  
 252.7 Range Resources and Rehabilitation Board, shall conduct a study of the tax relief  
 252.8 area revenue distribution program contained in Minnesota Statutes, chapter 276A,  
 252.9 commonly known as the Iron Range fiscal disparities program. By February 1, 2014, the  
 252.10 commissioner of revenue shall submit a report to the chairs and ranking minority members  
 252.11 of the house of representatives and senate tax committees consisting of the findings of the  
 252.12 study and identification of issues for policy makers to consider. The study must analyze:

252.13 (1) trends in population, property tax base, property tax rates, and contribution  
 252.14 and distribution capacity across the region;

252.15 (2) the volatility of the program's distribution and causes of the volatility;

252.16 (3) the impact of state tax policy changes on the fiscal disparities program; and

252.17 (4) the interaction between the program and the distribution of property tax aids and  
 252.18 credits, taconite aid, and Iron Range Resources and Rehabilitation Board funding across  
 252.19 the region.

252.20 **EFFECTIVE DATE.** This section is effective June 1, 2013.

252.21 **ARTICLE 11**

252.22 **PUBLIC FINANCE**

252.23 Section 1. Minnesota Statutes 2012, section 118A.04, subdivision 3, is amended to read:

252.24 Subd. 3. **State and local securities.** Funds may be invested in the following:

252.25 (1) any security which is a general obligation of any state or local government with  
 252.26 taxing powers which is rated "A" or better by a national bond rating service;

252.27 (2) any security which is a revenue obligation of any state or local government ~~with~~  
 252.28 ~~taxing powers~~ which is rated "AA" or better by a national bond rating service; ~~and~~

252.29 (3) a general obligation of the Minnesota housing finance agency which is a moral  
 252.30 obligation of the state of Minnesota and is rated "A" or better by a national bond rating  
 252.31 agency; and

253.1 (4) any security which is an obligation of a school district with an original maturity  
253.2 not exceeding 13 months and (i) rated in the highest category by a national bond rating  
253.3 service or (ii) enrolled in the credit enhancement program pursuant to section 126C.55.

253.4 Sec. 2. Minnesota Statutes 2012, section 118A.05, subdivision 5, is amended to read:

253.5 Subd. 5. **Guaranteed investment contracts.** Agreements or contracts for  
253.6 guaranteed investment contracts may be entered into if they are issued or guaranteed  
253.7 by United States commercial banks, domestic branches of foreign banks, United States  
253.8 insurance companies, or their Canadian subsidiaries, or the domestic affiliates of any  
253.9 of the foregoing. The credit quality of the issuer's or guarantor's short- and long-term  
253.10 unsecured debt must be rated in one of the two highest categories by a nationally  
253.11 recognized rating agency. Agreements or contracts for guaranteed investment contracts  
253.12 with a term of 18 months or less may be entered into regardless of the credit quality of  
253.13 the issuer's or guarantor's long-term unsecured debt, provided that the credit quality of  
253.14 the issuer's short-term unsecured debt is rated in the highest category by a nationally  
253.15 recognized rating agency. Should the issuer's or guarantor's credit quality be downgraded  
253.16 below "A", the government entity must have withdrawal rights.

253.17 Sec. 3. Minnesota Statutes 2012, section 373.40, subdivision 1, is amended to read:

253.18 Subdivision 1. **Definitions.** For purposes of this section, the following terms have  
253.19 the meanings given.

253.20 (a) "Bonds" means an obligation as defined under section 475.51.

253.21 (b) "Capital improvement" means acquisition or betterment of public lands,  
253.22 buildings, or other improvements within the county for the purpose of a county courthouse,  
253.23 administrative building, health or social service facility, correctional facility, jail, law  
253.24 enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads  
253.25 and bridges, public works facilities, fairground buildings, and records and data storage  
253.26 facilities, and the acquisition of development rights in the form of conservation easements  
253.27 under chapter 84C. An improvement must have an expected useful life of five years or more  
253.28 to qualify. "Capital improvement" does not include a recreation or sports facility building  
253.29 (such as, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming  
253.30 pool, exercise room or health spa), unless the building is part of an outdoor park facility  
253.31 and is incidental to the primary purpose of outdoor recreation. For purposes of this section,  
253.32 "capital improvement" includes expenditures for purposes described in this paragraph that  
253.33 have been incurred by a county before approval of a capital improvement plan, if such

254.1 expenditures are included in a capital improvement plan approved on or before the date of  
 254.2 the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

254.3 (c) "Metropolitan county" means a county located in the seven-county metropolitan  
 254.4 area as defined in section 473.121 or a county with a population of 90,000 or more.

254.5 (d) "Population" means the population established by the most recent of the  
 254.6 following (determined as of the date the resolution authorizing the bonds was adopted):

254.7 (1) the federal decennial census,

254.8 (2) a special census conducted under contract by the United States Bureau of the  
 254.9 Census, or

254.10 (3) a population estimate made either by the Metropolitan Council or by the state  
 254.11 demographer under section 4A.02.

254.12 (e) "Qualified indoor ice arena" means a facility that meets the requirements of  
 254.13 section 373.43.

254.14 (f) "Tax capacity" means total taxable market value, but does not include captured  
 254.15 market value.

254.16 Sec. 4. Minnesota Statutes 2012, section 373.40, subdivision 2, is amended to read:

254.17 Subd. 2. **Application of election requirement.** (a) Bonds issued by a county  
 254.18 to finance capital improvements under an approved capital improvement plan are not  
 254.19 subject to the election requirements of section 375.18 or 475.58. The bonds must be  
 254.20 approved by vote of at least three-fifths of the members of the county board. In the case  
 254.21 of a metropolitan county, the bonds must be approved by vote of at least two-thirds of  
 254.22 the members of the county board.

254.23 (b) Before issuance of bonds qualifying under this section, the county must publish  
 254.24 a notice of its intention to issue the bonds and the date and time of a hearing to obtain  
 254.25 public comment on the matter. The notice must be published in the official newspaper  
 254.26 of the county or in a newspaper of general circulation in the county. The notice must be  
 254.27 published at least 14, but not more than 28, days before the date of the hearing.

254.28 (c) A county may issue the bonds only upon obtaining the approval of a majority of  
 254.29 the voters voting on the question of issuing the obligations, if a petition requesting a vote  
 254.30 on the issuance is signed by voters equal to five percent of the votes cast in the county in  
 254.31 the last county general election and is filed with the county auditor within 30 days after  
 254.32 the public hearing. ~~The commissioner of revenue shall prepare a suggested form of the~~  
 254.33 ~~question to be presented at the election.~~ If the county elects not to submit the question to  
 254.34 the voters, the county shall not propose the issuance of bonds under this section for the  
 254.35 same purpose and in the same amount for a period of 365 days from the date of receipt

255.1 of the petition. If the question of issuing the bonds is submitted and not approved by the  
 255.2 voters, the provisions of section 475.58, subdivision 1a, shall apply.

255.3 Sec. 5. Minnesota Statutes 2012, section 383D.41, is amended by adding a subdivision  
 255.4 to read:

255.5 Subd. 10. **Housing improvement areas.** (a) In addition to its other powers, the  
 255.6 Dakota County Community Development Agency shall have all powers of a city under  
 255.7 sections 428A.11 to 428A.21 in connection with housing improvement areas in Dakota  
 255.8 County.

255.9 (b) For purposes of the Dakota County Community Development Agency's exercise  
 255.10 of the powers granted in this subdivision, references in sections 428A.11 to 428A.21 to:

255.11 (1) a "mayor" shall be references to the chair of the board of commissioners of the  
 255.12 Dakota County Community Development Agency;

255.13 (2) a "council" shall be references to the board of commissioners of the Dakota  
 255.14 County Community Development Agency; and

255.15 (3) a "city clerk" shall be references to an official of the Dakota County Community  
 255.16 Development Agency designated by the executive director of the Dakota County  
 255.17 Community Development Agency.

255.18 (c) Notwithstanding sections 428A.11, subdivision 3, and 428A.13, subdivision 1,  
 255.19 the governing body of the Dakota County Community Development Agency may adopt  
 255.20 a resolution, rather than an ordinance, establishing one or more housing improvement  
 255.21 areas, and "enabling ordinance" for purposes of sections 428A.11 to 428A.21 means a  
 255.22 resolution under this clause.

255.23 Sec. 6. Minnesota Statutes 2012, section 473.606, subdivision 3, is amended to read:

255.24 **Subd. 3. Treasurer; investments.** The treasurer shall receive and be responsible  
 255.25 for all moneys of the corporation, from whatever source derived, and the same shall be  
 255.26 considered public funds. The treasurer shall disburse the moneys of the corporation only  
 255.27 on orders made by the executive and operating officer, herein provided for, countersigned  
 255.28 by such other officer or such employee of the corporation as may be authorized and  
 255.29 directed so to do by the corporation, showing the name of the claimant and the nature of  
 255.30 the claim. No disbursement shall be certified by such officers until the same have been  
 255.31 approved by said commissioners at a meeting thereof. Whenever the executive director of  
 255.32 the corporation shall certify, pursuant to action taken by the commissioners at a meeting  
 255.33 thereof, that there are moneys and the amount thereof in the possession of the treasurer not  
 255.34 currently needed, then the treasurer may invest said amount or any part thereof in:

256.1 ~~(a) Treasury bonds, certificates of indebtedness, bonds or notes of the United States~~  
256.2 ~~of America, or bonds, notes or certificates of indebtedness of the state of Minnesota, all of~~  
256.3 ~~which must mature not later than three years from the date of purchase.~~

256.4 ~~(b) Bonds, notes, debentures or other obligations issued by any agency or~~  
256.5 ~~instrumentality of the United States or any securities guaranteed by the United States~~  
256.6 ~~government, or for which the credit of the United States is pledged for the payment of~~  
256.7 ~~the principal and interest thereof, all of which must mature not later than three years~~  
256.8 ~~from date of purchase.~~

256.9 ~~(c) Commercial paper of prime quality, or rated among the top third of the quality~~  
256.10 ~~categories, not applicable to defaulted paper, as defined by a nationally recognized~~  
256.11 ~~organization which rates such securities as eligible for investment in the state employees~~  
256.12 ~~retirement fund except that any nonbanking issuing corporation, or parent company in the~~  
256.13 ~~case of paper issued by operating utility or finance subsidiaries, must have total assets~~  
256.14 ~~exceeding \$500,000,000. Such commercial paper may constitute no more than 30 percent~~  
256.15 ~~of the book value of the fund at the time of purchase, and the commercial paper of any~~  
256.16 ~~one corporation shall not constitute more than four percent of the book value of the fund~~  
256.17 ~~at the time of such investment.~~

256.18 ~~(d) Any securities eligible under the preceding provisions, purchased with~~  
256.19 ~~simultaneous repurchase agreement under which the securities will be sold to the particular~~  
256.20 ~~dealer on a specified date at a predetermined price. In such instances, all maturities of~~  
256.21 ~~United States government securities, or securities issued or guaranteed by the United~~  
256.22 ~~States government or an agency thereof, may be purchased so long as any such securities~~  
256.23 ~~which mature later than three years from the date of purchase have a current market~~  
256.24 ~~value exceeding the purchase price by at least five percent on the date of purchase, and~~  
256.25 ~~so long as such repurchase agreement involving securities extending beyond three years~~  
256.26 ~~in maturity be limited to a period not exceeding 45 days.~~

256.27 ~~(e) Certificates of deposit issued by any official depository of the commission. The~~  
256.28 ~~commission may purchase certificates of deposit from a depository bank in an amount~~  
256.29 ~~exceeding that insured by federal depository insurance to the extent that those certificates~~  
256.30 ~~are secured by collateral maintained by the bank in a manner as prescribed for investments~~  
256.31 ~~of the State Board of Investment.~~

256.32 ~~(f) securities approved for investment under section 118A.04.~~

256.33 Whenever it shall appear to the commissioners that any invested funds are needed  
256.34 for current purposes before the maturity dates of the securities held, they shall cause the  
256.35 executive director to so certify to the treasurer and it shall then be the duty of the treasurer  
256.36 to order the sale or conversion into cash of the securities in the amount so certified. All

257.1 interest and profit on said investments shall be credited to and constitute a part of the  
 257.2 funds of the commission. The treasurer shall keep an account of all moneys received  
 257.3 and disbursed, and at least once a year, at times to be designated by the corporation, file  
 257.4 with the secretary a financial statement of the corporation, showing in appropriate and  
 257.5 identifiable groupings the receipts and disbursements since the last approved statements;  
 257.6 moneys on hand and the purposes for which the same are appropriated; and shall keep an  
 257.7 account of all securities purchased as herein provided, the funds from which purchased  
 257.8 and the interest and profit which may have accrued thereon, and shall accompany the  
 257.9 financial statement aforesaid with a statement setting forth such account. The corporation  
 257.10 may pay to the treasurer from time to time compensation in such amount as it may  
 257.11 determine to cover clerk hire to enable the treasurer to carry out duties and those required  
 257.12 in connection with bonds issued by the corporation as in this act authorized.

257.13 Sec. 7. Minnesota Statutes 2012, section 474A.04, subdivision 1a, is amended to read:

257.14 Subd. 1a. **Entitlement reservations; carryforward; deduction.** Any amount  
 257.15 returned by an entitlement issuer before July 15 shall be reallocated through the housing  
 257.16 pool. Any amount returned on or after July 15 shall be reallocated through the unified  
 257.17 pool. An amount returned after the last Monday in November shall be reallocated to the  
 257.18 Minnesota Housing Finance Agency. ~~Any amount of bonding authority that an entitlement~~  
 257.19 ~~issuer carries forward under federal tax law that is not permanently issued or for which~~  
 257.20 ~~the governing body of the entitlement issuer has not enacted a resolution electing to use~~  
 257.21 ~~the authority for mortgage credit certificates and has not provided a notice of issue to the~~  
 257.22 ~~commissioner before 4:30 p.m. on the last business day in December of the succeeding~~  
 257.23 ~~calendar year shall be deducted from the entitlement allocation for that entitlement issuer~~  
 257.24 ~~in the next succeeding calendar year. Any amount deducted from an entitlement issuer's~~  
 257.25 ~~allocation under this subdivision shall be reallocated to other entitlement issuers, the~~  
 257.26 ~~housing pool, the small issue pool, and the public facilities pool on a proportional basis~~  
 257.27 ~~consistent with section 474A.03.~~

257.28 **EFFECTIVE DATE.** This section is effective the day following final enactment  
 257.29 and applies to any bonding authority allocated in 2012 and subsequent years.

257.30 Sec. 8. Minnesota Statutes 2012, section 474A.062, is amended to read:

257.31 **474A.062 MINNESOTA OFFICE OF HIGHER EDUCATION 120-DAY**  
 257.32 **ISSUANCE EXEMPTION.**

258.1 The Minnesota Office of Higher Education is exempt from the 120-day issuance  
258.2 requirements in this chapter and may carry forward allocations for student loan bonds ~~into~~  
258.3 ~~one successive calendar year~~, subject to carryforward notice requirements of section  
258.4 474A.131, subdivision 2.

258.5 **EFFECTIVE DATE.** This section is effective the day following final enactment  
258.6 and applies to any bonding authority allocated in 2012 and subsequent years.

258.7 Sec. 9. Minnesota Statutes 2012, section 474A.091, subdivision 3a, is amended to read:

258.8 Subd. 3a. **Mortgage bonds.** (a) Bonding authority remaining in the unified pool on  
258.9 October 1 is available for single-family housing programs for cities that applied in January  
258.10 and received an allocation under section 474A.061, subdivision 2a, in the same calendar  
258.11 year. The Minnesota Housing Finance Agency shall receive an allocation for mortgage  
258.12 bonds pursuant to this section, minus any amounts for a city or consortium that intends to  
258.13 issue bonds on its own behalf under paragraph (c).

258.14 (b) The agency may issue bonds on behalf of participating cities. The agency shall  
258.15 request an allocation from the commissioner for all applicants who choose to have the  
258.16 agency issue bonds on their behalf and the commissioner shall allocate the requested  
258.17 amount to the agency. Allocations shall be awarded by the commissioner each Monday  
258.18 commencing on the first Monday in October through the last Monday in November for  
258.19 applications received by 4:30 p.m. on the Monday of the week preceding an allocation.

258.20 For cities who choose to have the agency issue bonds on their behalf, allocations  
258.21 will be made loan by loan, on a first-come, first-served basis among the cities. The  
258.22 agency shall submit an application fee pursuant to section 474A.03, subdivision 4, and an  
258.23 application deposit equal to two percent of the requested allocation to the commissioner  
258.24 when requesting an allocation from the unified pool. After awarding an allocation and  
258.25 receiving a notice of issuance for mortgage bonds issued on behalf of the participating  
258.26 cities, the commissioner shall transfer the application deposit to the Minnesota Housing  
258.27 Finance Agency.

258.28 For purposes of paragraphs (a) to (d), "city" means a county or a consortium of  
258.29 local government units that agree through a joint powers agreement to apply together  
258.30 for single-family housing programs, and has the meaning given it in section 462C.02,  
258.31 subdivision 6. "Agency" means the Minnesota Housing Finance Agency.

258.32 (c) Any city that received an allocation pursuant to section 474A.061, subdivision  
258.33 2a, paragraph (f), in the current year that wishes to receive an additional allocation from  
258.34 the unified pool and issue bonds on its own behalf or pursuant to a joint powers agreement  
258.35 shall notify the Minnesota Housing Finance Agency by the third Monday in September.

259.1 The total amount of allocation for mortgage bonds for a city choosing to issue bonds on its  
259.2 own behalf or through a joint powers agreement is limited to the lesser of: (i) the amount  
259.3 requested, or (ii) the product of the total amount available for mortgage bonds from the  
259.4 unified pool, multiplied by the ratio of the population of each city that applied in January  
259.5 and received an allocation under section 474A.061, subdivision 2a, in the same calendar  
259.6 year, as determined by the most recent estimate of the city's population released by the  
259.7 state demographer's office to the total of the population of all the cities that applied in  
259.8 January and received an allocation under section 474A.061, subdivision 2a, in the same  
259.9 calendar year. If a city choosing to issue bonds on its own behalf or through a joint powers  
259.10 agreement is located within a county that has also chosen to issue bonds on its own behalf  
259.11 or through a joint powers agreement, the city's population will be deducted from the  
259.12 county's population in calculating the amount of allocations under this paragraph.

259.13 The Minnesota Housing Finance Agency shall notify each city choosing to issue  
259.14 bonds on its own behalf or pursuant to a joint powers agreement of the amount of its  
259.15 allocation by October 15. Upon determining the amount of the allocation of each choosing  
259.16 to issue bonds on its own behalf or through a joint powers agreement, the agency shall  
259.17 forward a list specifying the amounts allotted to each city.

259.18 A city that chooses to issue bonds on its own behalf or through a joint powers  
259.19 agreement may request an allocation from the commissioner by forwarding an application  
259.20 with an application fee pursuant to section 474A.03, subdivision 4, and an application  
259.21 deposit equal to two percent of the requested amount to the commissioner no later than  
259.22 4:30 p.m. on the Monday of the week preceding an allocation. Allocations to cities that  
259.23 choose to issue bonds on their own behalf shall be awarded by the commissioner on  
259.24 the first Monday after October 15 through the last Monday in November. No city may  
259.25 receive an allocation from the commissioner after the last Monday in November. The  
259.26 commissioner shall allocate the requested amount to the city or cities subject to the  
259.27 limitations under this subdivision.

259.28 If a city issues mortgage bonds from an allocation received under this paragraph,  
259.29 the issuer must provide for the recycling of funds into new loans. If the issuer is not  
259.30 able to provide for recycling, the issuer must notify the commissioner in writing of the  
259.31 reason that recycling was not possible and the reason the issuer elected not to have the  
259.32 Minnesota Housing Finance Agency issue the bonds. "Recycling" means the use of money  
259.33 generated from the repayment and prepayment of loans for further eligible loans or for the  
259.34 redemption of bonds and the issuance of current refunding bonds.

260.1 (d) No entitlement city or county or city in an entitlement county may apply for or  
 260.2 be allocated authority to issue mortgage bonds or use mortgage credit certificates from  
 260.3 the unified pool.

260.4 (e) An allocation awarded to the agency for mortgage bonds under this section  
 260.5 may be carried forward by the agency ~~into the next succeeding calendar year~~ subject to  
 260.6 notice requirements under section 474A.131 ~~and is available until the last business day in~~  
 260.7 ~~December of that succeeding calendar year.~~

260.8 **EFFECTIVE DATE.** This section is effective the day following final enactment  
 260.9 and applies to any bonding authority allocated in 2012 and subsequent years.

260.10 Sec. 10. Minnesota Statutes 2012, section 475.521, subdivision 1, is amended to read:

260.11 Subdivision 1. **Definitions.** For purposes of this section, the following terms have  
 260.12 the meanings given.

260.13 (a) "Bonds" mean an obligation defined under section 475.51.

260.14 (b) "Capital improvement" means acquisition or betterment of public lands,  
 260.15 buildings or other improvements for the purpose of a city hall, town hall, library, public  
 260.16 safety facility, and public works facility. An improvement must have an expected useful  
 260.17 life of five years or more to qualify. Capital improvement does not include light rail transit  
 260.18 or any activity related to it, or a park, road, bridge, administrative building other than a  
 260.19 city or town hall, or land for any of those facilities. For purposes of this section, "capital  
 260.20 improvement" includes expenditures for purposes described in this paragraph that have  
 260.21 been incurred by a municipality before approval of a capital improvement plan, if such  
 260.22 expenditures are included in a capital improvement plan approved on or before the date of  
 260.23 the public hearing under subdivision 2 regarding issuance of bonds for such expenditures.

260.24 (c) "Municipality" means a home rule charter or statutory city or a town described in  
 260.25 section 368.01, subdivision 1 or 1a.

260.26 Sec. 11. Minnesota Statutes 2012, section 475.521, subdivision 2, is amended to read:

260.27 Subd. 2. **Election requirement.** (a) Bonds issued by a municipality to finance  
 260.28 capital improvements under an approved capital improvements plan are not subject to the  
 260.29 election requirements of section 475.58. The bonds must be approved by an affirmative  
 260.30 vote of three-fifths of the members of a five-member governing body. In the case of a  
 260.31 governing body having more or less than five members, the bonds must be approved by a  
 260.32 vote of at least two-thirds of the members of the governing body.

260.33 (b) Before the issuance of bonds qualifying under this section, the municipality  
 260.34 must publish a notice of its intention to issue the bonds and the date and time of the

261.1 hearing to obtain public comment on the matter. The notice must be published in the  
 261.2 official newspaper of the municipality or in a newspaper of general circulation in the  
 261.3 municipality. Additionally, the notice may be posted on the official Web site, if any, of the  
 261.4 municipality. The notice must be published at least 14 but not more than 28 days before  
 261.5 the date of the hearing.

261.6 (c) A municipality may issue the bonds only after obtaining the approval of a  
 261.7 majority of the voters voting on the question of issuing the obligations, if a petition  
 261.8 requesting a vote on the issuance is signed by voters equal to five percent of the votes cast  
 261.9 in the municipality in the last municipal general election and is filed with the clerk within  
 261.10 30 days after the public hearing. ~~The commissioner of revenue shall prepare a suggested~~  
 261.11 ~~form of the question to be presented at the election.~~ If the municipality elects not to submit  
 261.12 the question to the voters, the municipality shall not propose the issuance of bonds under  
 261.13 this section for the same purpose and in the same amount for a period of 365 days from the  
 261.14 date of receipt of the petition. If the question of issuing the bonds is submitted and not  
 261.15 approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

261.16 Sec. 12. Minnesota Statutes 2012, section 475.58, subdivision 3b, is amended to read:

261.17 Subd. 3b. **Street reconstruction.** (a) A municipality may, without regard to  
 261.18 the election requirement under subdivision 1, issue and sell obligations for street  
 261.19 reconstruction, if the following conditions are met:

261.20 (1) the streets are reconstructed under a street reconstruction plan that describes the  
 261.21 street reconstruction to be financed, the estimated costs, and any planned reconstruction  
 261.22 of other streets in the municipality over the next five years, and the plan and issuance of  
 261.23 the obligations has been approved by a vote of all of the members of the governing body  
 261.24 present at the meeting following a public hearing for which notice has been published in  
 261.25 the official newspaper at least ten days but not more than 28 days prior to the hearing; and

261.26 (2) if a petition requesting a vote on the issuance is signed by voters equal to  
 261.27 five percent of the votes cast in the last municipal general election and is filed with the  
 261.28 municipal clerk within 30 days of the public hearing, the municipality may issue the bonds  
 261.29 only after obtaining the approval of a majority of the voters voting on the question of the  
 261.30 issuance of the obligations. If the municipality elects not to submit the question to the  
 261.31 voters, the municipality shall not propose the issuance of bonds under this section for the  
 261.32 same purpose and in the same amount for a period of 365 days from the date of receipt  
 261.33 of the petition. If the question of issuing the bonds is submitted and not approved by the  
 261.34 voters, the provisions of section 475.58, subdivision 1a, shall apply.

262.1 (b) Obligations issued under this subdivision are subject to the debt limit of the  
 262.2 municipality and are not excluded from net debt under section 475.51, subdivision 4.

262.3 (c) For purposes of this subdivision, street reconstruction includes utility  
 262.4 replacement and relocation and other activities incidental to the street reconstruction, turn  
 262.5 lanes and other improvements having a substantial public safety function, realignments,  
 262.6 other modifications to intersect with state and county roads, and the local share of state and  
 262.7 county road projects. For purposes of this subdivision, "street reconstruction" includes  
 262.8 expenditures for street reconstruction that have been incurred by a municipality before  
 262.9 approval of a street reconstruction plan, if such expenditures are included in a street  
 262.10 reconstruction plan approved on or before the date of the public hearing under paragraph  
 262.11 (a), clause (1) regarding issuance of bonds for such expenditures.

262.12 (d) Except in the case of turn lanes, safety improvements, realignments, intersection  
 262.13 modifications, and the local share of state and county road projects, street reconstruction  
 262.14 does not include the portion of project cost allocable to widening a street or adding curbs  
 262.15 and gutters where none previously existed.

262.16 Sec. 13. Laws 1971, chapter 773, section 1, subdivision 2, as amended by Laws 1974,  
 262.17 chapter 351, section 5, Laws 1976, chapter 234, sections 1 and 7, Laws 1978, chapter 788,  
 262.18 section 1, Laws 1981, chapter 369, section 1, Laws 1983, chapter 302, section 1, Laws  
 262.19 1988, chapter 513, section 1, Laws 1992, chapter 511, article 9, section 23, Laws 1998,  
 262.20 chapter 389, article 3, section 27, and Laws 2002, chapter 390, section 23, is amended to  
 262.21 read:

262.22 Subd. 2. For each of the years ~~2003 to 2013~~ to 2024, the city of St. Paul is  
 262.23 authorized to issue bonds in the aggregate principal amount of \$20,000,000 for each year.

262.24 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
 262.25 governing body of the city of St. Paul with Minnesota Statutes, section 645.021,  
 262.26 subdivisions 2 and 3.

262.27 Sec. 14. **CAPITOL RENOVATION; RESTORATION.**

262.28 (a) \$30,000,000 is appropriated from the general fund to the commissioner of  
 262.29 administration in fiscal year 2015 and is available until spent for the following purposes:

262.30 (1) to complete the design of, and to construct, repair, improve, renovate, restore,  
 262.31 furnish, and equip, the State Capitol Building and grounds; including but not limited  
 262.32 to exterior stone repairs and window replacement; asbestos and hazardous materials  
 262.33 abatement; mechanical, electrical, and plumbing security systems replacement; general  
 262.34 construction, including but not limited to demolition, site improvements, life safety

263.1 improvements, accessibility, security, and telecommunications; roof replacement; and  
263.2 finish work; and

263.3 (2) to predesign, design, conduct hazardous materials abatement, construct, repair,  
263.4 renovate, remodel, furnish, and equip the State Office Building, Administration Building,  
263.5 Centennial Office Building, 321 Grove Street Buildings, and other properties located  
263.6 on the Capitol campus as determined by the commissioner of administration to meet  
263.7 temporary and permanent office, storage, parking, and other space needs required by  
263.8 an efficient restoration of the State Capitol Building and for the efficient and effective  
263.9 function of the tenants currently located in the Capitol Building.

263.10 (b) The commissioner of administration must not prepare final plans and  
263.11 specifications for any construction authorized under paragraph (a), clauses (1) and (2), until  
263.12 the program plan and cost estimates for all elements necessary to complete the project have  
263.13 been approved by each tenant representative. In addition, the appropriation in paragraph  
263.14 (a), clause (2), is not available until each tenant representative approves a relocation plan  
263.15 submitted by the commissioner of administration. The relocation plan shall:

263.16 (1) describe when each person who currently occupies office space located in the  
263.17 Capitol Building will be moved out of the Capitol Building;

263.18 (2) identify the building and office space assigned to each person relocated during  
263.19 renovation of the Capitol Building;

263.20 (3) identify the parking spaces that will be assigned to each person relocated during  
263.21 renovation, including the funding mechanism for any new parking spaces;

263.22 (4) state when each person relocated during renovation will be moved back into  
263.23 permanent office space and where the office space will be located;

263.24 (5) include written, signed tenant agreements for tenancy in the Capitol Building  
263.25 after renovation.

263.26 For the purposes of this paragraph, "each tenant representative" means the secretary of the  
263.27 senate, on behalf of the senate; the chief clerk of the house of representatives, on behalf  
263.28 of the house of representatives; the governor; the court administrator, on behalf of the  
263.29 judicial branch; and the attorney general, on behalf of the attorney general's office.

263.30 (c) The commissioner of administration must not install new windows in the Capitol  
263.31 Building that cannot be opened by the tenants of the building.

263.32 (d) The base for fiscal year 2016 only is \$173,600,000 and must be used for the  
263.33 purposes in paragraph (a).

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

264.1       Sec. 15. **LEGISLATIVE OFFICE FACILITIES.**

264.2           (a) The commissioner of administration may enter into a long-term lease-purchase  
264.3 agreement for a term of up to 25 years, to predesign, design, construct, and equip office,  
264.4 hearing room, and parking facilities within the Capitol area, as defined in Minnesota  
264.5 Statutes, section 15B.02, for legislative and other functions. The commissioner of  
264.6 management and budget may issue lease revenue bonds or certificates of participation  
264.7 associated with the lease-purchase agreement. The lease-purchase agreements must not  
264.8 be terminated, except for nonappropriation of money. The lease-purchase agreements  
264.9 must provide the state with a unilateral right to purchase the leased premises at specified  
264.10 times for specified amounts. The lease-purchase agreements are exempt from Minnesota  
264.11 Statutes, section 16B.24, subdivisions 6 and 6a.

264.12           (b) The facilities under the lease-purchase agreement are exempt from the design  
264.13 competition requirement under Minnesota Statutes, section 15B.10. Notwithstanding  
264.14 anything to the contrary under Minnesota Statutes, sections 16C.32 and 16C.33, if the  
264.15 commissioner of administration elects to use a design-build delivery method to design and  
264.16 construct one or more facilities under this appropriation, the Capitol Area Architectural and  
264.17 Planning Board, in cooperation with the commissioner, shall create a selection committee  
264.18 to act as the board under Minnesota Statutes, sections 16C.32 and 16C.33, for the design  
264.19 and construction of the facilities. Notwithstanding Minnesota Statutes, section 16B.33, if  
264.20 the commissioner elects to contract with a primary designer to design one or more facilities  
264.21 under this appropriation, the Capitol Area Architectural and Planning Board, in cooperation  
264.22 with the commissioner, shall create a selection committee to conduct the selection process  
264.23 in accordance with standards under Minnesota Statutes, chapters 15B, 16B, and 16C.

264.24           (c) The commissioner of administration may enter into a ground lease for state-owned  
264.25 property in the capitol area in conjunction with the execution of a lease-purchase  
264.26 agreement entered into under this section for any improvements constructed on that site.  
264.27 Notwithstanding the requirements of Minnesota Statutes, section 16A.695, subdivision 2,  
264.28 paragraph (b), the ground lease must be for a term equal to the term of the lease-purchase  
264.29 agreement, and must include an option to purchase the land at its then fair market value, if  
264.30 the improvements are not purchased by the state at the end of the term of the lease-purchase  
264.31 agreement, or at any earlier time that the lease-purchase agreement is terminated.

264.32           (d) The commissioner of administration must not prepare final plans and  
264.33 specifications for any construction authorized under this section until the program plan  
264.34 and cost estimates for all elements necessary to complete the project have been approved  
264.35 by the senate Committee on Rules and Administration.

265.1 (e) \$3,000,000 is appropriated in fiscal year 2014 from the general fund to the  
265.2 commissioner of administration for predesign and design of facilities authorized under  
265.3 paragraph (a). This appropriation is available for expenditure the day following final  
265.4 enactment and until June 30, 2015.

265.5 (f) The commissioner of administration may reserve a portion of money from  
265.6 appropriations for office space costs of the legislature to fund future repairs for facilities  
265.7 constructed under the authority provided in this section. Money reserved under this  
265.8 paragraph must be credited to a segregated account for each building in the special  
265.9 revenue fund and is appropriated to the commissioner to make the repairs. When the state  
265.10 acquires title to a building with an account established under this paragraph, the account  
265.11 for that building must be abolished and the balance remaining in the account must be  
265.12 transferred to the appropriate asset preservation and replacement account created under  
265.13 Minnesota Statutes, section 16B.24, subdivision 3, paragraph (d).

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

265.15 Sec. 16. **CARRYFORWARD OF BONDING AUTHORITY FOR 2011; NO**  
265.16 **DEDUCTION FROM ENTITLEMENT ALLOCATION.**

265.17 Notwithstanding Minnesota Statutes, section 474A.04, subdivision 1a, bonding  
265.18 authority that was allocated to an entitlement issuer in 2011 and that was carried forward  
265.19 under federal tax law, but for which the entitlement issuer did not provide a notice of issue  
265.20 to the commissioner of management and budget before 4:30 p.m. on the last business  
265.21 day of December 2012 must not be deducted from the entitlement allocation for that  
265.22 entitlement issuer in 2013.

265.23 **EFFECTIVE DATE.** This section is effective the day following final enactment  
265.24 and applies retroactively to rescind any reallocation by the commissioner of management  
265.25 and budget under Minnesota Statutes, section 474A.04, subdivision 1a, of any amounts so  
265.26 deducted.

265.27 Sec. 17. **LOCAL MATCH; INDEPENDENT SCHOOL DISTRICT NO. 435;**  
265.28 **WAUBUN-OGEMA-WHITE EARTH.**

265.29 (a) Independent School District No. 435, Waubun-Ogema-White Earth, may expand  
265.30 classroom space at its Ogema elementary site using a grant of \$551,532 that was awarded  
265.31 to the district by the Department of Human Services on August 12, 2012. Notwithstanding  
265.32 Minnesota Statutes, section 16A.695, to satisfy the match requirements of the grant, under  
265.33 Minnesota Statutes, section 16A.695, subdivision 6, the district may use a lease-purchase

266.1 agreement. Notwithstanding Minnesota Statutes, section 465.71, the title under the  
 266.2 lease-purchase may be held by the district.

266.3 (b) Notwithstanding Minnesota Statutes, section 126C.13, subdivision 4, if the  
 266.4 school district enters a lease-purchase agreement to satisfy the local match, under  
 266.5 paragraph (a), but fails to make a lease-purchase payment, the commissioner of education  
 266.6 shall reduce its general education aid, under Minnesota Statutes, section 126C.13,  
 266.7 subdivision 4, by the amount of the lease-purchase payment.

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

## 266.9 **ARTICLE 12**

### 266.10 **MARKET VALUE DEFINITIONS**

266.11 Section 1. Minnesota Statutes 2012, section 38.18, is amended to read:

#### 266.12 **38.18 COUNTY FAIRGROUNDS; IMPROVEMENT AIDED.**

266.13 ~~Any~~ Each town, statutory city, or school district in this state, ~~now or hereafter at any~~  
 266.14 time having a an estimated market value of all its taxable property, ~~exclusive of money and~~  
 266.15 ~~credits,~~ of more than \$105,000,000, and having a county fair located within its corporate  
 266.16 limits, ~~is hereby authorized to aid in defraying~~ may pay part of the expense of improving  
 266.17 ~~any such the~~ fairground, ~~by appropriating and paying over to the treasurer of the county~~  
 266.18 owning the fairground ~~such sum of money,~~ not exceeding \$10,000, ~~for each of the political~~  
 266.19 ~~subdivisions,~~ as the its governing body of the town, statutory city, or school district ~~may,~~  
 266.20 by resolution, ~~determine~~ determines to be for the best interest of the political subdivision;  
 266.21 ~~The sums so appropriated to~~ amounts paid to the county must be used solely for the purpose  
 266.22 ~~of aiding in the improvement of~~ to improve the fairground in ~~such the~~ manner as the county  
 266.23 board of the county ~~shall determine~~ determines to be for the best interest of the county.

266.24 Sec. 2. Minnesota Statutes 2012, section 40A.15, subdivision 2, is amended to read:

266.25 Subd. 2. **Eligible recipients.** All counties within the state, municipalities that prepare  
 266.26 plans and official controls instead of a county, and districts are eligible for assistance  
 266.27 under the program. Counties and districts may apply for assistance on behalf of other  
 266.28 municipalities. In order to be eligible for financial assistance a county or municipality must  
 266.29 agree to levy at least 0.01209 percent of ~~taxable~~ estimated market value for agricultural  
 266.30 land preservation and conservation activities or otherwise spend the equivalent amount of  
 266.31 local money on those activities, or spend \$15,000 of local money, whichever is less.

266.32 Sec. 3. Minnesota Statutes 2012, section 69.011, subdivision 1, is amended to read:

267.1 Subdivision 1. **Definitions.** Unless the language or context clearly indicates that  
267.2 a different meaning is intended, the following words and terms, for the purposes of this  
267.3 chapter and chapters 423, 423A, 424 and 424A, have the meanings ascribed to them:

267.4 (a) "Commissioner" means the commissioner of revenue.

267.5 (b) "Municipality" means:

267.6 (1) a home rule charter or statutory city;

267.7 (2) an organized town;

267.8 (3) a park district subject to chapter 398;

267.9 (4) the University of Minnesota;

267.10 (5) for purposes of the fire state aid program only, an American Indian tribal  
267.11 government entity located within a federally recognized American Indian reservation;

267.12 (6) for purposes of the police state aid program only, an American Indian tribal  
267.13 government with a tribal police department which exercises state arrest powers under  
267.14 section 626.90, 626.91, 626.92, or 626.93;

267.15 (7) for purposes of the police state aid program only, the Metropolitan Airports  
267.16 Commission; and

267.17 (8) for purposes of the police state aid program only, the Department of Natural  
267.18 Resources and the Department of Public Safety with respect to peace officers covered  
267.19 under chapter 352B.

267.20 (c) "Minnesota Firetown Premium Report" means a form prescribed by the  
267.21 commissioner containing space for reporting by insurers of fire, lightning, sprinkler  
267.22 leakage and extended coverage premiums received upon risks located or to be performed  
267.23 in this state less return premiums and dividends.

267.24 (d) "Firetown" means the area serviced by any municipality having a qualified fire  
267.25 department or a qualified incorporated fire department having a subsidiary volunteer  
267.26 firefighters' relief association.

267.27 (e) "Estimated market value" means latest available estimated market value of all  
267.28 property in a taxing jurisdiction, whether the property is subject to taxation, or exempt  
267.29 from ad valorem taxation obtained from information which appears on abstracts filed with  
267.30 the commissioner of revenue or equalized by the State Board of Equalization.

267.31 (f) "Minnesota Aid to Police Premium Report" means a form prescribed by the  
267.32 commissioner for reporting by each fire and casualty insurer of all premiums received  
267.33 upon direct business received by it in this state, or by its agents for it, in cash or otherwise,  
267.34 during the preceding calendar year, with reference to insurance written for insuring against  
267.35 the perils contained in auto insurance coverages as reported in the Minnesota business  
267.36 schedule of the annual financial statement which each insurer is required to file with

268.1 the commissioner in accordance with the governing laws or rules less return premiums  
268.2 and dividends.

268.3 (g) "Peace officer" means any person:

268.4 (1) whose primary source of income derived from wages is from direct employment  
268.5 by a municipality or county as a law enforcement officer on a full-time basis of not less  
268.6 than 30 hours per week;

268.7 (2) who has been employed for a minimum of six months prior to December 31  
268.8 preceding the date of the current year's certification under subdivision 2, clause (b);

268.9 (3) who is sworn to enforce the general criminal laws of the state and local ordinances;

268.10 (4) who is licensed by the Peace Officers Standards and Training Board and is  
268.11 authorized to arrest with a warrant; and

268.12 (5) who is a member of the State Patrol retirement plan or the public employees  
268.13 police and fire fund.

268.14 (h) "Full-time equivalent number of peace officers providing contract service" means  
268.15 the integral or fractional number of peace officers which would be necessary to provide  
268.16 the contract service if all peace officers providing service were employed on a full-time  
268.17 basis as defined by the employing unit and the municipality receiving the contract service.

268.18 (i) "Retirement benefits other than a service pension" means any disbursement  
268.19 authorized under section 424A.05, subdivision 3, clauses (3) and (4).

268.20 (j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means:

268.21 (1) for the police state aid program and police relief association financial reports:

268.22 (i) the person who was elected or appointed to the specified position or, in the  
268.23 absence of the person, another person who is designated by the applicable governing body;

268.24 (ii) in a park district, the secretary of the board of park district commissioners;

268.25 (iii) in the case of the University of Minnesota, the official designated by the Board  
268.26 of Regents;

268.27 (iv) for the Metropolitan Airports Commission, the person designated by the  
268.28 commission;

268.29 (v) for the Department of Natural Resources or the Department of Public Safety, the  
268.30 respective commissioner;

268.31 (vi) for a tribal police department which exercises state arrest powers under section  
268.32 626.90, 626.91, 626.92, or 626.93, the person designated by the applicable American  
268.33 Indian tribal government; and

268.34 (2) for the fire state aid program and fire relief association financial reports, the  
268.35 person who was elected or appointed to the specified position, or, for governmental  
268.36 entities other than counties, if the governing body of the governmental entity designates

269.1 the position to perform the function, the chief financial official of the governmental entity  
269.2 or the chief administrative official of the governmental entity.

269.3 (k) "Voluntary statewide lump-sum volunteer firefighter retirement plan" means the  
269.4 retirement plan established by chapter 353G.

269.5 Sec. 4. Minnesota Statutes 2012, section 69.021, subdivision 7, is amended to read:

269.6 Subd. 7. **Apportionment of fire state aid to municipalities and relief associations.**

269.7 (a) The commissioner shall apportion the fire state aid relative to the premiums reported  
269.8 on the Minnesota Firetown Premium Reports filed under this chapter to each municipality  
269.9 and/or firefighters relief association.

269.10 (b) The commissioner shall calculate an initial fire state aid allocation amount for  
269.11 each municipality or fire department under paragraph (c) and a minimum fire state aid  
269.12 allocation amount for each municipality or fire department under paragraph (d). The  
269.13 municipality or fire department must receive the larger fire state aid amount.

269.14 (c) The initial fire state aid allocation amount is the amount available for  
269.15 apportionment as fire state aid under subdivision 5, without inclusion of any additional  
269.16 funding amount to support a minimum fire state aid amount under section 423A.02,  
269.17 subdivision 3, allocated one-half in proportion to the population as shown in the last official  
269.18 statewide federal census for each fire town and one-half in proportion to the estimated  
269.19 market value of each fire town, including (1) the estimated market value of tax-exempt  
269.20 property and (2) the estimated market value of natural resources lands receiving in lieu  
269.21 payments under sections 477A.11 to 477A.14, but excluding the estimated market value  
269.22 of minerals. In the case of incorporated or municipal fire departments furnishing fire  
269.23 protection to other cities, towns, or townships as evidenced by valid fire service contracts  
269.24 filed with the commissioner, the distribution must be adjusted proportionately to take  
269.25 into consideration the crossover fire protection service. Necessary adjustments must be  
269.26 made to subsequent apportionments. In the case of municipalities or independent fire  
269.27 departments qualifying for the aid, the commissioner shall calculate the state aid for the  
269.28 municipality or relief association on the basis of the population and the estimated market  
269.29 value of the area furnished fire protection service by the fire department as evidenced by  
269.30 duly executed and valid fire service agreements filed with the commissioner. If one or  
269.31 more fire departments are furnishing contracted fire service to a city, town, or township,  
269.32 only the population and estimated market value of the area served by each fire department  
269.33 may be considered in calculating the state aid and the fire departments furnishing service  
269.34 shall enter into an agreement apportioning among themselves the percent of the population

270.1 and the estimated market value of each service area. The agreement must be in writing  
270.2 and must be filed with the commissioner.

270.3 (d) The minimum fire state aid allocation amount is the amount in addition to the  
270.4 initial fire state allocation amount that is derived from any additional funding amount  
270.5 to support a minimum fire state aid amount under section 423A.02, subdivision 3, and  
270.6 allocated to municipalities with volunteer firefighters relief associations or covered by the  
270.7 voluntary statewide lump-sum volunteer firefighter retirement plan based on the number  
270.8 of active volunteer firefighters who are members of the relief association as reported  
270.9 in the annual financial reporting for the calendar year 1993 to the Office of the State  
270.10 Auditor, but not to exceed 30 active volunteer firefighters, so that all municipalities or  
270.11 fire departments with volunteer firefighters relief associations receive in total at least a  
270.12 minimum fire state aid amount per 1993 active volunteer firefighter to a maximum of  
270.13 30 firefighters. If a relief association is established after calendar year 1993 and before  
270.14 calendar year 2000, the number of active volunteer firefighters who are members of the  
270.15 relief association as reported in the annual financial reporting for calendar year 1998  
270.16 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters,  
270.17 shall be used in this determination. If a relief association is established after calendar  
270.18 year 1999, the number of active volunteer firefighters who are members of the relief  
270.19 association as reported in the first annual financial reporting submitted to the Office of  
270.20 the State Auditor, but not to exceed 20 active volunteer firefighters, must be used in this  
270.21 determination. If a relief association is terminated as a result of providing retirement  
270.22 coverage for volunteer firefighters by the voluntary statewide lump-sum volunteer  
270.23 firefighter retirement plan under chapter 353G, the number of active volunteer firefighters  
270.24 of the municipality covered by the statewide plan as certified by the executive director of  
270.25 the Public Employees Retirement Association to the commissioner and the state auditor,  
270.26 but not to exceed 30 active firefighters, must be used in this determination.

270.27 (e) Unless the firefighters of the applicable fire department are members of the  
270.28 voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must  
270.29 be paid to the treasurer of the municipality where the fire department is located and the  
270.30 treasurer of the municipality shall, within 30 days of receipt of the fire state aid, transmit  
270.31 the aid to the relief association if the relief association has filed a financial report with the  
270.32 treasurer of the municipality and has met all other statutory provisions pertaining to the  
270.33 aid apportionment. If the firefighters of the applicable fire department are members of  
270.34 the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid  
270.35 must be paid to the executive director of the Public Employees Retirement Association  
270.36 and deposited in the voluntary statewide lump-sum volunteer firefighter retirement fund.

271.1 (f) The commissioner may make rules to permit the administration of the provisions  
271.2 of this section.

271.3 (g) Any adjustments needed to correct prior misallocations must be made to  
271.4 subsequent apportionments.

271.5 Sec. 5. Minnesota Statutes 2012, section 69.021, subdivision 8, is amended to read:

271.6 Subd. 8. **Population and estimated market value.** (a) In computations relating to  
271.7 fire state aid requiring the use of population figures, only official statewide federal census  
271.8 figures are to be used. Increases or decreases in population disclosed by reason of any  
271.9 special census must not be taken into consideration.

271.10 (b) In calculations relating to fire state aid requiring the use of estimated market  
271.11 value property figures, only the latest available estimated market value property figures  
271.12 may be used.

271.13 Sec. 6. Minnesota Statutes 2012, section 88.51, subdivision 3, is amended to read:

271.14 Subd. 3. **Determination of estimated market value.** In determining the net tax  
271.15 capacity of property within any taxing district the value of the surface of lands within any  
271.16 auxiliary forest therein, as determined by the county board under the provisions of section  
271.17 88.48, subdivision 3, shall, for all purposes except the levying of taxes on lands within any  
271.18 such forest, be deemed the estimated market value thereof.

271.19 Sec. 7. Minnesota Statutes 2012, section 103B.245, subdivision 3, is amended to read:

271.20 Subd. 3. **Tax.** After adoption of the ordinance under subdivision 2, a local  
271.21 government unit may annually levy a tax on all taxable property in the district for the  
271.22 purposes for which the tax district is established. The tax may not exceed 0.02418 percent  
271.23 of estimated market value on taxable property located in rural towns other than urban  
271.24 towns, unless allowed by resolution of the town electors. The proceeds of the tax shall  
271.25 be paid into a fund reserved for these purposes. Any proceeds remaining in the reserve  
271.26 fund at the time the tax is terminated or the district is dissolved shall be transferred and  
271.27 irrevocably pledged to the debt service fund of the local unit to be used solely to reduce  
271.28 tax levies for bonded indebtedness of taxable property in the district.

271.29 Sec. 8. Minnesota Statutes 2012, section 103B.251, subdivision 8, is amended to read:

271.30 Subd. 8. **Tax.** (a) For the payment of principal and interest on the bonds issued  
271.31 under subdivision 7 and the payment required under subdivision 6, the county shall  
271.32 irrevocably pledge and appropriate the proceeds of a tax levied on all taxable property

272.1 located within the territory of the watershed management organization or subwatershed  
272.2 unit for which the bonds are issued. Each year until the reserve for payment of the bonds  
272.3 is sufficient to retire the bonds, the county shall levy on all taxable property in the territory  
272.4 of the organization or unit, without respect to any statutory or other limitation on taxes, an  
272.5 amount of taxes sufficient to pay principal and interest on the bonds and to restore any  
272.6 deficiencies in reserves required to be maintained for payment of the bonds.

272.7 (b) The tax levied on rural towns other than urban towns may not exceed 0.02418  
272.8 percent of ~~taxable~~ estimated market value, unless approved by resolution of the town  
272.9 electors.

272.10 (c) If at any time the amounts available from the levy on property in the territory of  
272.11 the organization are insufficient to pay principal and interest on the bonds when due, the  
272.12 county shall make payment from any available funds in the county treasury.

272.13 (d) The amount of any taxes which are required to be levied outside of the territory  
272.14 of the watershed management organization or unit or taken from the general funds of the  
272.15 county to pay principal or interest on the bonds shall be reimbursed to the county from  
272.16 taxes levied within the territory of the watershed management organization or unit.

272.17 Sec. 9. Minnesota Statutes 2012, section 103B.635, subdivision 2, is amended to read:

272.18 Subd. 2. **Municipal funding of district.** (a) The governing body or board of  
272.19 supervisors of each municipality in the district must provide the funds necessary to meet  
272.20 its proportion of the total cost determined by the board, provided the total funding from  
272.21 all municipalities in the district for the costs shall not exceed an amount equal to .00242  
272.22 percent of the total ~~taxable~~ estimated market value within the district, unless three-fourths  
272.23 of the municipalities in the district pass a resolution concurring to the additional costs.

272.24 (b) The funds must be deposited in the treasury of the district in amounts and at  
272.25 times as the treasurer of the district requires.

272.26 Sec. 10. Minnesota Statutes 2012, section 103B.691, subdivision 2, is amended to read:

272.27 Subd. 2. **Municipal funding of district.** (a) The governing body or board of  
272.28 supervisors of each municipality in the district shall provide the funds necessary to meet its  
272.29 proportion of the total cost to be borne by the municipalities as finally certified by the board.

272.30 (b) The municipality's funds may be raised by any means within the authority of  
272.31 the municipality. The municipalities may each levy a tax not to exceed .02418 percent of  
272.32 ~~taxable~~ estimated market value on the taxable property located in the district to provide  
272.33 the funds. The levy shall be within all other limitations provided by law.

273.1 (c) The funds must be deposited into the treasury of the district in amounts and at  
273.2 times as the treasurer of the district requires.

273.3 Sec. 11. Minnesota Statutes 2012, section 103D.905, subdivision 2, is amended to read:

273.4 Subd. 2. **Organizational expense fund.** (a) An organizational expense fund,  
273.5 consisting of an ad valorem tax levy, shall not exceed 0.01596 percent of ~~taxable~~ estimated  
273.6 market value, or \$60,000, whichever is less. The money in the fund shall be used for  
273.7 organizational expenses and preparation of the watershed management plan for projects.

273.8 (b) The managers may borrow from the affected counties up to 75 percent of the  
273.9 anticipated funds to be collected from the organizational expense fund levy and the  
273.10 counties affected may make the advancements.

273.11 (c) The advancement of anticipated funds shall be apportioned among affected  
273.12 counties in the same ratio as the net tax capacity of the area of the counties within  
273.13 the watershed district bears to the net tax capacity of the entire watershed district. If a  
273.14 watershed district is enlarged, an organizational expense fund may be levied against the  
273.15 area added to the watershed district in the same manner as provided in this subdivision.

273.16 (d) Unexpended funds collected for the organizational expense may be transferred to  
273.17 the administrative fund and used for the purposes of the administrative fund.

273.18 Sec. 12. Minnesota Statutes 2012, section 103D.905, subdivision 3, is amended to read:

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

273.30 Sec. 13. Minnesota Statutes 2012, section 103D.905, subdivision 8, is amended to read:

273.31 Subd. 8. **Survey and data acquisition fund.** (a) A survey and data acquisition fund  
273.32 is established and used only if other funds are not available to the watershed district to pay  
273.33 for making necessary surveys and acquiring data.

274.1 (b) The survey and data acquisition fund consists of the proceeds of a property tax  
 274.2 that can be levied only once every five years. The levy may not exceed 0.02418 percent of  
 274.3 ~~taxable~~ estimated market value.

274.4 (c) The balance of the survey and data acquisition fund may not exceed \$50,000.

274.5 (d) In a subsequent proceeding for a project where a survey has been made, the  
 274.6 attributable cost of the survey as determined by the managers shall be included as a part of  
 274.7 the cost of the work and the sum shall be repaid to the survey and data acquisition fund.

274.8 Sec. 14. Minnesota Statutes 2012, section 117.025, subdivision 7, is amended to read:

274.9 Subd. 7. **Structurally substandard.** "Structurally substandard" means a building:

274.10 (1) that was inspected by the appropriate local government and cited for one or more  
 274.11 enforceable housing, maintenance, or building code violations;

274.12 (2) in which the cited building code violations involve one or more of the following:

274.13 (i) a roof and roof framing element;

274.14 (ii) support walls, beams, and headers;

274.15 (iii) foundation, footings, and subgrade conditions;

274.16 (iv) light and ventilation;

274.17 (v) fire protection, including egress;

274.18 (vi) internal utilities, including electricity, gas, and water;

274.19 (vii) flooring and flooring elements; or

274.20 (viii) walls, insulation, and exterior envelope;

274.21 (3) in which the cited housing, maintenance, or building code violations have not  
 274.22 been remedied after two notices to cure the noncompliance; and

274.23 (4) has uncured housing, maintenance, and building code violations, satisfaction of  
 274.24 which would cost more than 50 percent of the ~~assessor's taxable~~ estimated market value  
 274.25 for the building, excluding land value, as determined under section 273.11 for property  
 274.26 taxes payable in the year in which the condemnation is commenced.

274.27 A local government is authorized to seek from a judge or magistrate an administrative  
 274.28 warrant to gain access to inspect a specific building in a proposed development or  
 274.29 redevelopment area upon showing of probable cause that a specific code violation has  
 274.30 occurred and that the violation has not been cured, and that the owner has denied the local  
 274.31 government access to the property. Items of evidence that may support a conclusion of  
 274.32 probable cause may include recent fire or police inspections, housing inspection, exterior  
 274.33 evidence of deterioration, or other similar reliable evidence of deterioration in the specific  
 274.34 building.

275.1 Sec. 15. Minnesota Statutes 2012, section 127A.48, subdivision 1, is amended to read:

275.2 Subdivision 1. **Computation.** The Department of Revenue must annually conduct  
 275.3 an assessment/sales ratio study of the taxable property in each county, city, town, and  
 275.4 school district in accordance with the procedures in subdivisions 2 and 3. Based upon the  
 275.5 results of this assessment/sales ratio study, the Department of Revenue must determine an  
 275.6 ~~aggregate~~ equalized net tax capacity for the various classes of taxable property in each  
 275.7 taxing district, the aggregate of which tax capacity shall be is designated as the adjusted net  
 275.8 tax capacity. The adjusted net tax capacity must be reduced by the captured tax capacity of  
 275.9 tax increment districts under section 469.177, subdivision 2, fiscal disparities contribution  
 275.10 tax capacities under sections 276A.06 and 473F.08, and the tax capacity of transmission  
 275.11 lines required to be subtracted from the local tax base under section 273.425; and increased  
 275.12 by fiscal disparities distribution tax capacities under sections 276A.06 and 473F.08. The  
 275.13 adjusted net tax capacities shall be determined using the net tax capacity percentages in  
 275.14 effect for the assessment year following the assessment year of the study. The Department  
 275.15 of Revenue must make whatever estimates are necessary to account for changes in the  
 275.16 classification system. The Department of Revenue may incur the expense necessary to  
 275.17 make the determinations. The commissioner of revenue may reimburse any county or  
 275.18 governmental official for requested services performed in ascertaining the adjusted net tax  
 275.19 capacity. On or before March 15 annually, the Department of Revenue shall file with the  
 275.20 chair of the Tax Committee of the house of representatives and the chair of the Committee  
 275.21 on Taxes and Tax laws of the senate a report of adjusted net tax capacities for school  
 275.22 districts. On or before June 15 annually, the Department of Revenue shall file its final report  
 275.23 on the adjusted net tax capacities for school districts established by the previous year's  
 275.24 assessments and the current year's net tax capacity percentages with the commissioner of  
 275.25 education and each county auditor for those school districts for which the auditor has the  
 275.26 responsibility for determination of local tax rates. A copy of the report so filed shall be  
 275.27 mailed to the clerk of each school district involved and to the county assessor or supervisor  
 275.28 of assessments of the county or counties in which each school district is located.

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

275.30 Sec. 16. Minnesota Statutes 2012, section 138.053, is amended to read:

275.31 **138.053 COUNTY HISTORICAL SOCIETY; TAX LEVY; CITIES OR**  
 275.32 **TOWNS.**

275.33 The governing body of any home rule charter or statutory city or town may annually  
 275.34 appropriate from its general fund an amount not to exceed 0.02418 percent of taxable

276.1 estimated market value, derived from ad valorem taxes on property or other revenues, to  
276.2 be paid to the historical society of its respective county to be used for the promotion of  
276.3 historical work and to aid in defraying the expenses of carrying on the historical work in the  
276.4 county. No city or town may appropriate any funds for the benefit of any historical society  
276.5 unless the society is affiliated with and approved by the Minnesota Historical Society.

276.6 Sec. 17. Minnesota Statutes 2012, section 144F.01, subdivision 4, is amended to read:

276.7 Subd. 4. **Property tax levy authority.** The district's board may levy a tax on the  
276.8 taxable real and personal property in the district. The ad valorem tax levy may not exceed  
276.9 0.048 percent of the ~~taxable~~ estimated market value of the district or \$400,000, whichever  
276.10 is less. The proceeds of the levy must be used as provided in subdivision 5. The board shall  
276.11 certify the levy at the times as provided under section 275.07. The board shall provide the  
276.12 county with whatever information is necessary to identify the property that is located within  
276.13 the district. If the boundaries include a part of a parcel, the entire parcel shall be included  
276.14 in the district. The county auditors must spread, collect, and distribute the proceeds of the  
276.15 tax at the same time and in the same manner as provided by law for all other property taxes.

276.16 Sec. 18. Minnesota Statutes 2012, section 162.07, subdivision 3, is amended to read:

276.17 Subd. 3. **Computation for rural counties.** An amount equal to a levy of 0.01596  
276.18 percent on each rural county's total ~~taxable~~ estimated market value for the last preceding  
276.19 calendar year shall be computed and shall be subtracted from the county's total estimated  
276.20 construction costs. The result thereof shall be the money needs of the county. For the  
276.21 purpose of this section, "rural counties" means all counties having a population of less  
276.22 than 175,000.

276.23 Sec. 19. Minnesota Statutes 2012, section 162.07, subdivision 4, is amended to read:

276.24 Subd. 4. **Computation for urban counties.** An amount equal to a levy of 0.00967  
276.25 percent on each urban county's total ~~taxable~~ estimated market value for the last preceding  
276.26 calendar year shall be computed and shall be subtracted from the county's total estimated  
276.27 construction costs. The result thereof shall be the money needs of the county. For  
276.28 the purpose of this section, "urban counties" means all counties having a population  
276.29 of 175,000 or more.

276.30 Sec. 20. Minnesota Statutes 2012, section 163.04, subdivision 3, is amended to read:

276.31 Subd. 3. **Bridges within certain cities.** When the council of any statutory city or  
276.32 city of the third or fourth class may determine that it is necessary to build or improve any

277.1 bridge or bridges, including approaches thereto, and any dam or retaining works connected  
277.2 therewith, upon or forming a part of streets or highways either wholly or partly within  
277.3 its limits, the county board shall appropriate one-half of the money as may be necessary  
277.4 therefor from the county road and bridge fund, not exceeding during any year one-half  
277.5 the amount of taxes paid into the county road and bridge fund during the preceding year,  
277.6 on property within the corporate limits of the city. The appropriation shall be made upon  
277.7 the petition of the council, which petition shall be filed by the council with the county  
277.8 board prior to the fixing by the board of the annual county tax levy. The county board  
277.9 shall determine the plans and specifications, shall let all necessary contracts, shall have  
277.10 charge of construction, and upon its request, warrants in payment thereof shall be issued  
277.11 by the county auditor, from time to time, as the construction work proceeds. Any unpaid  
277.12 balance may be paid or advanced by the city. On petition of the council, the appropriations  
277.13 of the county board, during not to exceed three successive years, may be made to apply  
277.14 on the construction of the same items and to repay any money advanced by the city in  
277.15 the construction thereof. None of the provisions of this section shall be construed to  
277.16 be mandatory as applied to any city whose estimated market value exceeds \$2,100 per  
277.17 capita of its population.

277.18 Sec. 21. Minnesota Statutes 2012, section 163.06, subdivision 6, is amended to read:

277.19 Subd. 6. **Expenditure in certain counties.** In any county having not less than 95  
277.20 nor more than 105 full and fractional townships, and having ~~a~~ an estimated market value  
277.21 of not less than \$12,000,000 nor more than \$21,000,000, ~~exclusive of money and credits,~~  
277.22 the county board, by resolution, may expend the funds provided in subdivision 4 in any  
277.23 organized or unorganized township or portion thereof in such county.

277.24 Sec. 22. Minnesota Statutes 2012, section 165.10, subdivision 1, is amended to read:

277.25 Subdivision 1. **Certain counties may issue and sell.** The county board of any  
277.26 county having no outstanding road and bridge bonds may issue and sell county road bonds  
277.27 in an amount not exceeding 0.12089 percent of the estimated market value of the taxable  
277.28 property within the county ~~exclusive of money and credits,~~ for the purpose of constructing,  
277.29 reconstructing, improving, or maintaining any bridge or bridges on any highway under its  
277.30 jurisdiction, without submitting the matter to a vote of the electors of the county.

277.31 Sec. 23. Minnesota Statutes 2012, section 272.03, is amended by adding a subdivision  
277.32 to read:

278.1 Subd. 14. **Estimated market value.** "Estimated market value" means the assessor's  
 278.2 determination of market value, including the effects of any orders made under section  
 278.3 270.12 or chapter 274, for the parcel. The provisions of section 273.032 apply for certain  
 278.4 uses in determining the total estimated market value for the taxing jurisdiction.

278.5 Sec. 24. Minnesota Statutes 2012, section 272.03, is amended by adding a subdivision  
 278.6 to read:

278.7 Subd. 15. **Taxable market value.** "Taxable market value" means estimated market  
 278.8 value for the parcel as reduced by market value exclusions, deferrals of value, or other  
 278.9 adjustments required by law, that reduce market value before the application of class rates.

278.10 Sec. 25. Minnesota Statutes 2012, section 273.032, is amended to read:

278.11 **273.032 MARKET VALUE DEFINITION.**

278.12 (a) Unless otherwise provided, for the purpose of determining any property tax  
 278.13 levy limitation based on market value or any limit on net debt, the issuance of bonds,  
 278.14 certificates of indebtedness, or capital notes based on market value, any qualification to  
 278.15 receive state aid based on market value, or any state aid amount based on market value, the  
 278.16 terms "market value," "~~taxable~~ estimated market value," and "market valuation," whether  
 278.17 equalized or unequalized, mean the ~~total taxable~~ estimated market value of taxable property  
 278.18 within the local unit of government before any of the following or similar adjustments for:

278.19 (1) the market value exclusions under:

278.20 (i) section 273.11, subdivisions 14a and 14c (vacant platted land);

278.21 (ii) section 273.11, subdivision 16 (certain improvements to homestead property);

278.22 (iii) section 273.11, subdivisions 19 and 20 (certain improvements to business  
 278.23 properties);

278.24 (iv) section 273.11, subdivision 21 (homestead property damaged by mold);

278.25 (v) section 273.11, subdivision 22 (qualifying lead hazardous reduction projects);

278.26 (vi) section 273.13, subdivision 34 (homestead of a disabled veteran or family  
 278.27 caregiver);

278.28 (vii) section 273.13, subdivision 35 (homestead market value exclusion); or

278.29 (2) the deferral of value under:

278.30 (i) the Minnesota Agricultural Property Tax Law, section 273.111;

278.31 (ii) the Aggregate Resource Preservation Law, section 273.1115;

278.32 (iii) the Minnesota Open Space Property Tax Law, section 273.112;

278.33 (iv) the rural preserves property tax program, section 273.114; or

278.34 (v) the Metropolitan Agricultural Preserves Act, section 473H.10; or

279.1 (3) the adjustments to tax capacity for:  
 279.2 (i) tax increment, financing under sections 469.174 to 469.1794;  
 279.3 (ii) fiscal disparity, disparities under chapter 276A or 473F; or  
 279.4 (iii) powerline credit, or wind energy values, but after the limited market adjustments  
 279.5 under section 273.11, subdivision 1a, and after the market value exclusions of certain  
 279.6 improvements to homestead property under section 273.11, subdivision 16 under section  
 279.7 273.425.

279.8 (b) Estimated market value under paragraph (a) also includes the market value  
 279.9 of tax-exempt property if the applicable law specifically provides that the limitation,  
 279.10 qualification, or aid calculation includes tax-exempt property.

279.11 (c) Unless otherwise provided, "market value," "taxable estimated market value,"  
 279.12 and "market valuation" for purposes of this paragraph property tax levy limitations and  
 279.13 calculation of state aid, refer to the taxable estimated market value for the previous  
 279.14 assessment year and for purposes of limits on net debt, the issuance of bonds, certificates of  
 279.15 indebtedness, or capital notes refer to the estimated market value as last finally equalized.

279.16 ~~For the purpose of determining any net debt limit based on market value, or any limit~~  
 279.17 ~~on the issuance of bonds, certificates of indebtedness, or capital notes based on market~~  
 279.18 ~~value, the terms "market value," "taxable market value," and "market valuation," whether~~  
 279.19 ~~equalized or unequalized, mean the total taxable market value of property within the local~~  
 279.20 ~~unit of government before any adjustments for tax increment, fiscal disparity, powerline~~  
 279.21 ~~credit, or wind energy values, but after the limited market value adjustments under section~~  
 279.22 ~~273.11, subdivision 1a, and after the market value exclusions of certain improvements to~~  
 279.23 ~~homestead property under section 273.11, subdivision 16. Unless otherwise provided,~~  
 279.24 ~~"market value," "taxable market value," and "market valuation" for purposes of this~~  
 279.25 ~~paragraph, mean the taxable market value as last finally equalized.~~

279.26 (d) For purposes of a provision of a home rule charter or of any special law that is not  
 279.27 codified in the statutes and that imposes a levy limitation based on market value or any limit  
 279.28 on debt, the issuance of bonds, certificates of indebtedness, or capital notes based on market  
 279.29 value, the terms "market value," "taxable market value," and "market valuation," whether  
 279.30 equalized or unequalized, mean "estimated market value" as defined in paragraph (a).

279.31 Sec. 26. Minnesota Statutes 2012, section 273.11, subdivision 1, is amended to read:

279.32 Subdivision 1. **Generally.** Except as provided in this section or section 273.17,  
 279.33 subdivision 1, all property shall be valued at its market value. The market value as  
 279.34 determined pursuant to this section shall be stated such that any amount under \$100 is  
 279.35 rounded up to \$100 and any amount exceeding \$100 shall be rounded to the nearest \$100.

280.1 In estimating and determining such value, the assessor shall not adopt a lower or different  
 280.2 standard of value because the same is to serve as a basis of taxation, nor shall the assessor  
 280.3 adopt as a criterion of value the price for which such property would sell at a forced sale,  
 280.4 or in the aggregate with all the property in the town or district; but the assessor shall value  
 280.5 each article or description of property by itself, and at such sum or price as the assessor  
 280.6 believes the same to be fairly worth in money. The assessor shall take into account the  
 280.7 effect on the market value of property of environmental factors in the vicinity of the  
 280.8 property. In assessing any tract or lot of real property, the value of the land, exclusive of  
 280.9 structures and improvements, shall be determined, and also the value of all structures and  
 280.10 improvements thereon, and the aggregate value of the property, including all structures  
 280.11 and improvements, excluding the value of crops growing upon cultivated land. In valuing  
 280.12 real property upon which there is a mine or quarry, it shall be valued at such price as such  
 280.13 property, including the mine or quarry, would sell for at a fair, voluntary sale, for cash,  
 280.14 if the material being mined or quarried is not subject to taxation under section 298.015  
 280.15 and the mine or quarry is not exempt from the general property tax under section 298.25.  
 280.16 In valuing real property which is vacant, platted property shall be assessed as provided  
 280.17 in ~~subdivision 14~~ subdivisions 14a and 14c. All property, or the use thereof, which is  
 280.18 taxable under section 272.01, subdivision 2, or 273.19, shall be valued at the market  
 280.19 value of such property and not at the value of a leasehold estate in such property, or at  
 280.20 some lesser value than its market value.

280.21 Sec. 27. Minnesota Statutes 2012, section 273.124, subdivision 3a, is amended to read:

280.22 Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home  
 280.23 park is owned by a corporation or association organized under chapter 308A or 308B,  
 280.24 and each person who owns a share or shares in the corporation or association is entitled  
 280.25 to occupy a lot within the park, the corporation or association may claim homestead  
 280.26 treatment for the park. Each lot must be designated by legal description or number, and  
 280.27 each lot is limited to not more than one-half acre of land.

280.28 (b) The manufactured home park shall be entitled to homestead treatment if all  
 280.29 of the following criteria are met:

280.30 (1) the occupant or the cooperative corporation or association is paying the ad  
 280.31 valorem property taxes and any special assessments levied against the land and structure  
 280.32 either directly, or indirectly through dues to the corporation or association; and

280.33 (2) the corporation or association organized under chapter 308A or 308B is wholly  
 280.34 owned by persons having a right to occupy a lot owned by the corporation or association.

281.1 (c) A charitable corporation, organized under the laws of Minnesota with no  
281.2 outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3)  
281.3 tax-exempt status, qualifies for homestead treatment with respect to a manufactured home  
281.4 park if its members hold residential participation warrants entitling them to occupy a lot  
281.5 in the manufactured home park.

281.6 (d) "Homestead treatment" under this subdivision means the class rate provided for  
281.7 class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5),  
281.8 item (ii). The homestead market value ~~credit~~ exclusion under section ~~273.1384~~ 273.13,  
281.9 subdivision 35, does not apply and the property taxes assessed against the park shall not  
281.10 be included in the determination of taxes payable for rent paid under section 290A.03.

281.11 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and  
281.12 thereafter.

281.13 Sec. 28. Minnesota Statutes 2012, section 273.124, subdivision 13, is amended to read:

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

281.17 (b) The format and contents of a uniform homestead application shall be prescribed  
281.18 by the commissioner of revenue. The application must clearly inform the taxpayer that  
281.19 this application must be signed by all owners who occupy the property or by the qualifying  
281.20 relative and returned to the county assessor in order for the property to receive homestead  
281.21 treatment.

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

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

281.33 Owners or spouses occupying residences owned by their spouses and previously  
281.34 occupied with the other spouse, either of whom fail to include the other spouse's name  
281.35 and Social Security number on the homestead application or provide the affidavits or

282.1 other proof requested, will be deemed to have elected to receive only partial homestead  
282.2 treatment of their residence. The remainder of the residence will be classified as  
282.3 nonhomestead residential. When an owner or spouse's name and Social Security number  
282.4 appear on homestead applications for two separate residences and only one application is  
282.5 signed, the owner or spouse will be deemed to have elected to homestead the residence for  
282.6 which the application was signed.

282.7 The Social Security numbers, state or federal tax returns or tax return information,  
282.8 including the federal income tax schedule F required by this section, or affidavits or other  
282.9 proofs of the property owners and spouses submitted under this or another section to  
282.10 support a claim for a property tax homestead classification are private data on individuals as  
282.11 defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data  
282.12 may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the  
282.13 Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

282.14 (d) If residential real estate is occupied and used for purposes of a homestead by a  
282.15 relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in  
282.16 order for the property to receive homestead status, a homestead application must be filed  
282.17 with the assessor. The Social Security number of each relative and spouse of a relative  
282.18 occupying the property shall be required on the homestead application filed under this  
282.19 subdivision. If a different relative of the owner subsequently occupies the property, the  
282.20 owner of the property must notify the assessor within 30 days of the change in occupancy.  
282.21 The Social Security number of a relative or relative's spouse occupying the property  
282.22 is private data on individuals as defined by section 13.02, subdivision 12, but may be  
282.23 disclosed to the commissioner of revenue, or, for the purposes of proceeding under the  
282.24 Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

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

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

283.8 (g) At the request of the commissioner, each county must give the commissioner a  
283.9 list that includes the name and Social Security number of each occupant of homestead  
283.10 property who is the property owner, property owner's spouse, qualifying relative of a  
283.11 property owner, or a spouse of a qualifying relative. The commissioner shall use the  
283.12 information provided on the lists as appropriate under the law, including for the detection  
283.13 of improper claims by owners, or relatives of owners, under chapter 290A.

283.14 (h) If the commissioner finds that a property owner may be claiming a fraudulent  
283.15 homestead, the commissioner shall notify the appropriate counties. Within 90 days of  
283.16 the notification, the county assessor shall investigate to determine if the homestead  
283.17 classification was properly claimed. If the property owner does not qualify, the county  
283.18 assessor shall notify the county auditor who will determine the amount of homestead  
283.19 benefits that had been improperly allowed. For the purpose of this section, "homestead  
283.20 benefits" means the tax reduction resulting from the classification as a homestead and the  
283.21 homestead market value exclusion under section 273.13, the taconite homestead credit  
283.22 under section 273.135, the ~~residential homestead~~ and agricultural homestead ~~credits~~ credit  
283.23 under section 273.1384, and the supplemental homestead credit under section 273.1391.

283.24 The county auditor shall send a notice to the person who owned the affected property  
283.25 at the time the homestead application related to the improper homestead was filed,  
283.26 demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent  
283.27 of the homestead benefits. The person notified may appeal the county's determination  
283.28 by serving copies of a petition for review with county officials as provided in section  
283.29 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax  
283.30 Court within 60 days of the date of the notice from the county. Procedurally, the appeal  
283.31 is governed by the provisions in chapter 271 which apply to the appeal of a property tax  
283.32 assessment or levy, but without requiring any prepayment of the amount in controversy. If  
283.33 the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal  
283.34 has been filed, the county auditor shall certify the amount of taxes and penalty to the county  
283.35 treasurer. The county treasurer will add interest to the unpaid homestead benefits and  
283.36 penalty amounts at the rate provided in section 279.03 for real property taxes becoming

284.1 delinquent in the calendar year during which the amount remains unpaid. Interest may be  
284.2 assessed for the period beginning 60 days after demand for payment was made.

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

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

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

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

284.35 (k) In addition to lists of homestead properties, the commissioner may ask the  
284.36 counties to furnish lists of all properties and the record owners. The Social Security

285.1 numbers and federal identification numbers that are maintained by a county or city  
285.2 assessor for property tax administration purposes, and that may appear on the lists retain  
285.3 their classification as private or nonpublic data; but may be viewed, accessed, and used by  
285.4 the county auditor or treasurer of the same county for the limited purpose of assisting the  
285.5 commissioner in the preparation of microdata samples under section 270C.12.

285.6 (l) On or before April 30 each year beginning in 2007, each county must provide the  
285.7 commissioner with the following data for each parcel of homestead property by electronic  
285.8 means as defined in section 289A.02, subdivision 8:

285.9 (i) the property identification number assigned to the parcel for purposes of taxes  
285.10 payable in the current year;

285.11 (ii) the name and Social Security number of each occupant of homestead property  
285.12 who is the property owner, property owner's spouse, qualifying relative of a property  
285.13 owner, or spouse of a qualifying relative;

285.14 (iii) the classification of the property under section 273.13 for taxes payable in the  
285.15 current year and in the prior year;

285.16 (iv) an indication of whether the property was classified as a homestead for taxes  
285.17 payable in the current year because of occupancy by a relative of the owner or by a  
285.18 spouse of a relative;

285.19 (v) the property taxes payable as defined in section 290A.03, subdivision 13, for the  
285.20 current year and the prior year;

285.21 (vi) the market value of improvements to the property first assessed for tax purposes  
285.22 for taxes payable in the current year;

285.23 (vii) the assessor's estimated market value assigned to the property for taxes payable  
285.24 in the current year and the prior year;

285.25 (viii) the taxable market value assigned to the property for taxes payable in the  
285.26 current year and the prior year;

285.27 (ix) whether there are delinquent property taxes owing on the homestead;

285.28 (x) the unique taxing district in which the property is located; and

285.29 (xi) such other information as the commissioner decides is necessary.

285.30 The commissioner shall use the information provided on the lists as appropriate  
285.31 under the law, including for the detection of improper claims by owners, or relatives  
285.32 of owners, under chapter 290A.

285.33 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and  
285.34 thereafter.

285.35 Sec. 29. Minnesota Statutes 2012, section 273.13, subdivision 21b, is amended to read:

286.1 Subd. 21b. **Net tax capacity.** ~~(a) Gross tax capacity means the product of the~~  
 286.2 ~~appropriate gross class rates in this section and market values.~~

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

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

286.6 Sec. 30. Minnesota Statutes 2012, section 273.1398, subdivision 3, is amended to read:

286.7 Subd. 3. **Disparity reduction aid.** The amount of disparity aid certified for each  
 286.8 taxing district within each unique taxing jurisdiction for taxes payable in the prior year  
 286.9 shall be multiplied by the ratio of (1) the jurisdiction's tax capacity using the class rates for  
 286.10 taxes payable in the year for which aid is being computed, to (2) its tax capacity using  
 286.11 the class rates for taxes payable in the year prior to that for which aid is being computed,  
 286.12 both based upon taxable market values for taxes payable in the year prior to that for which  
 286.13 aid is being computed. If the commissioner determines that insufficient information is  
 286.14 available to reasonably and timely calculate the numerator in this ratio for the first taxes  
 286.15 payable year that a class rate change or new class rate is effective, the commissioner shall  
 286.16 omit the effects of that class rate change or new class rate when calculating this ratio for  
 286.17 aid payable in that taxes payable year. For aid payable in the year following a year for  
 286.18 which such omission was made, the commissioner shall use in the denominator for the  
 286.19 class that was changed or created, the tax capacity for taxes payable two years prior to that  
 286.20 in which the aid is payable, based on taxable market values for taxes payable in the year  
 286.21 prior to that for which aid is being computed.

286.22 Sec. 31. Minnesota Statutes 2012, section 273.1398, subdivision 4, is amended to read:

286.23 Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989,  
 286.24 class 4a and class 3a property qualifies for a disparity reduction credit if: (1) the property  
 286.25 is located in a border city that has an enterprise zone, as defined in section 469.166; (2)  
 286.26 the property is located in a city with a population greater than 2,500 and less than 35,000  
 286.27 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or  
 286.28 immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city  
 286.29 in the other state has a population of greater than 5,000 and less than 75,000 according to  
 286.30 the 1980 decennial census.

286.31 (b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a  
 286.32 property to 2.3 percent of the property's taxable market value and (ii) the tax on class 3a  
 286.33 property to 2.3 percent of taxable market value.

287.1 (c) The county auditor shall annually certify the costs of the credits to the  
 287.2 Department of Revenue. The department shall reimburse local governments for the  
 287.3 property taxes forgone as the result of the credits in proportion to their total levies.

287.4 Sec. 32. Minnesota Statutes 2012, section 275.011, subdivision 1, is amended to read:

287.5 Subdivision 1. **Determination of levy limit.** The property tax levied for any  
 287.6 purpose under a special law that is not codified in Minnesota Statutes or a city charter  
 287.7 provision and that is subject to a mill rate limitation imposed by the special law or city  
 287.8 charter provision, excluding levies subject to mill rate limitations that use adjusted  
 287.9 assessed values determined by the commissioner of revenue under section 124.2131, must  
 287.10 not exceed the following amount for the years specified:

287.11 (a) for taxes payable in 1988, the product of the applicable mill rate limitation  
 287.12 imposed by special law or city charter provision multiplied by the total assessed valuation  
 287.13 of all taxable property subject to the tax as adjusted by the provisions of Minnesota  
 287.14 Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

287.15 (b) for taxes payable in 1989, the product of (1) the property tax levy limitation for  
 287.16 the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for  
 287.17 market valuation changes equal to the assessment year 1988 total market valuation of all  
 287.18 taxable property subject to the tax divided by the assessment year 1987 total market  
 287.19 valuation of all taxable property subject to the tax; and

287.20 (c) for taxes payable in 1990 and subsequent years, the product of (1) the property  
 287.21 tax levy limitation for the previous year determined pursuant to this subdivision multiplied  
 287.22 by (2) an index for market valuation changes equal to the total market valuation of all  
 287.23 taxable property subject to the tax for the current assessment year divided by the total  
 287.24 market valuation of all taxable property subject to the tax for the previous assessment year.

287.25 For the purpose of determining the property tax levy limitation for the taxes payable  
 287.26 year ~~1988~~ 2014 and subsequent years under this subdivision, "total market valuation"  
 287.27 means the ~~total~~ estimated market ~~valuation~~ value of all taxable property subject to the  
 287.28 tax ~~without valuation adjustments for fiscal disparities (chapters 276A and 473F), tax~~  
 287.29 ~~increment financing (sections 469.174 to 469.179), or powerline credit (section 273.425)~~  
 287.30 as provided under section 273.032.

287.31 Sec. 33. Minnesota Statutes 2012, section 275.077, subdivision 2, is amended to read:

287.32 Subd. 2. **Correction of levy amount.** The difference between the correct levy and  
 287.33 the erroneous levy shall be added to the township levy for the subsequent levy year;  
 287.34 provided that if the amount of the difference exceeds 0.12089 percent of ~~taxable~~ estimated

288.1 market value, the excess shall be added to the township levy for the second and later  
288.2 subsequent levy years, not to exceed an additional levy of 0.12089 percent of ~~taxable~~  
288.3 estimated market value in any year, until the full amount of the difference has been levied.  
288.4 The funds collected from the corrected levies shall be used to reimburse the county for the  
288.5 payment required by subdivision 1.

288.6 Sec. 34. Minnesota Statutes 2012, section 275.71, subdivision 4, is amended to read:

288.7 Subd. 4. **Adjusted levy limit base.** For taxes levied in 2008 through 2010, the  
288.8 adjusted levy limit base is equal to the levy limit base computed under subdivision 2  
288.9 or section 275.72, multiplied by:

288.10 (1) one plus the percentage growth in the implicit price deflator, but the percentage  
288.11 shall not be less than zero or exceed 3.9 percent;

288.12 (2) one plus a percentage equal to 50 percent of the percentage increase in the number  
288.13 of households, if any, for the most recent 12-month period for which data is available; and

288.14 (3) one plus a percentage equal to 50 percent of the percentage increase in the  
288.15 ~~taxable~~ estimated market value of the jurisdiction due to new construction of class 3  
288.16 property, as defined in section 273.13, subdivision 4, except for state-assessed utility and  
288.17 railroad property, for the most recent year for which data is available.

288.18 Sec. 35. Minnesota Statutes 2012, section 276.04, subdivision 2, is amended to read:

288.19 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing  
288.20 of the tax statements. The commissioner of revenue shall prescribe the form of the property  
288.21 tax statement and its contents. The tax statement must not state or imply that property tax  
288.22 credits are paid by the state of Minnesota. The statement must contain a tabulated statement  
288.23 of the dollar amount due to each taxing authority and the amount of the state tax from the  
288.24 parcel of real property for which a particular tax statement is prepared. The dollar amounts  
288.25 attributable to the county, the state tax, the voter approved school tax, the other local school  
288.26 tax, the township or municipality, and the total of the metropolitan special taxing districts  
288.27 as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated.

288.28 The amounts due all other special taxing districts, if any, may be aggregated except that  
288.29 any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota,  
288.30 Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate  
288.31 line directly under the appropriate county's levy. If the county levy under this paragraph  
288.32 includes an amount for a lake improvement district as defined under sections 103B.501  
288.33 to 103B.581, the amount attributable for that purpose must be separately stated from the  
288.34 remaining county levy amount. In the case of Ramsey County, if the county levy under this

289.1 paragraph includes an amount for public library service under section 134.07, the amount  
 289.2 attributable for that purpose may be separated from the remaining county levy amount.  
 289.3 The amount of the tax on homesteads qualifying under the senior citizens' property tax  
 289.4 deferral program under chapter 290B is the total amount of property tax before subtraction  
 289.5 of the deferred property tax amount. The amount of the tax on contamination value  
 289.6 imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar  
 289.7 amounts, including the dollar amount of any special assessments, may be rounded to the  
 289.8 nearest even whole dollar. For purposes of this section whole odd-numbered dollars may  
 289.9 be adjusted to the next higher even-numbered dollar. The amount of market value excluded  
 289.10 under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

289.11 (b) The property tax statements for manufactured homes and sectional structures  
 289.12 taxed as personal property shall contain the same information that is required on the  
 289.13 tax statements for real property.

289.14 (c) Real and personal property tax statements must contain the following information  
 289.15 in the order given in this paragraph. The information must contain the current year tax  
 289.16 information in the right column with the corresponding information for the previous year  
 289.17 in a column on the left:

289.18 (1) the property's estimated market value under section 273.11, subdivision 1;

289.19 (2) the property's homestead market value exclusion under section 273.13,  
 289.20 subdivision 35;

289.21 (3) the property's taxable market value ~~after reductions under sections 273.11,~~  
 289.22 ~~subdivisions 1a and 16, and 273.13, subdivision 35~~ section 272.03, subdivision 15;

289.23 (4) the property's gross tax, before credits;

289.24 (5) for homestead agricultural properties, the credit under section 273.1384;

289.25 (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;

289.26 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of  
 289.27 credit received under section 273.135 must be separately stated and identified as "taconite  
 289.28 tax relief"; and

289.29 (7) the net tax payable in the manner required in paragraph (a).

289.30 (d) If the county uses envelopes for mailing property tax statements and if the county  
 289.31 agrees, a taxing district may include a notice with the property tax statement notifying  
 289.32 taxpayers when the taxing district will begin its budget deliberations for the current  
 289.33 year, and encouraging taxpayers to attend the hearings. If the county allows notices to  
 289.34 be included in the envelope containing the property tax statement, and if more than  
 289.35 one taxing district relative to a given property decides to include a notice with the tax

290.1 statement, the county treasurer or auditor must coordinate the process and may combine  
 290.2 the information on a single announcement.

290.3 Sec. 36. Minnesota Statutes 2012, section 276A.01, subdivision 10, is amended to read:

290.4 Subd. 10. **Adjusted market value.** "Adjusted market value" of real and personal  
 290.5 property within a municipality means the assessor's estimated taxable market value,  
 290.6 as defined in section 272.03, of all real and personal property, including the value of  
 290.7 manufactured housing, within the municipality. ~~For purposes of sections 276A.01 to~~  
 290.8 ~~276A.09, the commissioner of revenue shall annually make determinations and reports~~  
 290.9 ~~with respect to each municipality which are comparable to those it makes for school~~  
 290.10 ~~districts, adjusted for sales ratios in a manner similar to the adjustments made to city and~~  
 290.11 ~~town net tax capacities under section 127A.48, subdivisions 1 to 6, in the same manner~~  
 290.12 ~~and at the same times prescribed by the subdivision. The commissioner of revenue shall~~  
 290.13 ~~annually determine, for each municipality, information comparable to that required by~~  
 290.14 ~~section 475.53, subdivision 4, for school districts, as soon as practicable after it becomes~~  
 290.15 ~~available. The commissioner of revenue shall then compute the equalized market value of~~  
 290.16 ~~property within each municipality.~~

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

290.18 Sec. 37. Minnesota Statutes 2012, section 276A.01, subdivision 12, is amended to read:

290.19 Subd. 12. **Fiscal capacity.** "Fiscal capacity" of a municipality means its ~~valuation~~  
 290.20 adjusted market value, determined as of January 2 of any year, divided by its population,  
 290.21 determined as of a date in the same year.

290.22 Sec. 38. Minnesota Statutes 2012, section 276A.01, subdivision 13, is amended to read:

290.23 Subd. 13. **Average fiscal capacity.** "Average fiscal capacity" of municipalities  
 290.24 means the sum of the ~~valuations~~ adjusted market values of all municipalities, determined  
 290.25 as of January 2 of any year, divided by the sum of their populations, determined as of  
 290.26 a date in the same year.

290.27 Sec. 39. Minnesota Statutes 2012, section 276A.01, subdivision 15, is amended to read:

290.28 Subd. 15. **Net tax capacity.** "Net tax capacity" means the taxable market value of  
 290.29 real and personal property multiplied by its net tax capacity rates in section 273.13.

290.30 Sec. 40. Minnesota Statutes 2012, section 276A.06, subdivision 10, is amended to read:

291.1 Subd. 10. **Adjustment of values for other computations.** For the purpose of  
 291.2 computing the amount or rate of any salary, aid, tax, or debt authorized, required, or  
 291.3 limited by any provision of any law or charter, where the authorization, requirement, or  
 291.4 limitation is related to any value or valuation of taxable property within any governmental  
 291.5 unit, the value or net tax capacity fiscal capacity under section 276A.01, subdivision 12, a  
 291.6 municipality's taxable market value must be adjusted to reflect the adjustments reductions  
 291.7 to net tax capacity effected by subdivision 2, clause (a), provided that: ~~(1)~~ in determining  
 291.8 the taxable market value of commercial-industrial property or any class thereof within  
 291.9 a ~~governmental unit for any purpose other than section 276A.05~~ municipality, (a) the  
 291.10 reduction required by this subdivision is that amount which bears the same proportion to  
 291.11 the amount subtracted from the ~~governmental unit's~~ municipality's net tax capacity pursuant  
 291.12 to subdivision 2, clause (a), as the taxable market value of commercial-industrial property,  
 291.13 or such class thereof, located within the ~~governmental unit~~ municipality bears to the net  
 291.14 tax capacity of commercial-industrial property, or such class thereof, located within the  
 291.15 ~~governmental unit~~, and (b) ~~the increase required by this subdivision is that amount which~~  
 291.16 ~~bears the same proportion to the amount added to the governmental unit's net tax capacity~~  
 291.17 ~~pursuant to subdivision 2, clause (b), as the market value of commercial-industrial property,~~  
 291.18 ~~or such class thereof, located within the governmental unit bears to the net tax capacity of~~  
 291.19 ~~commercial-industrial property, or such class thereof, located within the governmental unit;~~  
 291.20 ~~and (2) in determining the market value of real property within a municipality for purposes~~  
 291.21 ~~of section 276A.05, the adjustment prescribed by clause (1)(a) must be made and that~~  
 291.22 ~~prescribed by clause (1)(b) must not be made~~ municipality. No adjustment shall be made  
 291.23 to taxable market value for the increase in net tax capacity under subdivision 2, clause (b).

291.24 Sec. 41. Minnesota Statutes 2012, section 287.08, is amended to read:

291.25 **287.08 TAX, HOW PAYABLE; RECEIPTS.**

291.26 (a) The tax imposed by sections 287.01 to 287.12 must be paid to the treasurer of  
 291.27 any county in this state in which the real property or some part is located at or before  
 291.28 the time of filing the mortgage for record. The treasurer shall endorse receipt on the  
 291.29 mortgage and the receipt is conclusive proof that the tax has been paid in the amount  
 291.30 stated and authorizes any county recorder or registrar of titles to record the mortgage. Its  
 291.31 form, in substance, shall be "registration tax hereon of ..... dollars paid." If the  
 291.32 mortgage is exempt from taxation the endorsement shall, in substance, be "exempt from  
 291.33 registration tax." In either case the receipt must be signed by the treasurer. In case the  
 291.34 treasurer is unable to determine whether a claim of exemption should be allowed, the tax  
 291.35 must be paid as in the case of a taxable mortgage. For documents submitted electronically,

292.1 the endorsements and tax amount shall be affixed electronically and no signature by the  
292.2 treasurer will be required. The actual payment method must be arranged in advance  
292.3 between the submitter and the receiving county.

292.4 (b) The county treasurer may refund in whole or in part any mortgage registry tax  
292.5 overpayment if a written application by the taxpayer is submitted to the county treasurer  
292.6 within 3-1/2 years from the date of the overpayment. If the county has not issued a denial  
292.7 of the application, the taxpayer may bring an action in Tax Court in the county in which  
292.8 the tax was paid at any time after the expiration of six months from the time that the  
292.9 application was submitted. A denial of refund may be appealed within 60 days from  
292.10 the date of the denial by bringing an action in Tax Court in the county in which the tax  
292.11 was paid. The action is commenced by the serving of a petition for relief on the county  
292.12 treasurer, and by filing a copy with the court. The county attorney shall defend the action.  
292.13 The county treasurer shall notify the treasurer of each county that has or would receive a  
292.14 portion of the tax as paid.

292.15 (c) If the county treasurer determines a refund should be paid, or if a refund is  
292.16 ordered by the court, the county treasurer of each county that actually received a portion  
292.17 of the tax shall immediately pay a proportionate share of three percent of the refund  
292.18 using any available county funds. The county treasurer of each county that received, or  
292.19 would have received, a portion of the tax shall also pay their county's proportionate share  
292.20 of the remaining 97 percent of the court-ordered refund on or before the 20th day of the  
292.21 following month using solely the mortgage registry tax funds that would be paid to the  
292.22 commissioner of revenue on that date under section 287.12. If the funds on hand under  
292.23 this procedure are insufficient to fully fund 97 percent of the court-ordered refund, the  
292.24 county treasurer of the county in which the action was brought shall file a claim with the  
292.25 commissioner of revenue under section 16A.48 for the remaining portion of 97 percent of  
292.26 the refund, and shall pay over the remaining portion upon receipt of a warrant from the  
292.27 state issued pursuant to the claim.

292.28 (d) When any mortgage covers real property located in more than one county in this  
292.29 state the total tax must be paid to the treasurer of the county where the mortgage is first  
292.30 presented for recording, and the payment must be receipted as provided in paragraph  
292.31 (a). If the principal debt or obligation secured by such a multiple county mortgage  
292.32 exceeds \$10,000,000, the nonstate portion of the tax must be divided and paid over by  
292.33 the county treasurer receiving it, on or before the 20th day of each month after receipt,  
292.34 to the county or counties entitled in the ratio that the estimated market value of the real  
292.35 property covered by the mortgage in each county bears to the estimated market value of  
292.36 all the real property in this state described in the mortgage. In making the division and

293.1 payment the county treasurer shall send a statement giving the description of the real  
 293.2 property described in the mortgage and the estimated market value of the part located in  
 293.3 each county. For this purpose, the treasurer of any county may require the treasurer of  
 293.4 any other county to certify to the former the estimated market ~~valuation~~ value of any tract  
 293.5 of real property in any mortgage.

293.6 (e) The mortgagor must pay the tax imposed by sections 287.01 to 287.12. The  
 293.7 mortgagee may undertake to collect and remit the tax on behalf of the mortgagor. If the  
 293.8 mortgagee collects money from the mortgagor to remit the tax on behalf of the mortgagor,  
 293.9 the mortgagee has a fiduciary duty to remit the tax on behalf of the mortgagor as to the  
 293.10 amount of the tax collected for that purpose and the mortgagor is relieved of any further  
 293.11 obligation to pay the tax as to the amount collected by the mortgagee for this purpose.

293.12 Sec. 42. Minnesota Statutes 2012, section 287.23, subdivision 1, is amended to read:

293.13 Subdivision 1. **Real property outside county.** If any taxable deed or instrument  
 293.14 describes any real property located in more than one county in this state, the total tax must  
 293.15 be paid to the treasurer of the county where the document is first presented for recording,  
 293.16 and the payment must be receipted as provided in section 287.08. If the net consideration  
 293.17 exceeds \$700,000, the nonstate portion of the tax must be divided and paid over by the  
 293.18 county treasurer receiving it, on or before the 20th day of each month after receipt, to  
 293.19 the county or counties entitled in the ratio which the estimated market value of the real  
 293.20 property covered by the document in each county bears to the estimated market value of  
 293.21 all the real property in this state described in the document. In making the division and  
 293.22 payment the county treasurer shall send a statement to the other involved counties giving  
 293.23 the description of the real property described in the document and the estimated market  
 293.24 value of the part located in each county. The treasurer of any county may require the  
 293.25 treasurer of any other county to certify to the former the estimated market ~~valuation~~ value  
 293.26 of any parcel of real property for this purpose.

293.27 Sec. 43. Minnesota Statutes 2012, section 353G.08, subdivision 2, is amended to read:

293.28 Subd. 2. **Cash flow funding requirement.** If the executive director determines that  
 293.29 an account in the voluntary statewide lump-sum volunteer firefighter retirement plan has  
 293.30 insufficient assets to meet the service pensions determined payable from the account,  
 293.31 the executive director shall certify the amount of the potential service pension shortfall  
 293.32 to the municipality or municipalities and the municipality or municipalities shall make  
 293.33 an additional employer contribution to the account within ten days of the certification.  
 293.34 If more than one municipality is associated with the account, unless the municipalities

294.1 agree to a different allocation, the municipalities shall allocate the additional employer  
 294.2 contribution one-half in proportion to the population of each municipality and one-half in  
 294.3 proportion to the estimated market value of the property of each municipality.

294.4 Sec. 44. Minnesota Statutes 2012, section 365.025, subdivision 4, is amended to read:

294.5 Subd. 4. **Major purchases: notice, petition, election.** Before buying anything  
 294.6 under subdivision 2 that costs more than 0.24177 percent of the estimated market value of  
 294.7 the town, the town must follow this subdivision.

294.8 The town must publish in its official newspaper the board's resolution to pay for the  
 294.9 property over time. Then a petition for an election on the contract may be filed with the  
 294.10 clerk. The petition must be filed within ten days after the resolution is published. To require  
 294.11 the election the petition must be signed by a number of voters equal to ten percent of the  
 294.12 voters at the last regular town election. The contract then must be approved by a majority of  
 294.13 those voting on the question. The question may be voted on at a regular or special election.

294.14 Sec. 45. Minnesota Statutes 2012, section 366.095, subdivision 1, is amended to read:

294.15 Subdivision 1. **Certificates of indebtedness.** The town board may issue certificates  
 294.16 of indebtedness within the debt limits for a town purpose otherwise authorized by law.  
 294.17 The certificates shall be payable in not more than ten years and be issued on the terms and  
 294.18 in the manner as the board may determine. If the amount of the certificates to be issued  
 294.19 exceeds 0.25 percent of the estimated market value of the town, they shall not be issued  
 294.20 for at least ten days after publication in a newspaper of general circulation in the town of  
 294.21 the board's resolution determining to issue them. If within that time, a petition asking for  
 294.22 an election on the proposition signed by voters equal to ten percent of the number of voters  
 294.23 at the last regular town election is filed with the clerk, the certificates shall not be issued  
 294.24 until their issuance has been approved by a majority of the votes cast on the question at  
 294.25 a regular or special election. A tax levy shall be made to pay the principal and interest  
 294.26 on the certificates as in the case of bonds.

294.27 Sec. 46. Minnesota Statutes 2012, section 366.27, is amended to read:

294.28 **366.27 FIREFIGHTERS' RELIEF; TAX LEVY.**

294.29 The town board of any town in this state having therein a platted portion on  
 294.30 which resides 1,200 or more people, and wherein a duly incorporated firefighters' relief  
 294.31 association is located may each year levy a tax not to exceed 0.00806 percent of ~~taxable~~  
 294.32 estimated market value for the benefit of the relief association.

295.1 Sec. 47. Minnesota Statutes 2012, section 368.01, subdivision 23, is amended to read:

295.2 Subd. 23. **Financing purchase of certain equipment.** The town board may issue  
295.3 certificates of indebtedness within debt limits to purchase fire or police equipment or  
295.4 ambulance equipment or street construction or maintenance equipment. The certificates  
295.5 shall be payable in not more than five years and be issued on terms and in the manner as the  
295.6 board may determine. If the amount of the certificates to be issued to finance a purchase  
295.7 exceeds 0.24177 percent of the estimated market value of the town, ~~excluding money~~  
295.8 ~~and credits~~; they shall not be issued for at least ten days after publication in the official  
295.9 newspaper of a town board resolution determining to issue them. If before the end of that  
295.10 time, a petition asking for an election on the proposition signed by voters equal to ten  
295.11 percent of the number of voters at the last regular town election is filed with the clerk, the  
295.12 certificates shall not be issued until the proposition of their issuance has been approved by a  
295.13 majority of the votes cast on the question at a regular or special election. A tax levy shall be  
295.14 made for the payment of the principal and interest on the certificates as in the case of bonds.

295.15 Sec. 48. Minnesota Statutes 2012, section 368.47, is amended to read:

295.16 **368.47 TOWNS MAY BE DISSOLVED.**

295.17 (1) When the voters residing within a town have failed to elect any town officials for  
295.18 more than ten years continuously;

295.19 (2) when a town has failed for a period of ten years to exercise any of the powers  
295.20 and functions of a town;

295.21 (3) when the estimated market value of a town drops to less than \$165,000;

295.22 (4) when the tax delinquency of a town, exclusive of taxes that are delinquent or  
295.23 unpaid because they are contested in proceedings for the enforcement of taxes, amounts to  
295.24 12 percent of its market value; or

295.25 (5) when the state or federal government has acquired title to 50 percent of the  
295.26 real estate of a town,

295.27 which facts, or any of them, may be found and determined by the resolution of the county  
295.28 board of the county in which the town is located, according to the official records in the  
295.29 office of the county auditor, the county board by resolution may declare the town, naming  
295.30 it, dissolved and no longer entitled to exercise any of the powers or functions of a town.

295.31 In Cass, Itasca, and St. Louis Counties, before the dissolution is effective the voters  
295.32 of the town shall express their approval or disapproval. The town clerk shall, upon a  
295.33 petition signed by a majority of the registered voters of the town, filed with the clerk at  
295.34 least 60 days before a regular or special town election, give notice at the same time and  
295.35 in the same manner of the election that the question of dissolution of the town will be

296.1 submitted for determination at the election. At the election the question shall be voted  
 296.2 upon by a separate ballot, the terms of which shall be either "for dissolution" or "against  
 296.3 dissolution." The ballot shall be deposited in a separate ballot box and the result of the  
 296.4 voting canvassed, certified, and returned in the same manner and at the same time as  
 296.5 other facts and returns of the election. If a majority of the votes cast at the election are  
 296.6 for dissolution, the town shall be dissolved. If a majority of the votes cast at the election  
 296.7 are against dissolution, the town shall not be dissolved.

296.8         When a town is dissolved under sections 368.47 to 368.49 the county shall acquire  
 296.9 title to any telephone company or other business conducted by the town. The business  
 296.10 shall be operated by the board of county commissioners until it can be sold. The  
 296.11 subscribers or patrons of the business shall have the first opportunity of purchase. If the  
 296.12 town has any outstanding indebtedness chargeable to the business, the county auditor shall  
 296.13 levy a tax against the property situated in the dissolved town to pay the indebtedness  
 296.14 as it becomes due.

296.15         Sec. 49. Minnesota Statutes 2012, section 370.01, is amended to read:

296.16                 **370.01 CHANGE OF BOUNDARIES; CREATION OF NEW COUNTIES.**

296.17         The boundaries of counties may be changed by taking territory from a county and  
 296.18 attaching it to an adjoining county, and new counties may be established out of territory of  
 296.19 one or more existing counties. A new county shall contain at least 400 square miles and  
 296.20 have at least 4,000 inhabitants. A proposed new county must have a total ~~taxable~~ estimated  
 296.21 market value of at least 35 percent of (i) the total ~~taxable~~ estimated market value of the  
 296.22 existing county, or (ii) the average total ~~taxable~~ estimated market value of the existing  
 296.23 counties, included in the proposition. The determination of the ~~taxable~~ estimated market  
 296.24 value of a county must be made by the commissioner of revenue. An existing county shall  
 296.25 not be reduced in area below 400 square miles, have less than 4,000 inhabitants, or have a  
 296.26 total ~~taxable~~ estimated market value of less than that required of a new county.

296.27         No change in the boundaries of any county having an area of more than 2,500 square  
 296.28 miles, whether by the creation of a new county, or otherwise, shall detach from the existing  
 296.29 county any territory within 12 miles of the county seat.

296.30         Sec. 50. Minnesota Statutes 2012, section 373.40, subdivision 1, is amended to read:

296.31                 Subdivision 1. **Definitions.** For purposes of this section, the following terms have  
 296.32 the meanings given.

296.33                 (a) "Bonds" means an obligation as defined under section 475.51.

297.1 (b) "Capital improvement" means acquisition or betterment of public lands,  
 297.2 buildings, or other improvements within the county for the purpose of a county courthouse,  
 297.3 administrative building, health or social service facility, correctional facility, jail, law  
 297.4 enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads and  
 297.5 bridges, and the acquisition of development rights in the form of conservation easements  
 297.6 under chapter 84C. An improvement must have an expected useful life of five years or  
 297.7 more to qualify. "Capital improvement" does not include a recreation or sports facility  
 297.8 building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility,  
 297.9 swimming pool, exercise room or health spa), unless the building is part of an outdoor  
 297.10 park facility and is incidental to the primary purpose of outdoor recreation.

297.11 (c) "Metropolitan county" means a county located in the seven-county metropolitan  
 297.12 area as defined in section 473.121 or a county with a population of 90,000 or more.

297.13 (d) "Population" means the population established by the most recent of the  
 297.14 following (determined as of the date the resolution authorizing the bonds was adopted):

297.15 (1) the federal decennial census,

297.16 (2) a special census conducted under contract by the United States Bureau of the  
 297.17 Census, or

297.18 (3) a population estimate made either by the Metropolitan Council or by the state  
 297.19 demographer under section 4A.02.

297.20 (e) "Qualified indoor ice arena" means a facility that meets the requirements of  
 297.21 section 373.43.

297.22 (f) ~~"Tax capacity" means total taxable market value, but does not include captured~~  
 297.23 ~~market value.~~

297.24 Sec. 51. Minnesota Statutes 2012, section 373.40, subdivision 4, is amended to read:

297.25 Subd. 4. **Limitations on amount.** A county may not issue bonds under this section  
 297.26 if the maximum amount of principal and interest to become due in any year on all the  
 297.27 outstanding bonds issued pursuant to this section (including the bonds to be issued) will  
 297.28 equal or exceed 0.12 percent of ~~taxable~~ the estimated market value of property in the  
 297.29 county. Calculation of the limit must be made using the ~~taxable~~ estimated market value for  
 297.30 the taxes payable year in which the obligations are issued and sold. This section does not  
 297.31 limit the authority to issue bonds under any other special or general law.

297.32 Sec. 52. Minnesota Statutes 2012, section 375.167, subdivision 1, is amended to read:

297.33 Subdivision 1. **Appropriations.** Notwithstanding any contrary law, a county board  
 297.34 may appropriate from the general revenue fund to any nonprofit corporation a sum not

298.1 to exceed 0.00604 percent of ~~taxable~~ estimated market value to provide legal assistance  
298.2 to persons who are unable to afford private legal counsel.

298.3 Sec. 53. Minnesota Statutes 2012, section 375.18, subdivision 3, is amended to read:

298.4 Subd. 3. **Courthouse.** Each county board may erect, furnish, and maintain a  
298.5 suitable courthouse. No indebtedness shall be created for a courthouse in excess of an  
298.6 amount equal to a levy of 0.04030 percent of ~~taxable~~ estimated market value without the  
298.7 approval of a majority of the voters of the county voting on the question of issuing the  
298.8 obligation at an election.

298.9 Sec. 54. Minnesota Statutes 2012, section 375.555, is amended to read:

298.10 **375.555 FUNDING.**

298.11 To implement the county emergency jobs program, the county board may expend  
298.12 an amount equal to what would be generated by a levy of 0.01209 percent of ~~taxable~~  
298.13 estimated market value. The money to be expended may be from any available funds  
298.14 not otherwise earmarked.

298.15 Sec. 55. Minnesota Statutes 2012, section 383B.152, is amended to read:

298.16 **383B.152 BUILDING AND MAINTENANCE FUND.**

298.17 The county board may by resolution levy a tax to provide money which shall be kept  
298.18 in a fund known as the county reserve building and maintenance fund. Money in the fund  
298.19 shall be used solely for the construction, maintenance, and equipping of county buildings  
298.20 that are constructed or maintained by the board. The levy shall not be subject to any limit  
298.21 fixed by any other law or by any board of tax levy or other corresponding body, but shall  
298.22 not exceed 0.02215 percent of ~~taxable~~ estimated market value, less the amount required by  
298.23 chapter 475 to be levied in the year for the payment of the principal of and interest on all  
298.24 bonds issued pursuant to Extra Session Laws 1967, chapter 47, section 1.

298.25 Sec. 56. Minnesota Statutes 2012, section 383B.245, is amended to read:

298.26 **383B.245 LIBRARY LEVY.**

298.27 (a) The county board may levy a tax on the taxable property within the county to  
298.28 acquire, better, and construct county library buildings and branches and to pay principal  
298.29 and interest on bonds issued for that purpose.

298.30 (b) The county board may by resolution adopted by a five-sevenths vote issue and  
298.31 sell general obligation bonds of the county in the manner provided in sections 475.60 to

299.1 475.73. The bonds shall not be subject to the limitations of sections 475.51 to 475.59,  
299.2 but the maturity years and amounts and interest rates of each series of bonds shall be  
299.3 fixed so that the maximum amount of principal and interest to become due in any year,  
299.4 on the bonds of that series and of all outstanding series issued by or for the purposes of  
299.5 libraries, shall not exceed an amount equal to 0.01612 percent of estimated market value  
299.6 of all taxable property in the county as last finally equalized before the issuance of the new  
299.7 series. When the tax levy authorized in this section is collected it shall be appropriated  
299.8 and credited to a debt service fund for the bonds in amounts required each year in lieu of a  
299.9 countywide tax levy for the debt service fund under section 475.61.

299.10 Sec. 57. Minnesota Statutes 2012, section 383B.73, subdivision 1, is amended to read:

299.11 Subdivision 1. **Levy.** To provide funds for the purposes of the Three Rivers Park  
299.12 District as set forth in its annual budget, in lieu of the levies authorized by any other  
299.13 special law for such purposes, the Board of Park District Commissioners may levy taxes  
299.14 on all the taxable property in the county and park district at a rate not exceeding 0.03224  
299.15 percent of estimated market value. Notwithstanding section 398.16, on or before October  
299.16 1 of each year, after public hearing, the Board of Park District Commissioners shall adopt  
299.17 a budget for the ensuing year and shall determine the total amount necessary to be raised  
299.18 from ad valorem tax levies to meet its budget. The Board of Park District Commissioners  
299.19 shall submit the budget to the county board. The county board may veto or modify an item  
299.20 contained in the budget. If the county board determines to veto or to modify an item in the  
299.21 budget, it must, within 15 days after the budget was submitted by the district board, state  
299.22 in writing the specific reasons for its objection to the item vetoed or the reason for the  
299.23 modification. The Park District Board, after consideration of the county board's objections  
299.24 and proposed modifications, may reapprove a vetoed item or the original version of an item  
299.25 with respect to which a modification has been proposed, by a two-thirds majority. If the  
299.26 district board does not reapprove a vetoed item, the item shall be deleted from the budget.  
299.27 If the district board does not reapprove the original version of a modified item, the item  
299.28 shall be included in the budget as modified by the county board. After adoption of the final  
299.29 budget and no later than October 1, the superintendent of the park district shall certify to the  
299.30 office of the Hennepin County director of tax and public records exercising the functions  
299.31 of the county auditor the total amount to be raised from ad valorem tax levies to meet its  
299.32 budget for the ensuing year. The director of tax and public records shall add the amount of  
299.33 any levy certified by the district to other tax levies on the property of the county within the  
299.34 district for collection by the director of tax and public records with other taxes. When

300.1 collected, the director shall make settlement of such taxes with the district in the same  
300.2 manner as other taxes are distributed to the other political subdivisions in Hennepin County.

300.3 Sec. 58. Minnesota Statutes 2012, section 383E.20, is amended to read:

300.4 **383E.20 BONDING FOR COUNTY LIBRARY BUILDINGS.**

300.5 The Anoka County Board may, by resolution adopted by a four-sevenths vote, issue  
300.6 and sell general obligation bonds of the county in the manner provided in chapter 475 to  
300.7 acquire, better, and construct county library buildings. The bonds shall not be subject to the  
300.8 requirements of sections 475.57 to 475.59. The maturity years and amounts and interest  
300.9 rates of each series of bonds shall be fixed so that the maximum amount of principal and  
300.10 interest to become due in any year, on the bonds of that series and of all outstanding series  
300.11 issued by or for the purposes of libraries, shall not exceed an amount equal to .01 percent  
300.12 of the ~~taxable~~ estimated market value of all taxable property in the county, excluding any  
300.13 taxable property taxed by any city for the support of any free public library. When the tax  
300.14 levy authorized in this section is collected, it shall be appropriated and credited to a debt  
300.15 service fund for the bonds. The tax levy for the debt service fund under section 475.61  
300.16 shall be reduced by the amount available or reasonably anticipated to be available in the  
300.17 fund to make payments otherwise payable from the levy pursuant to section 475.61.

300.18 Sec. 59. Minnesota Statutes 2012, section 383E.23, is amended to read:

300.19 **383E.23 LIBRARY TAX.**

300.20 The Anoka County Board may levy a tax of not more than .01 percent of the ~~taxable~~  
300.21 estimated market value of taxable property located within the county excluding any  
300.22 taxable property taxed by any city for the support of any free public library, to acquire,  
300.23 better, and construct county library buildings and to pay principal and interest on bonds  
300.24 issued for that purpose. The tax shall be disregarded in the calculation of levies or limits  
300.25 on levies provided by section 373.40, or other law.

300.26 Sec. 60. Minnesota Statutes 2012, section 385.31, is amended to read:

300.27 **385.31 PAYMENT OF COUNTY ORDERS OR WARRANTS.**

300.28 When any order or warrant drawn on the treasurer is presented for payment, if there  
300.29 is money in the treasury for that purpose, the county treasurer shall redeem the same, and  
300.30 write across the entire face thereof the word "redeemed," the date of the redemption, and  
300.31 the treasurer's official signature. If there is not sufficient funds in the proper accounts to  
300.32 pay such orders they shall be numbered and registered in their order of presentation,

301.1 and proper endorsement thereof shall be made on such orders and they shall be entitled  
301.2 to payment in like order. Such orders shall bear interest at not to exceed the rate of six  
301.3 percent per annum from such date of presentment. The treasurer, as soon as there is  
301.4 sufficient money in the treasury, shall appropriate and set apart a sum sufficient for the  
301.5 payment of the orders so presented and registered, and, if entitled to interest, issue to the  
301.6 original holder a notice that interest will cease in 30 days from the date of such notice; and,  
301.7 if orders thus entitled to priority of payment are not then presented, the next in order of  
301.8 registry may be paid until such orders are presented. No interest shall be paid on any order,  
301.9 except upon a warrant drawn by the county auditor for that purpose, giving the number  
301.10 and the date of the order on account of which the interest warrant is drawn. In any county  
301.11 in this state now or hereafter having a an estimated market value of all taxable property;  
301.12 ~~exclusive of money and credits~~, of not less than \$1,033,000,000, the county treasurer, in  
301.13 order to save payment of interest on county warrants drawn upon a fund in which there  
301.14 shall be temporarily insufficient money in the treasury to redeem the same, may borrow  
301.15 temporarily from any other fund in the county treasury in which there is a sufficient balance  
301.16 to care for the needs of such fund and allow a temporary loan or transfer to any other fund,  
301.17 and may pay such warrants out of such funds. Any such money so transferred and used in  
301.18 redeeming such county warrants shall be returned to the fund from which drawn as soon  
301.19 as money shall come in to the credit of such fund on which any such warrant was drawn  
301.20 and paid as aforesaid. Any county operating on a cash basis may use a combined form of  
301.21 warrant or order and check, which, when signed by the chair of the county board and by  
301.22 the auditor, is an order or warrant for the payment of the claim, and, when countersigned  
301.23 by the county treasurer, is a check for the payment of the amount thereof.

301.24 Sec. 61. Minnesota Statutes 2012, section 394.36, subdivision 1, is amended to read:

301.25 Subdivision 1. **Continuation of nonconformity; limitations.** Except as provided in  
301.26 subdivision 2, 3, or 4, any nonconformity, including the lawful use or occupation of land  
301.27 or premises existing at the time of the adoption of an official control under this chapter,  
301.28 may be continued, although the use or occupation does not conform to the official control.  
301.29 If the nonconformity or occupancy is discontinued for a period of more than one year, or  
301.30 any nonconforming building or structure is destroyed by fire or other peril to the extent of  
301.31 50 percent of its estimated market value, any subsequent use or occupancy of the land or  
301.32 premises shall be a conforming use or occupancy.

301.33 Sec. 62. Minnesota Statutes 2012, section 398A.04, subdivision 8, is amended to read:

302.1 Subd. 8. **Taxation.** Before deciding to exercise the power to tax, the authority shall  
 302.2 give six weeks' published notice in all municipalities in the region. If a number of voters  
 302.3 in the region equal to five percent of those who voted for candidates for governor at the  
 302.4 last gubernatorial election present a petition within nine weeks of the first published notice  
 302.5 to the secretary of state requesting that the matter be submitted to popular vote, it shall be  
 302.6 submitted at the next general election. The question prepared shall be:

302.7 "Shall the regional rail authority have the power to impose a property tax?

302.8 Yes .....

302.9 No ....."

302.10 If a majority of those voting on the question approve or if no petition is presented  
 302.11 within the prescribed time the authority may levy a tax at any annual rate not exceeding  
 302.12 0.04835 percent of estimated market value of all taxable property situated within the  
 302.13 municipality or municipalities named in its organization resolution. Its recording officer  
 302.14 shall file, on or before September 15, in the office of the county auditor of each county  
 302.15 in which territory under the jurisdiction of the authority is located a certified copy of the  
 302.16 board of commissioners' resolution levying the tax, and each county auditor shall assess  
 302.17 and extend upon the tax rolls of each municipality named in the organization resolution the  
 302.18 portion of the tax that bears the same ratio to the whole amount that the net tax capacity of  
 302.19 taxable property in that municipality bears to the net tax capacity of taxable property in  
 302.20 all municipalities named in the organization resolution. Collections of the tax shall be  
 302.21 remitted by each county treasurer to the treasurer of the authority. For taxes levied in 1991,  
 302.22 the amount levied for light rail transit purposes under this subdivision shall not exceed 75  
 302.23 percent of the amount levied in 1990 for light rail transit purposes under this subdivision.

302.24 Sec. 63. Minnesota Statutes 2012, section 401.05, subdivision 3, is amended to read:

302.25 Subd. 3. **Leasing.** (a) A county or joint powers board of a group of counties  
 302.26 which acquires or constructs and equips or improves facilities under this chapter may,  
 302.27 with the approval of the board of county commissioners of each county, enter into a  
 302.28 lease agreement with a city situated within any of the counties, or a county housing and  
 302.29 redevelopment authority established under chapter 469 or any special law. Under the lease  
 302.30 agreement, the city or county housing and redevelopment authority shall:

302.31 (1) construct or acquire and equip or improve a facility in accordance with plans  
 302.32 prepared by or at the request of a county or joint powers board of the group of counties  
 302.33 and approved by the commissioner of corrections; and

302.34 (2) finance the facility by the issuance of revenue bonds.

303.1 (b) The county or joint powers board of a group of counties may lease the facility  
 303.2 site, improvements, and equipment for a term upon rental sufficient to produce revenue  
 303.3 for the prompt payment of the revenue bonds and all interest accruing on them. Upon  
 303.4 completion of payment, the lessee shall acquire title. The real and personal property  
 303.5 acquired for the facility constitutes a project and the lease agreement constitutes a revenue  
 303.6 agreement as provided in sections 469.152 to 469.165. All proceedings by the city or  
 303.7 county housing and redevelopment authority and the county or joint powers board shall be  
 303.8 as provided in sections 469.152 to 469.165, with the following adjustments:

303.9 (1) no tax may be imposed upon the property;

303.10 (2) the approval of the project by the commissioner of employment and economic  
 303.11 development is not required;

303.12 (3) the Department of Corrections shall be furnished and shall record information  
 303.13 concerning each project as it may prescribe, in lieu of reports required on other projects to  
 303.14 the commissioner of employment and economic development;

303.15 (4) the rentals required to be paid under the lease agreement shall not exceed in any  
 303.16 year one-tenth of one percent of the estimated market value of property within the county  
 303.17 or group of counties as last equalized before the execution of the lease agreement;

303.18 (5) the county or group of counties shall provide for payment of all rentals due  
 303.19 during the term of the lease agreement in the manner required in subdivision 4;

303.20 (6) no mortgage on the facilities shall be granted for the security of the bonds, but  
 303.21 compliance with clause (5) may be enforced as a nondiscretionary duty of the county  
 303.22 or group of counties; and

303.23 (7) the county or the joint powers board of the group of counties may sublease any  
 303.24 part of the facilities for purposes consistent with their maintenance and operation.

303.25 Sec. 64. Minnesota Statutes 2012, section 410.32, is amended to read:

303.26 **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

303.27 (a) Notwithstanding any contrary provision of other law or charter, a home rule  
 303.28 charter city may, by resolution and without public referendum, issue capital notes subject  
 303.29 to the city debt limit to purchase capital equipment.

303.30 (b) For purposes of this section, "capital equipment" means:

303.31 (1) public safety equipment, ambulance and other medical equipment, road  
 303.32 construction and maintenance equipment, and other capital equipment; and

303.33 (2) computer hardware and software, whether bundled with machinery or equipment  
 303.34 or unbundled.

304.1 (c) The equipment or software must have an expected useful life at least as long  
304.2 as the term of the notes.

304.3 (d) The notes shall be payable in not more than ten years and be issued on terms  
304.4 and in the manner the city determines. The total principal amount of the capital notes  
304.5 issued in a fiscal year shall not exceed 0.03 percent of the estimated market value of  
304.6 taxable property in the city for that year.

304.7 (e) A tax levy shall be made for the payment of the principal and interest on the  
304.8 notes, in accordance with section 475.61, as in the case of bonds.

304.9 (f) Notes issued under this section shall require an affirmative vote of two-thirds of  
304.10 the governing body of the city.

304.11 (g) Notwithstanding a contrary provision of other law or charter, a home rule charter  
304.12 city may also issue capital notes subject to its debt limit in the manner and subject to the  
304.13 limitations applicable to statutory cities pursuant to section 412.301.

304.14 Sec. 65. Minnesota Statutes 2012, section 412.221, subdivision 2, is amended to read:

304.15 Subd. 2. **Contracts.** The council shall have power to make such contracts as may  
304.16 be deemed necessary or desirable to make effective any power possessed by the council.  
304.17 The city may purchase personal property through a conditional sales contract and real  
304.18 property through a contract for deed under which contracts the seller is confined to the  
304.19 remedy of recovery of the property in case of nonpayment of all or part of the purchase  
304.20 price, which shall be payable over a period of not to exceed five years. When the contract  
304.21 price of property to be purchased by contract for deed or conditional sales contract  
304.22 exceeds 0.24177 percent of the estimated market value of the city, the city may not enter  
304.23 into such a contract for at least ten days after publication in the official newspaper of a  
304.24 council resolution determining to purchase property by such a contract; and, if before the  
304.25 end of that time a petition asking for an election on the proposition signed by voters equal  
304.26 to ten percent of the number of voters at the last regular city election is filed with the clerk,  
304.27 the city may not enter into such a contract until the proposition has been approved by a  
304.28 majority of the votes cast on the question at a regular or special election.

304.29 Sec. 66. Minnesota Statutes 2012, section 412.301, is amended to read:

304.30 **412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

304.31 (a) The council may issue certificates of indebtedness or capital notes subject to the  
304.32 city debt limits to purchase capital equipment.

304.33 (b) For purposes of this section, "capital equipment" means:

305.1 (1) public safety equipment, ambulance and other medical equipment, road  
305.2 construction and maintenance equipment, and other capital equipment; and

305.3 (2) computer hardware and software, whether bundled with machinery or equipment  
305.4 or unbundled.

305.5 (c) The equipment or software must have an expected useful life at least as long as  
305.6 the terms of the certificates or notes.

305.7 (d) Such certificates or notes shall be payable in not more than ten years and shall be  
305.8 issued on such terms and in such manner as the council may determine.

305.9 (e) If the amount of the certificates or notes to be issued to finance any such purchase  
305.10 exceeds 0.25 percent of the estimated market value of taxable property in the city, they  
305.11 shall not be issued for at least ten days after publication in the official newspaper of  
305.12 a council resolution determining to issue them; and if before the end of that time, a  
305.13 petition asking for an election on the proposition signed by voters equal to ten percent  
305.14 of the number of voters at the last regular municipal election is filed with the clerk, such  
305.15 certificates or notes shall not be issued until the proposition of their issuance has been  
305.16 approved by a majority of the votes cast on the question at a regular or special election.

305.17 (f) A tax levy shall be made for the payment of the principal and interest on such  
305.18 certificates or notes, in accordance with section 475.61, as in the case of bonds.

305.19 Sec. 67. Minnesota Statutes 2012, section 428A.02, subdivision 1, is amended to read:

305.20 Subdivision 1. **Ordinance.** The governing body of a city may adopt an ordinance  
305.21 establishing a special service district. Only property that is classified under section 273.13  
305.22 and used for commercial, industrial, or public utility purposes, or is vacant land zoned or  
305.23 designated on a land use plan for commercial or industrial use and located in the special  
305.24 service district, may be subject to the charges imposed by the city on the special service  
305.25 district. Other types of property may be included within the boundaries of the special  
305.26 service district but are not subject to the levies or charges imposed by the city on the  
305.27 special service district. If 50 percent or more of the estimated market value of a parcel of  
305.28 property is classified under section 273.13 as commercial, industrial, or vacant land zoned  
305.29 or designated on a land use plan for commercial or industrial use, or public utility for the  
305.30 current assessment year, then the entire taxable market value of the property is subject to a  
305.31 service charge based on net tax capacity for purposes of sections 428A.01 to 428A.10.  
305.32 The ordinance shall describe with particularity the area within the city to be included in  
305.33 the district and the special services to be furnished in the district. The ordinance may not  
305.34 be adopted until after a public hearing has been held on the question. Notice of the hearing  
305.35 shall include the time and place of hearing, a map showing the boundaries of the proposed

306.1 district, and a statement that all persons owning property in the proposed district that  
 306.2 would be subject to a service charge will be given opportunity to be heard at the hearing.  
 306.3 Within 30 days after adoption of the ordinance under this subdivision, the governing body  
 306.4 shall send a copy of the ordinance to the commissioner of revenue.

306.5 Sec. 68. Minnesota Statutes 2012, section 430.102, subdivision 2, is amended to read:

306.6 Subd. 2. **Council approval; special tax levy limitation.** The council shall receive  
 306.7 and consider the estimate required in subdivision 1 and the items of cost after notice and  
 306.8 hearing before it or its appropriate committee as it considers necessary or expedient, and  
 306.9 shall approve the estimate, with necessary amendments. The amounts of each item of cost  
 306.10 estimated are then appropriated to operate, maintain, and improve the pedestrian mall  
 306.11 during the next fiscal year. The amount of the special tax to be charged under subdivision  
 306.12 1, clause (3), must not, however, exceed 0.12089 percent of estimated market value of  
 306.13 taxable property in the district. The council shall make any necessary adjustment in costs of  
 306.14 operating and maintaining the district to keep the amount of the tax within this limitation.

306.15 Sec. 69. Minnesota Statutes 2012, section 447.10, is amended to read:

306.16 **447.10 TAX LEVY FOR OPERATING AND MAINTAINING HOSPITAL.**

306.17 The governing body of a city of the first class owning a hospital may annually levy  
 306.18 a tax to operate and maintain the hospital. The tax must not exceed 0.00806 percent of  
 306.19 ~~taxable~~ estimated market value.

306.20 Sec. 70. Minnesota Statutes 2012, section 450.19, is amended to read:

306.21 **450.19 TOURIST CAMPING GROUNDS.**

306.22 A home rule charter or statutory city or town may establish and maintain public  
 306.23 tourist camping grounds. The governing body thereof may acquire by lease, purchase, or  
 306.24 gift, suitable lands located either within or without the corporate limits for use as public  
 306.25 tourist camping grounds and provide for the equipment, operation, and maintenance  
 306.26 of the same. The amount that may be expended for the maintenance, improvement, or  
 306.27 operation of tourist camping grounds shall not exceed, in any year, a sum equal to 0.00806  
 306.28 percent of ~~taxable~~ estimated market value.

306.29 Sec. 71. Minnesota Statutes 2012, section 450.25, is amended to read:

306.30 **450.25 MUSEUM, GALLERY, OR SCHOOL OF ARTS OR CRAFTS; TAX**  
 306.31 **LEVY.**

307.1 After the acquisition of any museum, gallery, or school of arts or crafts, the board  
 307.2 of park commissioners of the city in which it is located shall cause to be included in the  
 307.3 annual tax levy upon all the taxable property of the county in which the museum, gallery,  
 307.4 or school of arts or crafts is located, a tax of 0.00846 percent of estimated market value.  
 307.5 The board shall certify the levy to the county auditor and it shall be added to, and collected  
 307.6 with and as part of, the general, real, and personal property taxes, with like penalties and  
 307.7 interest, in case of nonpayment and default, and all provisions of law in respect to the  
 307.8 levy, collection, and enforcement of other taxes shall, so far as applicable, be followed in  
 307.9 respect of these taxes. All of these taxes, penalties, and interest, when collected, shall be  
 307.10 paid to the city treasurer of the city in which is located the museum, gallery, or school  
 307.11 of arts or crafts and credited to a fund to be known as the park museum fund, and shall  
 307.12 be used only for the purposes specified in sections 450.23 to 450.25. Any part of the  
 307.13 proceeds of the levy not expended for the purposes specified in section 450.24 may be  
 307.14 used for the erection of new buildings for the same purposes.

307.15 Sec. 72. Minnesota Statutes 2012, section 458A.10, is amended to read:

307.16 **458A.10 PROPERTY TAX.**

307.17 The commission shall annually levy a tax not to exceed 0.12089 percent of estimated  
 307.18 market value on all the taxable property in the transit area at a rate sufficient to produce  
 307.19 an amount necessary for the purposes of sections 458A.01 to 458A.15, other than the  
 307.20 payment of principal and interest due on any revenue bonds issued pursuant to section  
 307.21 458A.05. Property taxes levied under this section shall be certified by the commission to  
 307.22 the county auditors of the transit area, extended, assessed, and collected in the manner  
 307.23 provided by law for the property taxes levied by the governing bodies of cities. The  
 307.24 proceeds of the taxes levied under this section shall be remitted by the respective county  
 307.25 treasurers to the treasurer of the commission, who shall credit the same to the funds of  
 307.26 the commission for use for the purposes of sections 458A.01 to 458A.15 subject to any  
 307.27 applicable pledges or limitations on account of tax anticipation certificates or other  
 307.28 specific purposes. At any time after making a tax levy under this section and certifying  
 307.29 it to the county auditors, the commission may issue general obligation certificates of  
 307.30 indebtedness in anticipation of the collection of the taxes as provided by section 412.261.

307.31 Sec. 73. Minnesota Statutes 2012, section 458A.31, subdivision 1, is amended to read:

307.32 Subdivision 1. **Levy limit.** Notwithstanding anything to the contrary contained in  
 307.33 the charter of the city of Duluth, any ordinance thereof, or any statute applicable thereto,  
 307.34 limiting the amount levied in any one year for general or special purposes, the city council

308.1 of the city of Duluth shall each year levy a tax in an amount not to exceed 0.07253  
308.2 percent of ~~taxable~~ estimated market value, by ordinance. An ordinance fixing the levy  
308.3 shall take effect immediately upon its passage and approval. The proceeds of the levy  
308.4 shall be paid into the city treasury and deposited in the operating fund provided for in  
308.5 section 458A.24, subdivision 3.

308.6 Sec. 74. Minnesota Statutes 2012, section 465.04, is amended to read:

308.7 **465.04 ACCEPTANCE OF GIFTS.**

308.8 Cities of the second, third, or fourth class, having at any time ~~a~~ an estimated  
308.9 market value of not more than \$41,000,000, ~~exclusive of money and credits~~, as officially  
308.10 equalized by the commissioner of revenue, either under home rule charter or under the  
308.11 laws of this state, in addition to all other powers possessed by them, hereby are authorized  
308.12 and empowered to receive and accept gifts and donations for the use and benefit of  
308.13 such cities and the inhabitants thereof upon terms and conditions to be approved by the  
308.14 governing bodies of such cities; and such cities are authorized to comply with and perform  
308.15 such terms and conditions, which may include payment to the donor or donors of interest  
308.16 on the value of the gift at not exceeding five percent per annum payable annually or  
308.17 semiannually, during the remainder of the natural life or lives of such donor or donors.

308.18 Sec. 75. Minnesota Statutes 2012, section 469.033, subdivision 6, is amended to read:

308.19 Subd. 6. **Operation area as taxing district, special tax.** All of the territory included  
308.20 within the area of operation of any authority shall constitute a taxing district for the  
308.21 purpose of levying and collecting special benefit taxes as provided in this subdivision. All  
308.22 of the taxable property, both real and personal, within that taxing district shall be deemed  
308.23 to be benefited by projects to the extent of the special taxes levied under this subdivision.  
308.24 Subject to the consent by resolution of the governing body of the city in and for which  
308.25 it was created, an authority may levy a tax upon all taxable property within that taxing  
308.26 district. The tax shall be extended, spread, and included with and as a part of the general  
308.27 taxes for state, county, and municipal purposes by the county auditor, to be collected and  
308.28 enforced therewith, together with the penalty, interest, and costs. As the tax, including any  
308.29 penalties, interest, and costs, is collected by the county treasurer it shall be accumulated  
308.30 and kept in a separate fund to be known as the "housing and redevelopment project fund."  
308.31 The money in the fund shall be turned over to the authority at the same time and in the same  
308.32 manner that the tax collections for the city are turned over to the city, and shall be expended  
308.33 only for the purposes of sections 469.001 to 469.047. It shall be paid out upon vouchers  
308.34 signed by the chair of the authority or an authorized representative. The amount of the

309.1 levy shall be an amount approved by the governing body of the city, but shall not exceed  
309.2 0.0185 percent of ~~taxable~~ estimated market value. The authority shall each year formulate  
309.3 and file a budget in accordance with the budget procedure of the city in the same manner as  
309.4 required of executive departments of the city or, if no budgets are required to be filed, by  
309.5 August 1. The amount of the tax levy for the following year shall be based on that budget.

309.6 Sec. 76. Minnesota Statutes 2012, section 469.034, subdivision 2, is amended to read:

309.7 Subd. 2. **General obligation revenue bonds.** (a) An authority may pledge the  
309.8 general obligation of the general jurisdiction governmental unit as additional security for  
309.9 bonds payable from income or revenues of the project or the authority. The authority  
309.10 must find that the pledged revenues will equal or exceed 110 percent of the principal and  
309.11 interest due on the bonds for each year. The proceeds of the bonds must be used for a  
309.12 qualified housing development project or projects. The obligations must be issued and  
309.13 sold in the manner and following the procedures provided by chapter 475, except the  
309.14 obligations are not subject to approval by the electors, and the maturities may extend to  
309.15 not more than 35 years for obligations sold to finance housing for the elderly and 40 years  
309.16 for other obligations issued under this subdivision. The authority is the municipality for  
309.17 purposes of chapter 475.

309.18 (b) The principal amount of the issue must be approved by the governing body of  
309.19 the general jurisdiction governmental unit whose general obligation is pledged. Public  
309.20 hearings must be held on issuance of the obligations by both the authority and the general  
309.21 jurisdiction governmental unit. The hearings must be held at least 15 days, but not more  
309.22 than 120 days, before the sale of the obligations.

309.23 (c) The maximum amount of general obligation bonds that may be issued and  
309.24 outstanding under this section equals the greater of (1) one-half of one percent of the  
309.25 ~~taxable~~ estimated market value of the general jurisdiction governmental unit whose  
309.26 general obligation is pledged, or (2) \$3,000,000. In the case of county or multicounty  
309.27 general obligation bonds, the outstanding general obligation bonds of all cities in the  
309.28 county or counties issued under this subdivision must be added in calculating the limit  
309.29 under clause (1).

309.30 (d) "General jurisdiction governmental unit" means the city in which the housing  
309.31 development project is located. In the case of a county or multicounty authority, the  
309.32 county or counties may act as the general jurisdiction governmental unit. In the case of  
309.33 a multicounty authority, the pledge of the general obligation is a pledge of a tax on the  
309.34 taxable property in each of the counties.

310.1 (e) "Qualified housing development project" means a housing development project  
 310.2 providing housing either for the elderly or for individuals and families with incomes not  
 310.3 greater than 80 percent of the median family income as estimated by the United States  
 310.4 Department of Housing and Urban Development for the standard metropolitan statistical  
 310.5 area or the nonmetropolitan county in which the project is located. The project must be  
 310.6 owned for the term of the bonds either by the authority or by a limited partnership or other  
 310.7 entity in which the authority or another entity under the sole control of the authority is  
 310.8 the sole general partner and the partnership or other entity must receive (1) an allocation  
 310.9 from the Department of Management and Budget or an entitlement issuer of tax-exempt  
 310.10 bonding authority for the project and a preliminary determination by the Minnesota  
 310.11 Housing Finance Agency or the applicable suballocator of tax credits that the project  
 310.12 will qualify for four percent low-income housing tax credits or (2) a reservation of nine  
 310.13 percent low-income housing tax credits from the Minnesota Housing Finance Agency or a  
 310.14 suballocator of tax credits for the project. A qualified housing development project may  
 310.15 admit nonelderly individuals and families with higher incomes if:

310.16 (1) three years have passed since initial occupancy;

310.17 (2) the authority finds the project is experiencing unanticipated vacancies resulting in  
 310.18 insufficient revenues, because of changes in population or other unforeseen circumstances  
 310.19 that occurred after the initial finding of adequate revenues; and

310.20 (3) the authority finds a tax levy or payment from general assets of the general  
 310.21 jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher  
 310.22 income individuals or families are not admitted.

310.23 (f) The authority may issue bonds to refund bonds issued under this subdivision in  
 310.24 accordance with section 475.67. The finding of the adequacy of pledged revenues required  
 310.25 by paragraph (a) and the public hearing required by paragraph (b) shall not apply to the  
 310.26 issuance of refunding bonds. This paragraph applies to refunding bonds issued on and  
 310.27 after July 1, 1992.

310.28 Sec. 77. Minnesota Statutes 2012, section 469.053, subdivision 4, is amended to read:

310.29 Subd. 4. **Mandatory city levy.** A city shall, at the request of the port authority, levy  
 310.30 a tax in any year for the benefit of the port authority. The tax must not exceed 0.01813  
 310.31 percent of ~~taxable~~ estimated market value. The amount levied must be paid by the city  
 310.32 treasurer to the treasurer of the port authority, to be spent by the authority.

310.33 Sec. 78. Minnesota Statutes 2012, section 469.053, subdivision 4a, is amended to read:

311.1 Subd. 4a. **Seaway port authority levy.** A levy made under this subdivision shall  
 311.2 replace the mandatory city levy under subdivision 4. A seaway port authority is a special  
 311.3 taxing district under section 275.066 and may levy a tax in any year for the benefit of the  
 311.4 seaway port authority. The tax must not exceed 0.01813 percent of ~~taxable~~ estimated  
 311.5 market value. The county auditor shall distribute the proceeds of the property tax levy to  
 311.6 the seaway port authority.

311.7 Sec. 79. Minnesota Statutes 2012, section 469.053, subdivision 6, is amended to read:

311.8 Subd. 6. **Discretionary city levy.** Upon request of a port authority, the port  
 311.9 authority's city may levy a tax to be spent by and for its port authority. The tax must  
 311.10 enable the port authority to carry out efficiently and in the public interest sections 469.048  
 311.11 to 469.068 to create and develop industrial development districts. The levy must not be  
 311.12 more than 0.00282 percent of ~~taxable~~ estimated market value. The county treasurer shall  
 311.13 pay the proceeds of the tax to the port authority treasurer. The money may be spent by  
 311.14 the authority in performance of its duties to create and develop industrial development  
 311.15 districts. In spending the money the authority must judge what best serves the public  
 311.16 interest. The levy in this subdivision is in addition to the levy in subdivision 4.

311.17 Sec. 80. Minnesota Statutes 2012, section 469.107, subdivision 1, is amended to read:

311.18 Subdivision 1. **City tax levy.** A city may, at the request of the authority, levy a tax in  
 311.19 any year for the benefit of the authority. The tax must be not more than 0.01813 percent of  
 311.20 ~~taxable~~ estimated market value. The amount levied must be paid by the city treasurer to  
 311.21 the treasurer of the authority, to be spent by the authority.

311.22 Sec. 81. Minnesota Statutes 2012, section 469.180, subdivision 2, is amended to read:

311.23 Subd. 2. **Tax levies.** Notwithstanding any law, the county board of any county may  
 311.24 appropriate from the general revenue fund a sum not to exceed a county levy of 0.00080  
 311.25 percent of ~~taxable~~ estimated market value to carry out the purposes of this section.

311.26 Sec. 82. Minnesota Statutes 2012, section 469.187, is amended to read:

311.27 **469.187 FIRST CLASS CITY SPENDING FOR PUBLICITY; PUBLICITY**  
 311.28 **BOARD.**

311.29 Any city of the first class may expend money for city publicity purposes. The city may  
 311.30 levy a tax, not exceeding 0.00080 percent of ~~taxable~~ estimated market value. The proceeds  
 311.31 of the levy shall be expended in the manner and for the city publicity purposes the council

312.1 directs. The council may establish and provide for a publicity board or bureau to administer  
312.2 the fund, subject to the conditions and limitations the council prescribes by ordinance.

312.3 Sec. 83. Minnesota Statutes 2012, section 469.206, is amended to read:

312.4 **469.206 HAZARDOUS PROPERTY PENALTY.**

312.5 A city may assess a penalty up to one percent of the estimated market value of  
312.6 real property, including any building located within the city that the city determines to  
312.7 be hazardous as defined in section 463.15, subdivision 3. The city shall send a written  
312.8 notice to the address to which the property tax statement is sent at least 90 days before it  
312.9 may assess the penalty. If the owner of the property has not paid the penalty or fixed the  
312.10 property within 90 days after receiving notice of the penalty, the penalty is considered  
312.11 delinquent and is increased by 25 percent each 60 days the penalty is not paid and the  
312.12 property remains hazardous. For the purposes of this section, a penalty that is delinquent  
312.13 is considered a delinquent property tax and subject to chapters 279, 280, and 281, in the  
312.14 same manner as delinquent property taxes.

312.15 Sec. 84. Minnesota Statutes 2012, section 471.24, is amended to read:

312.16 **471.24 TOWNS, STATUTORY CITIES; JOINT MAINTENANCE OF**  
312.17 **CEMETERY.**

312.18 Where a statutory city or town owns and maintains an established cemetery or burial  
312.19 ground, either within or without the municipal limits, the statutory city or town may, by  
312.20 mutual agreement with contiguous statutory cities and towns, each having a an estimated  
312.21 market value of not less than \$2,000,000, join together in the maintenance of such public  
312.22 cemetery or burial ground for the use of the inhabitants of each of such municipalities; and  
312.23 each such municipality is hereby authorized, by action of its council or governing body,  
312.24 to levy a tax or make an appropriation for the annual support and maintenance of such  
312.25 cemetery or burial ground; provided, the amount thus appropriated by each municipality  
312.26 shall not exceed a total of \$10,000 in any one year.

312.27 Sec. 85. Minnesota Statutes 2012, section 471.571, subdivision 1, is amended to read:

312.28 Subdivision 1. **Application.** This section applies to each city in which the net tax  
312.29 capacity of real and personal property consists in part of iron ore or lands containing  
312.30 taconite or semitaconite and in which the total ~~taxable~~ estimated market value of real  
312.31 and personal property exceeds \$2,500,000.

312.32 Sec. 86. Minnesota Statutes 2012, section 471.571, subdivision 2, is amended to read:

313.1 Subd. 2. **Creation of fund, tax levy.** The governing body of the city may create a  
 313.2 permanent improvement and replacement fund to be maintained by an annual tax levy.  
 313.3 The governing body may levy a tax in excess of any charter limitation for the support of  
 313.4 the permanent improvement and replacement fund, but not exceeding the following:

313.5 (a) in cities having a population of not more than 500 inhabitants, the lesser of \$20  
 313.6 per capita or 0.08059 percent of ~~taxable~~ estimated market value;

313.7 (b) in cities having a population of more than 500 and less than ~~2500~~ 2,500, the  
 313.8 greater of \$12.50 per capita or \$10,000 but not exceeding 0.08059 percent of ~~taxable~~  
 313.9 estimated market value;

313.10 (c) in cities having a population of ~~more than 2500~~ 2,500 or more inhabitants,  
 313.11 the greater of \$10 per capita or \$31,500 but not exceeding 0.08059 percent of ~~taxable~~  
 313.12 estimated market value.

313.13 Sec. 87. Minnesota Statutes 2012, section 471.73, is amended to read:

313.14 **471.73 ACCEPTANCE OF PROVISIONS.**

313.15 In the case of any city within the class specified in section 471.72 having a an  
 313.16 estimated market value, ~~as defined in section 471.72~~, in excess of \$37,000,000; and in the  
 313.17 case of any statutory city within such class having a an estimated market value, ~~as defined~~  
 313.18 ~~in section 471.72~~, of less than \$5,000,000; and in the case of any statutory city within such  
 313.19 class which is governed by Laws 1933, chapter 211, or Laws 1937, chapter 356; and in  
 313.20 the case of any statutory city within such class which is governed by Laws 1929, chapter  
 313.21 208, and has a an estimated market value of less than \$83,000,000; and in the case of  
 313.22 any school district within such class having a an estimated market value, ~~as defined in~~  
 313.23 ~~section 471.72~~, of more than \$54,000,000; and in the case of all towns within said class;  
 313.24 sections 471.71 to 471.83 apply only if the governing body of the city or statutory city, the  
 313.25 board of the school district, or the town board of the town shall have adopted a resolution  
 313.26 determining to issue bonds under the provisions of sections 471.71 to 471.83 or to go  
 313.27 upon a cash basis in accordance with the provisions thereof.

313.28 Sec. 88. Minnesota Statutes 2012, section 473.325, subdivision 2, is amended to read:

313.29 Subd. 2. **Chapter 475 applies; exceptions.** The Metropolitan Council shall sell and  
 313.30 issue the bonds in the manner provided in chapter 475, and shall have the same powers  
 313.31 and duties as a municipality issuing bonds under that law, except that the approval of a  
 313.32 majority of the electors shall not be required and the net debt limitations shall not apply.  
 313.33 The terms of each series of bonds shall be fixed so that the amount of principal and interest  
 313.34 on all outstanding and undischarged bonds, together with the bonds proposed to be issued,

314.1 due in any year shall not exceed 0.01209 percent of estimated market value of all taxable  
 314.2 property in the metropolitan area as last finally equalized prior to a proposed issue. The  
 314.3 bonds shall be secured in accordance with section 475.61, subdivision 1, and any taxes  
 314.4 required for their payment shall be levied by the council, shall not affect the amount or rate  
 314.5 of taxes which may be levied by the council for other purposes, shall be spread against all  
 314.6 taxable property in the metropolitan area and shall not be subject to limitation as to rate or  
 314.7 amount. Any taxes certified by the council to the county auditors for collection shall be  
 314.8 reduced by the amount received by the council from the commissioner of management and  
 314.9 budget or the federal government for the purpose of paying the principal and interest on  
 314.10 bonds to which the levy relates. The council shall certify the fact and amount of all money  
 314.11 so received to the county auditors, and the auditors shall reduce the levies previously made  
 314.12 for the bonds in the manner and to the extent provided in section 475.61, subdivision 3.

314.13 Sec. 89. Minnesota Statutes 2012, section 473.629, is amended to read:

314.14 **473.629 VALUE OF PROPERTY FOR BOND ISSUES BY SCHOOL**  
 314.15 **DISTRICTS.**

314.16 As to any lands ~~to be~~ detached from any school district under ~~the provisions hereof~~  
 314.17 section 473.625, notwithstanding ~~such prospective~~ the detachment, the estimated market  
 314.18 value of ~~such~~ the detached lands and ~~the net tax capacity of taxable properties now located~~  
 314.19 ~~therein or thereon shall be and~~ on the lands on the date of the detachment constitute  
 314.20 ~~from and after the date of the enactment hereof~~ a part of the estimated market value of  
 314.21 properties ~~upon the basis of which such~~ used to calculate the net debt limit of the school  
 314.22 ~~district may issue its bonds~~. The value of ~~such~~ the lands for such purpose to be and other  
 314.23 taxable properties for purposes of the school district's net debt limit are 33-1/3 percent of  
 314.24 the estimated market value thereof as determined and certified by said the assessor to said  
 314.25 the school district, and it shall be the duty of such the assessor annually on or before the  
 314.26 tenth day of October from and after the passage hereof, to so of each year, shall determine  
 314.27 and certify that value; provided, however, that the value of ~~such~~ the detached lands and  
 314.28 ~~such~~ taxable properties shall never exceed 20 percent of the estimated market value of  
 314.29 all properties constituting and making up the basis aforesaid used to calculate the net  
 314.30 debt limit of the school district.

314.31 Sec. 90. Minnesota Statutes 2012, section 473.661, subdivision 3, is amended to read:

314.32 Subd. 3. **Levy limit.** In any budget certified by the commissioners under this section,  
 314.33 the amount included for operation and maintenance shall not exceed an amount which,  
 314.34 when extended against the property taxable therefor under section 473.621, subdivision 5,

315.1 will require a levy at a rate of 0.00806 percent of estimated market value. Taxes levied by  
315.2 the corporation shall not affect the amount or rate of taxes which may be levied by any other  
315.3 local government unit within the metropolitan area under the provisions of any charter.

315.4 Sec. 91. Minnesota Statutes 2012, section 473.667, subdivision 9, is amended to read:

315.5 Subd. 9. **Additional taxes.** Nothing herein shall prevent the commission from  
315.6 levying a tax not to exceed 0.00121 percent of estimated market value on taxable property  
315.7 within its taxing jurisdiction, in addition to any levies found necessary for the debt  
315.8 service fund authorized by section 473.671. Nothing herein shall prevent the levy and  
315.9 appropriation for purposes of the commission of any other tax on property or on any  
315.10 income, transaction, or privilege, when and if authorized by law. All collections of any  
315.11 taxes so levied shall be included in the revenues appropriated for the purposes referred  
315.12 to in this section, unless otherwise provided in the law authorizing the levies; but no  
315.13 covenant as to the continuance or as to the rate and amount of any such levy shall be made  
315.14 with the holders of the commission's bonds unless specifically authorized by law.

315.15 Sec. 92. Minnesota Statutes 2012, section 473.671, is amended to read:

315.16 **473.671 LIMIT OF TAX LEVY.**

315.17 The taxes levied against the property of the metropolitan area in any one year shall  
315.18 not exceed 0.00806 percent of ~~taxable~~ estimated market value, exclusive of taxes levied  
315.19 to pay the principal or interest on any bonds or indebtedness of the city issued under  
315.20 Laws 1943, chapter 500, and exclusive of any taxes levied to pay the share of the city for  
315.21 payments on bonded indebtedness of the corporation provided for in Laws 1943, chapter  
315.22 500. The levy of taxes authorized in Laws 1943, chapter 500, shall be in addition to the  
315.23 maximum rate allowed to be levied to defray the cost of government under the provisions  
315.24 of the charter of any city affected by Laws 1943, chapter 500.

315.25 Sec. 93. Minnesota Statutes 2012, section 473.711, subdivision 2a, is amended to read:

315.26 Subd. 2a. **Tax levy.** (a) The commission may levy a tax on all taxable property in the  
315.27 district as defined in section 473.702 to provide funds for the purposes of sections 473.701  
315.28 to 473.716. The tax shall not exceed the property tax levy limitation determined in this  
315.29 subdivision. A participating county may agree to levy an additional tax to be used by the  
315.30 commission for the purposes of sections 473.701 to 473.716 but the sum of the county's and  
315.31 commission's taxes may not exceed the county's proportionate share of the property tax levy  
315.32 limitation determined under this subdivision based on the ratio of its total net tax capacity  
315.33 to the total net tax capacity of the entire district as adjusted by section 270.12, subdivision

316.1 3. The auditor of each county in the district shall add the amount of the levy made by the  
 316.2 district to other taxes of the county for collection by the county treasurer with other taxes.  
 316.3 When collected, the county treasurer shall make settlement of the tax with the district in  
 316.4 the same manner as other taxes are distributed to political subdivisions. No county shall  
 316.5 levy any tax for mosquito, disease vectoring tick, and black gnat (Simuliidae) control  
 316.6 except under this section. The levy shall be in addition to other taxes authorized by law.

316.7 (b) The property tax levied by the Metropolitan Mosquito Control Commission shall  
 316.8 not exceed the product of (i) the commission's property tax levy limitation for the previous  
 316.9 year determined under this subdivision multiplied by (ii) an index for market valuation  
 316.10 changes equal to the total estimated market valuation value of all taxable property for the  
 316.11 current tax payable year located within the district plus any area that has been added to the  
 316.12 district since the previous year, divided by the total estimated market valuation value of all  
 316.13 taxable property located within the district for the previous taxes payable year.

316.14 (c) ~~For the purpose of determining the commission's property tax levy limitation~~  
 316.15 ~~under this subdivision, "total market valuation" means the total market valuation of all~~  
 316.16 ~~taxable property within the district without valuation adjustments for fiscal disparities~~  
 316.17 ~~(chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage~~  
 316.18 ~~transmission lines (section 273.425).~~

316.19 Sec. 94. Minnesota Statutes 2012, section 473F.02, subdivision 12, is amended to read:

316.20 Subd. 12. **Adjusted market value.** "Adjusted market value" of real and personal  
 316.21 property within a municipality means the assessor's estimated taxable market value,  
 316.22 as defined in section 272.03, of all real and personal property, including the value of  
 316.23 manufactured housing, within the municipality, adjusted for sales ratios in a manner  
 316.24 similar to the adjustments made to city and town net tax capacities. ~~For purposes~~  
 316.25 ~~of sections 473F.01 to 473F.13, the commissioner of revenue shall annually make~~  
 316.26 ~~determinations and reports with respect to each municipality which are comparable to~~  
 316.27 ~~those it makes for school districts under section 127A.48, subdivisions 1 to 6, in the same~~  
 316.28 ~~manner and at the same times as are prescribed by the subdivisions. The commissioner~~  
 316.29 ~~of revenue shall annually determine, for each municipality, information comparable to~~  
 316.30 ~~that required by section 475.53, subdivision 4, for school districts, as soon as practicable~~  
 316.31 ~~after it becomes available. The commissioner of revenue shall then compute the equalized~~  
 316.32 ~~market value of property within each municipality using the aggregate sales ratios from~~  
 316.33 ~~the Department of Revenue's sales ratio study.~~

316.34 Sec. 95. Minnesota Statutes 2012, section 473F.02, subdivision 14, is amended to read:

317.1 Subd. 14. **Fiscal capacity.** "Fiscal capacity" of a municipality means its ~~valuation~~  
 317.2 adjusted market value, determined as of January 2 of any year, divided by its population,  
 317.3 determined as of a date in the same year.

317.4 Sec. 96. Minnesota Statutes 2012, section 473F.02, subdivision 15, is amended to read:

317.5 Subd. 15. **Average fiscal capacity.** "Average fiscal capacity" of municipalities  
 317.6 means the sum of the ~~valuations~~ adjusted market values of all municipalities, determined  
 317.7 as of January 2 of any year, divided by the sum of their populations, determined as of  
 317.8 a date in the same year.

317.9 Sec. 97. Minnesota Statutes 2012, section 473F.02, subdivision 23, is amended to read:

317.10 Subd. 23. **Net tax capacity.** "Net tax capacity" means the taxable market value of  
 317.11 real and personal property multiplied by its net tax capacity rates in section 273.13.

317.12 Sec. 98. Minnesota Statutes 2012, section 473F.08, subdivision 10, is amended to read:

317.13 Subd. 10. **Adjustment of value or net tax capacity.** For the purpose of computing  
 317.14 ~~the amount or rate of any salary, aid, tax, or debt authorized, required, or limited by any~~  
 317.15 ~~provision of any law or charter, where such authorization, requirement, or limitation~~  
 317.16 ~~is related in any manner to any value or valuation of taxable property within any~~  
 317.17 ~~governmental unit, such value or net tax capacity~~ fiscal capacity under section 473F.02,  
 317.18 subdivision 14, a municipality's taxable market value shall be adjusted to reflect the  
 317.19 adjustments reductions to net tax capacity effected by subdivision 2, clause (a), provided  
 317.20 that: ~~(1) in determining the taxable market value of commercial-industrial property~~  
 317.21 ~~or any class thereof within a governmental unit for any purpose other than section~~  
 317.22 ~~473F.07~~ municipality, (a) the reduction required by this subdivision shall be that amount  
 317.23 which bears the same proportion to the amount subtracted from the governmental unit's  
 317.24 municipality's net tax capacity pursuant to subdivision 2, clause (a), as the taxable  
 317.25 market value of commercial-industrial property, or such class thereof, located within the  
 317.26 governmental unit municipality bears to the net tax capacity of commercial-industrial  
 317.27 property, or such class thereof, located within the governmental unit, and (b) the increase  
 317.28 required by this subdivision shall be that amount which bears the same proportion to  
 317.29 the amount added to the governmental unit's net tax capacity pursuant to subdivision 2,  
 317.30 clause (b), as the market value of commercial-industrial property, or such class thereof,  
 317.31 located within the governmental unit bears to the net tax capacity of commercial-industrial  
 317.32 property, or such class thereof, located within the governmental unit; and (2) in determining  
 317.33 the market value of real property within a municipality for purposes of section 473F.07,

318.1 ~~the adjustment prescribed by clause (1)(a) hereof shall be made and that prescribed by~~  
318.2 ~~clause (1)(b) hereof shall not be made~~ municipality. No adjustment shall be made to  
318.3 taxable market value for the increase in net tax capacity under subdivision 2, clause (b).

318.4 Sec. 99. Minnesota Statutes 2012, section 475.521, subdivision 4, is amended to read:

318.5 Subd. 4. **Limitations on amount.** A municipality may not issue bonds under this  
318.6 section if the maximum amount of principal and interest to become due in any year on  
318.7 all the outstanding bonds issued under this section, including the bonds to be issued,  
318.8 will equal or exceed 0.16 percent of the ~~taxable~~ estimated market value of property  
318.9 in the municipality. Calculation of the limit must be made using the ~~taxable~~ estimated  
318.10 market value for the taxes payable year in which the obligations are issued and sold. In  
318.11 the case of a municipality with a population of 2,500 or more, the bonds are subject to  
318.12 the net debt limits under section 475.53. In the case of a shared facility in which more  
318.13 than one municipality participates, upon compliance by each participating municipality  
318.14 with the requirements of subdivision 2, the limitations in this subdivision and the net debt  
318.15 represented by the bonds shall be allocated to each participating municipality in proportion  
318.16 to its required financial contribution to the financing of the shared facility, as set forth in  
318.17 the joint powers agreement relating to the shared facility. This section does not limit the  
318.18 authority to issue bonds under any other special or general law.

318.19 Sec. 100. Minnesota Statutes 2012, section 475.53, subdivision 1, is amended to read:

318.20 Subdivision 1. **Generally.** Except as otherwise provided in sections 475.51 to  
318.21 475.74, no municipality, except a school district or a city of the first class, shall incur or be  
318.22 subject to a net debt in excess of three percent of the estimated market value of taxable  
318.23 property in the municipality.

318.24 Sec. 101. Minnesota Statutes 2012, section 475.53, subdivision 3, is amended to read:

318.25 Subd. 3. **Cities first class.** Unless its charter permits a greater net debt a city of  
318.26 the first class may not incur a net debt in excess of two percent of the estimated market  
318.27 value of all taxable property therein. If the charter of the city permits a net debt of the city  
318.28 in excess of two percent of its valuation, it may not incur a net debt in excess of 3-2/3  
318.29 percent of the estimated market value of the taxable property therein.

318.30 The county auditor, at the time of preparing the tax list of the city, shall compile a  
318.31 statement setting forth the total net tax capacity and the total estimated market value of  
318.32 each class of taxable property in such city for such year.

319.1 Sec. 102. Minnesota Statutes 2012, section 475.53, subdivision 4, is amended to read:

319.2 Subd. 4. **School districts.** Except as otherwise provided by law, no school district  
 319.3 shall be subject to a net debt in excess of 15 percent of the ~~actual~~ estimated market value of  
 319.4 all taxable property situated within its corporate limits, as computed in accordance with this  
 319.5 subdivision. The county auditor of each county containing taxable real or personal property  
 319.6 situated within any school district shall certify to the district upon request the estimated  
 319.7 market value of all such property. Whenever the commissioner of revenue, in accordance  
 319.8 with section 127A.48, subdivisions 1 to 6, has determined that the ~~net tax capacity of any~~  
 319.9 ~~district furnished by county auditors is not based upon the~~ adjusted market value of taxable  
 319.10 property in the district exceeds the estimated market value of property within the district,  
 319.11 the commissioner of revenue shall certify to the district upon request the ratio most recently  
 319.12 ascertained to exist between ~~such~~ the estimated market value and the actual adjusted  
 319.13 market value of property within the district, ~~and the actual market value of property~~  
 319.14 ~~within a district, on which its debt limit under this subdivision is~~ will be based, ~~is (a) the~~  
 319.15 ~~value certified by the county auditors, or (b) this~~ on the estimated market value divided by  
 319.16 ~~the ratio certified by the commissioner of revenue, whichever results in a higher value.~~

319.17 Sec. 103. Minnesota Statutes 2012, section 475.58, subdivision 2, is amended to read:

319.18 Subd. 2. **Funding, refunding.** Any county, city, town, or school district whose  
 319.19 outstanding gross debt, including all items referred to in section 475.51, subdivision  
 319.20 4, exceed in amount 1.62 percent of its estimated market value may issue bonds under  
 319.21 this subdivision for the purpose of funding or refunding such indebtedness or any part  
 319.22 thereof. A list of the items of indebtedness to be funded or refunded shall be made by the  
 319.23 recording officer and treasurer and filed in the office of the recording officer. The initial  
 319.24 resolution of the governing body shall refer to this subdivision as authority for the issue,  
 319.25 state the amount of bonds to be issued and refer to the list of indebtedness to be funded or  
 319.26 refunded. This resolution shall be published once each week for two successive weeks  
 319.27 in a legal newspaper published in the municipality or if there be no such newspaper, in  
 319.28 a legal newspaper published in the county seat. Such bonds may be issued without the  
 319.29 submission of the question of their issue to the electors unless within ten days after the  
 319.30 second publication of the resolution a petition requesting such election signed by ten or  
 319.31 more voters who are taxpayers of the municipality, shall be filed with the recording officer.  
 319.32 In event such petition is filed, no bonds shall be issued hereunder unless authorized by a  
 319.33 majority of the electors voting on the question.

319.34 Sec. 104. Minnesota Statutes 2012, section 475.73, subdivision 1, is amended to read:

320.1 Subdivision 1. **May purchase these bonds; conditions.** Obligations sold under the  
 320.2 provisions of section 475.60 may be purchased by the State Board of Investment if the  
 320.3 obligations meet the requirements of section 11A.24, subdivision 2, upon the approval of  
 320.4 the attorney general as to form and execution of the application therefor, and under rules  
 320.5 as the board may specify, and the state board shall have authority to purchase the same  
 320.6 to an amount not exceeding 3.63 percent of the estimated market value of the taxable  
 320.7 property of the municipality, according to the last preceding assessment. The obligations  
 320.8 shall not run for a shorter period than one year, nor for a longer period than 30 years and  
 320.9 shall bear interest at a rate to be fixed by the state board but not less than two percent per  
 320.10 annum. Forthwith upon the delivery to the state of Minnesota of any obligations issued by  
 320.11 virtue thereof, the commissioner of management and budget shall certify to the respective  
 320.12 auditors of the various counties wherein are situated the municipalities issuing the same,  
 320.13 the number, denomination, amount, rate of interest and date of maturity of each obligation.

320.14 Sec. 105. Minnesota Statutes 2012, section 477A.011, subdivision 20, is amended to  
 320.15 read:

320.16 Subd. 20. **City net tax capacity.** "City net tax capacity" means ~~(1) the net tax~~  
 320.17 ~~capacity computed using the net tax capacity rates in section 273.13 for taxes payable~~  
 320.18 ~~in the year of the aid distribution, and the market values, after the exclusion in section~~  
 320.19 ~~273.13, subdivision 35, for taxes payable in the year prior to the aid distribution plus (2)~~  
 320.20 ~~a city's fiscal disparities distribution tax capacity under section 276A.06, subdivision 2,~~  
 320.21 ~~paragraph (b), or 473F.08, subdivision 2, paragraph (b), for taxes payable in the year prior~~  
 320.22 ~~to that for which aids are being calculated. The market value utilized in computing city~~  
 320.23 ~~net tax capacity shall be reduced by the sum of (1) a city's market value of commercial~~  
 320.24 ~~industrial property as defined in section 276A.01, subdivision 3, or 473F.02, subdivision 3,~~  
 320.25 ~~multiplied by the ratio determined pursuant to section 276A.06, subdivision 2, paragraph~~  
 320.26 ~~(a), or 473F.08, subdivision 2, paragraph (a), (2) the market value of the captured value~~  
 320.27 ~~of tax increment financing districts as defined in section 469.177, subdivision 2, and (3)~~  
 320.28 ~~the market value of transmission lines deducted from a city's total net tax capacity under~~  
 320.29 ~~section 273.425. The city net tax capacity will be computed using equalized market values~~  
 320.30 the city's adjusted net tax capacity under section 273.1325.

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

320.32 Sec. 106. Minnesota Statutes 2012, section 477A.011, subdivision 32, is amended to  
 320.33 read:

321.1 Subd. 32. **Commercial industrial percentage.** "Commercial industrial percentage"  
321.2 for a city is 100 times the sum of the estimated market values of all real property in the  
321.3 city classified as class 3 under section 273.13, subdivision 24, excluding public utility  
321.4 property, to the total estimated market value of all taxable real and personal property in  
321.5 the city. The estimated market values are the amounts computed before any adjustments  
321.6 for fiscal disparities under section 276A.06 or 473F.08. The estimated market values  
321.7 used for this subdivision are not equalized.

321.8 **EFFECTIVE DATE.** This section is effective for aids payable in 2014 and thereafter.

321.9 Sec. 107. Minnesota Statutes 2012, section 477A.0124, subdivision 2, is amended to  
321.10 read:

321.11 Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms  
321.12 have the meanings given them.

321.13 (b) "County program aid" means the sum of "county need aid," "county tax base  
321.14 equalization aid," and "county transition aid."

321.15 (c) "Age-adjusted population" means a county's population multiplied by the county  
321.16 age index.

321.17 (d) "County age index" means the percentage of the population over age 65 within  
321.18 the county divided by the percentage of the population over age 65 within the state, except  
321.19 that the age index for any county may not be greater than 1.8 nor less than 0.8.

321.20 (e) "Population over age 65" means the population over age 65 established as of  
321.21 July 15 in an aid calculation year by the most recent federal census, by a special census  
321.22 conducted under contract with the United States Bureau of the Census, by a population  
321.23 estimate made by the Metropolitan Council, or by a population estimate of the state  
321.24 demographer made pursuant to section 4A.02, whichever is the most recent as to the stated  
321.25 date of the count or estimate for the preceding calendar year and which has been certified  
321.26 to the commissioner of revenue on or before July 15 of the aid calculation year. A revision  
321.27 to an estimate or count is effective for these purposes only if certified to the commissioner  
321.28 on or before July 15 of the aid calculation year. Clerical errors in the certification or use of  
321.29 estimates and counts established as of July 15 in the aid calculation year are subject to  
321.30 correction within the time periods allowed under section 477A.014.

321.31 (f) "Part I crimes" means the three-year average annual number of Part I crimes  
321.32 reported for each county by the Department of Public Safety for the most recent years  
321.33 available. By July 1 of each year, the commissioner of public safety shall certify to the  
321.34 commissioner of revenue the number of Part I crimes reported for each county for the  
321.35 three most recent calendar years available.

322.1 (g) "Households receiving food stamps" means the average monthly number of  
 322.2 households receiving food stamps for the three most recent years for which data is  
 322.3 available. By July 1 of each year, the commissioner of human services must certify to the  
 322.4 commissioner of revenue the average monthly number of households in the state and in  
 322.5 each county that receive food stamps, for the three most recent calendar years available.

322.6 (h) "County net tax capacity" means the ~~net tax capacity of the county, computed~~  
 322.7 ~~analogously to city net tax capacity under section 477A.011, subdivision 20~~ county's  
 322.8 adjusted net tax capacity under section 273.1325.

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

322.10 Sec. 108. Minnesota Statutes 2012, section 641.23, is amended to read:

322.11 **641.23 FUNDS; HOW PROVIDED.**

322.12 Before any contract is made for the erection of a county jail, sheriff's residence, or  
 322.13 both, the county board shall either levy a sufficient tax to provide the necessary funds, or  
 322.14 issue county bonds therefor in accordance with the provisions of chapter 475, provided  
 322.15 that no election is required if the amount of all bonds issued for this purpose and interest  
 322.16 on them which are due and payable in any year does not exceed an amount equal to  
 322.17 0.09671 percent of estimated market value of taxable property within the county, as last  
 322.18 determined before the bonds are issued.

322.19 Sec. 109. Minnesota Statutes 2012, section 641.24, is amended to read:

322.20 **641.24 LEASING.**

322.21 The county may, by resolution of the county board, enter into a lease agreement with  
 322.22 any statutory or home rule charter city situated within the county, or a county housing and  
 322.23 redevelopment authority established pursuant to chapter 469 or any special law whereby  
 322.24 the city or county housing and redevelopment authority will construct a jail or other law  
 322.25 enforcement facilities for the county sheriff, deputy sheriffs, and other employees of the  
 322.26 sheriff and other law enforcement agencies, in accordance with plans prepared by or at  
 322.27 the request of the county board and, when required, approved by the commissioner of  
 322.28 corrections and will finance it by the issuance of revenue bonds, and the county may lease  
 322.29 the site and improvements for a term and upon rentals sufficient to produce revenue for the  
 322.30 prompt payment of the bonds and all interest accruing thereon and, upon completion of  
 322.31 payment, will acquire title thereto. The real and personal property acquired for the jail  
 322.32 shall constitute a project and the lease agreement shall constitute a revenue agreement  
 322.33 as contemplated in chapter 469, and all proceedings shall be taken by the city or county

323.1 housing and redevelopment authority and the county in the manner and with the force and  
 323.2 effect provided in chapter 469; provided that:

323.3 (1) no tax shall be imposed upon or in lieu of a tax upon the property;

323.4 (2) the approval of the project by the commissioner of commerce shall not be required;

323.5 (3) the Department of Corrections shall be furnished and shall record such  
 323.6 information concerning each project as it may prescribe;

323.7 (4) the rentals required to be paid under the lease agreement shall not exceed in any  
 323.8 year one-tenth of one percent of the estimated market value of property within the county,  
 323.9 as last finally equalized before the execution of the agreement;

323.10 (5) the county board shall provide for the payment of all rentals due during the term  
 323.11 of the lease, in the manner required in section 641.264, subdivision 2;

323.12 (6) no mortgage on the property shall be granted for the security of the bonds, but  
 323.13 compliance with clause (5) hereof may be enforced as a nondiscretionary duty of the  
 323.14 county board; and

323.15 (7) the county board may sublease any part of the jail property for purposes consistent  
 323.16 with the maintenance and operation of a county jail or other law enforcement facility.

323.17 Sec. 110. Minnesota Statutes 2012, section 645.44, is amended by adding a subdivision  
 323.18 to read:

323.19 Subd. 20. **Estimated market value.** When used in determining or calculating a  
 323.20 limit on taxation, spending, state aid amounts, or debt, bond, certificate of indebtedness, or  
 323.21 capital note issuance by or for a local government unit, "estimated market value" has the  
 323.22 meaning given in section 273.032.

323.23 Sec. 111. **REVISOR'S INSTRUCTION.**

323.24 The revisor of statutes shall recodify Minnesota Statutes, section 127.48,  
 323.25 subdivisions 1 to 6, as section 273.1325, subdivisions 1 to 6, and change all  
 323.26 cross-references to the affected subdivisions accordingly.

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

323.28 Sec. 112. **REPEALER.**

323.29 Minnesota Statutes 2012, sections 273.11, subdivision 1a; 276A.01, subdivision 11;  
 323.30 473F.02, subdivision 13; and 477A.011, subdivision 21, are repealed.

323.31 Sec. 113. **EFFECTIVE DATE.**

324.1 Unless otherwise specifically provided, this act is effective the day following final  
 324.2 enactment for purposes of limits on net debt, the issuance of bonds, certificates of  
 324.3 indebtedness, and capital notes and is effective beginning for taxes payable in 2014 for  
 324.4 all other purposes.

324.5 **ARTICLE 13**

324.6 **DEPARTMENT POLICY AND TECHNICAL: INCOME AND**  
 324.7 **FRANCHISE TAXES; ESTATE TAXES**

324.8 Section 1. Minnesota Statutes 2012, section 289A.10, is amended by adding a  
 324.9 subdivision to read:

324.10 Subd. 1a. **Recapture tax return required.** If a disposition or cessation as provided  
 324.11 by section 291.03, subdivision 11, paragraph (a), has occurred, the qualified heir, as  
 324.12 defined under section 291.03, subdivision 8, paragraph (c), or personal representative of  
 324.13 the decedent's estate must submit a recapture tax return to the commissioner.

324.14 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
 324.15 June 30, 2011.

324.16 Sec. 2. Minnesota Statutes 2012, section 289A.12, subdivision 14, is amended to read:

324.17 Subd. 14. **Regulated investment companies; reporting exempt-interest**  
 324.18 **dividends.** (a) A regulated investment company paying \$10 or more in exempt-interest  
 324.19 dividends to an individual who is a resident of Minnesota must make a return indicating  
 324.20 the amount of the exempt-interest dividends, the name, address, and Social Security  
 324.21 number of the recipient, and any other information that the commissioner specifies. The  
 324.22 return must be provided to the shareholder by February 15 of the year following the year  
 324.23 of the payment. The return provided to the shareholder must include a clear statement,  
 324.24 in the form prescribed by the commissioner, that the exempt-interest dividends must be  
 324.25 included in the computation of Minnesota taxable income. By June 1 of each year, the  
 324.26 regulated investment company must file a copy of the return with the commissioner.

324.27 ~~(b) This subdivision applies to regulated investment companies required to register~~  
 324.28 ~~under chapter 80A.~~

324.29 ~~(e)~~ (b) For purposes of this subdivision, the following definitions apply.

324.30 (1) "Exempt-interest dividends" mean exempt-interest dividends as defined in  
 324.31 section 852(b)(5) of the Internal Revenue Code, but does not include the portion of  
 324.32 exempt-interest dividends that are not required to be added to federal taxable income  
 324.33 under section 290.01, subdivision 19a, clause (1)(ii).

325.1 (2) "Regulated investment company" means regulated investment company as  
325.2 defined in section 851(a) of the Internal Revenue Code or a fund of the regulated  
325.3 investment company as defined in section 851(g) of the Internal Revenue Code.

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

325.5 Sec. 3. Minnesota Statutes 2012, section 289A.12, is amended by adding a subdivision  
325.6 to read:

325.7 **Subd. 18. Returns by qualified heirs.** A qualified heir, as defined in section 291.03,  
325.8 subdivision 8, paragraph (c), must file two returns with the commissioner attesting that  
325.9 no disposition or cessation as provided by section 291.03, subdivision 11, paragraph  
325.10 (a), occurred. The first return must be filed no earlier than 24 months and no later than  
325.11 26 months after the decedent's death. The second return must be filed no earlier than 36  
325.12 months and no later than 39 months after the decedent's death.

325.13 **EFFECTIVE DATE.** This section is effective for returns required to be filed after  
325.14 December 31, 2013.

325.15 Sec. 4. Minnesota Statutes 2012, section 289A.18, is amended by adding a subdivision  
325.16 to read:

325.17 **Subd. 3a. Recapture tax return.** A recapture tax return must be filed with the  
325.18 commissioner within six months after the date of the disposition or cessation as provided  
325.19 by section 291.03, subdivision 11, paragraph (a).

325.20 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
325.21 June 30, 2011.

325.22 Sec. 5. Minnesota Statutes 2012, section 289A.20, subdivision 3, is amended to read:

325.23 **Subd. 3. Estate tax.** Taxes imposed by ~~chapter 291~~ section 291.03, subdivision 1,  
325.24 take effect at and upon the death of the person whose estate is subject to taxation and are  
325.25 due and payable on or before the expiration of nine months from that death.

325.26 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
325.27 June 30, 2011.

325.28 Sec. 6. Minnesota Statutes 2012, section 289A.20, is amended by adding a subdivision  
325.29 to read:

326.1 Subd. 3a. **Recapture tax.** The additional estate tax imposed by section 291.03,  
326.2 subdivision 11, paragraph (b), is due and payable on or before the expiration of the date  
326.3 provided by section 291.03, subdivision 11, paragraph (c).

326.4 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
326.5 June 30, 2011.

326.6 Sec. 7. Minnesota Statutes 2012, section 289A.26, subdivision 3, is amended to read:

326.7 **Subd. 3. Short taxable year.** (a) A corporation or an entity with a short taxable year  
326.8 of less than 12 months, but at least four months, must pay estimated tax in equal installments  
326.9 on or before the 15th day of the third, sixth, ninth, and final month of the short taxable  
326.10 year, to the extent applicable based on the number of months in the short taxable year.

326.11 (b) A corporation or an entity is not required to make estimated tax payments for a  
326.12 short taxable year unless its tax liability before the first day of the last month of the taxable  
326.13 year can reasonably be expected to exceed \$500.

326.14 (c) No payment is required for a short taxable year of less than four months.

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

326.16 Sec. 8. Minnesota Statutes 2012, section 289A.26, subdivision 4, is amended to read:

326.17 **Subd. 4. Underpayment of estimated tax.** If there is an underpayment of estimated  
326.18 tax by a corporation or an entity, there shall be added to the tax for the taxable year an  
326.19 amount determined at the rate in section 270C.40 on the amount of the underpayment,  
326.20 determined under subdivision 5, for the period of the underpayment determined under  
326.21 subdivision 6. This subdivision does not apply in the first taxable year that a corporation is  
326.22 subject to the tax imposed under section 290.02 or an entity is subject to the tax imposed  
326.23 under section 290.05, subdivision 3.

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

326.25 Sec. 9. Minnesota Statutes 2012, section 289A.26, subdivision 7, is amended to read:

326.26 **Subd. 7. Required installments.** (a) Except as otherwise provided in this  
326.27 subdivision, the amount of a required installment is 25 percent of the required annual  
326.28 payment.

326.29 (b) Except as otherwise provided in this subdivision, the term "required annual  
326.30 payment" means the lesser of:

326.31 (1) 100 percent of the tax shown on the return for the taxable year, or, if no return is  
326.32 filed, 100 percent of the tax for that year; or

327.1 (2) 100 percent of the tax shown on the return of the corporation or entity for the  
327.2 preceding taxable year provided the return was for a full 12-month period, showed a  
327.3 liability, and was filed by the corporation or entity.

327.4 (c) Except for determining the first required installment for any taxable year,  
327.5 paragraph (b), clause (2), does not apply in the case of a large corporation. The term  
327.6 "large corporation" means a corporation or any predecessor corporation that had taxable  
327.7 net income of \$1,000,000 or more for any taxable year during the testing period. The  
327.8 term "testing period" means the three taxable years immediately preceding the taxable  
327.9 year involved. A reduction allowed to a large corporation for the first installment that is  
327.10 allowed by applying paragraph (b), clause (2), must be recaptured by increasing the next  
327.11 required installment by the amount of the reduction.

327.12 (d) In the case of a required installment, if the corporation or entity establishes that  
327.13 the annualized income installment is less than the amount determined in paragraph (a), the  
327.14 amount of the required installment is the annualized income installment and the recapture  
327.15 of previous quarters' reductions allowed by this paragraph must be recovered by increasing  
327.16 later required installments to the extent the reductions have not previously been recovered.

327.17 (e) The "annualized income installment" is the excess, if any, of:

327.18 (1) an amount equal to the applicable percentage of the tax for the taxable year  
327.19 computed by placing on an annualized basis the taxable income:

327.20 (i) for the first two months of the taxable year, in the case of the first required  
327.21 installment;

327.22 (ii) for the first two months or for the first five months of the taxable year, in the  
327.23 case of the second required installment;

327.24 (iii) for the first six months or for the first eight months of the taxable year, in the  
327.25 case of the third required installment; and

327.26 (iv) for the first nine months or for the first 11 months of the taxable year, in the  
327.27 case of the fourth required installment, over

327.28 (2) the aggregate amount of any prior required installments for the taxable year.

327.29 (3) For the purpose of this paragraph, the annualized income shall be computed  
327.30 by placing on an annualized basis the taxable income for the year up to the end of the  
327.31 month preceding the due date for the quarterly payment multiplied by 12 and dividing  
327.32 the resulting amount by the number of months in the taxable year (2, 5, 6, 8, 9, or 11 as  
327.33 the case may be) referred to in clause (1).

327.34 (4) The "applicable percentage" used in clause (1) is:

328.1	For the following	
328.2	required	The applicable
328.3	installments:	percentage is:
328.4	1st	25
328.5	2nd	50
328.6	3rd	75
328.7	4th	100

328.8 (f)(1) If this paragraph applies, the amount determined for any installment must  
328.9 be determined in the following manner:

328.10 (i) take the taxable income for the months during the taxable year preceding the  
328.11 filing month;

328.12 (ii) divide that amount by the base period percentage for the months during the  
328.13 taxable year preceding the filing month;

328.14 (iii) determine the tax on the amount determined under item (ii); and

328.15 (iv) multiply the tax computed under item (iii) by the base period percentage for the  
328.16 filing month and the months during the taxable year preceding the filing month.

328.17 (2) For purposes of this paragraph:

328.18 (i) the "base period percentage" for a period of months is the average percent that the  
328.19 taxable income for the corresponding months in each of the three preceding taxable years  
328.20 bears to the taxable income for the three preceding taxable years;

328.21 (ii) the term "filing month" means the month in which the installment is required  
328.22 to be paid;

328.23 (iii) this paragraph only applies if the base period percentage for any six consecutive  
328.24 months of the taxable year equals or exceeds 70 percent; and

328.25 (iv) the commissioner may provide by rule for the determination of the base period  
328.26 percentage in the case of reorganizations, new corporations or entities, and other similar  
328.27 circumstances.

328.28 (3) In the case of a required installment determined under this paragraph, if the  
328.29 corporation or entity determines that the installment is less than the amount determined in  
328.30 paragraph (a), the amount of the required installment is the amount determined under this  
328.31 paragraph and the recapture of previous quarters' reductions allowed by this paragraph  
328.32 must be recovered by increasing later required installments to the extent the reductions  
328.33 have not previously been recovered.

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

328.35 Sec. 10. Minnesota Statutes 2012, section 289A.26, subdivision 9, is amended to read:

329.1 Subd. 9. **Failure to file an estimate.** In the case of a corporation or an entity  
 329.2 that fails to file an estimated tax for a taxable year when one is required, the period of  
 329.3 the underpayment runs from the four installment dates in subdivision 2 or 3, whichever  
 329.4 applies, to the earlier of the periods in subdivision 6, clauses (1) and (2).

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

329.6 Sec. 11. Minnesota Statutes 2012, section 290.01, subdivision 6b, is amended to read:

329.7 Subd. 6b. **Foreign operating corporation.** The term "foreign operating  
 329.8 corporation," when applied to a corporation, means a domestic corporation with the  
 329.9 following characteristics:

329.10 (1) it is part of a unitary business at least one member of which is taxable in this state;

329.11 (2) it is not a foreign sales corporation under section 922 of the Internal Revenue  
 329.12 Code, as amended through December 31, 1999, for the taxable year;

329.13 (3) it is not an interest charge domestic international sales corporation under sections  
 329.14 992, 993, 994, and 995 of the Internal Revenue Code;

329.15 (4) ~~either (i) it has in effect a valid election under section 936 of the Internal Revenue~~  
 329.16 ~~Code; or (ii) at least 80 percent of the gross income from all sources of the corporation in~~  
 329.17 the tax year is active foreign business income; and

329.18 (5) for purposes of this subdivision, active foreign business income means gross  
 329.19 income that is (i) derived from sources without the United States, as defined in subtitle A,  
 329.20 chapter 1, subchapter N, part 1, of the Internal Revenue Code; and (ii) attributable to the  
 329.21 active conduct of a trade or business in a foreign country.

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

329.23 Sec. 12. Minnesota Statutes 2012, section 290.01, subdivision 19b, is amended to read:

329.24 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,  
 329.25 and trusts, there shall be subtracted from federal taxable income:

329.26 (1) net interest income on obligations of any authority, commission, or  
 329.27 instrumentality of the United States to the extent includable in taxable income for federal  
 329.28 income tax purposes but exempt from state income tax under the laws of the United States;

329.29 (2) if included in federal taxable income, the amount of any overpayment of income  
 329.30 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
 329.31 is received as a refund or as a credit to another taxable year's income tax liability;

329.32 (3) the amount paid to others, less the amount used to claim the credit allowed under  
 329.33 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten

330.1 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and  
330.2 transportation of each qualifying child in attending an elementary or secondary school  
330.3 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a  
330.4 resident of this state may legally fulfill the state's compulsory attendance laws, which  
330.5 is not operated for profit, and which adheres to the provisions of the Civil Rights Act  
330.6 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or  
330.7 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,  
330.8 "textbooks" includes books and other instructional materials and equipment purchased  
330.9 or leased for use in elementary and secondary schools in teaching only those subjects  
330.10 legally and commonly taught in public elementary and secondary schools in this state.  
330.11 Equipment expenses qualifying for deduction includes expenses as defined and limited in  
330.12 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional  
330.13 books and materials used in the teaching of religious tenets, doctrines, or worship, the  
330.14 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books  
330.15 or materials for, or transportation to, extracurricular activities including sporting events,  
330.16 musical or dramatic events, speech activities, driver's education, or similar programs. No  
330.17 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or  
330.18 the qualifying child's vehicle to provide such transportation for a qualifying child. For  
330.19 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
330.20 given in section 32(c)(3) of the Internal Revenue Code;

330.21 (4) income as provided under section 290.0802;

330.22 (5) to the extent included in federal adjusted gross income, income realized on  
330.23 disposition of property exempt from tax under section 290.491;

330.24 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)  
330.25 of the Internal Revenue Code in determining federal taxable income by an individual  
330.26 who does not itemize deductions for federal income tax purposes for the taxable year, an  
330.27 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable  
330.28 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code,  
330.29 under the provisions of Public Law 109-1 and Public Law 111-126;

330.30 (7) for individuals who are allowed a federal foreign tax credit for taxes that do not  
330.31 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover  
330.32 of subnational foreign taxes for the taxable year, but not to exceed the total subnational  
330.33 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,  
330.34 "federal foreign tax credit" means the credit allowed under section 27 of the Internal  
330.35 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed

331.1 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to  
331.2 the extent they exceed the federal foreign tax credit;

331.3 (8) in each of the five tax years immediately following the tax year in which an  
331.4 addition is required under subdivision 19a, clause (7), or 19c, clause ~~(15)~~ (14), in the case  
331.5 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
331.6 delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount  
331.7 of the addition made by the taxpayer under subdivision 19a, clause (7), or subdivision 19c,  
331.8 clause ~~(15)~~ (14), in the case of a shareholder of an S corporation, minus the positive value  
331.9 of any net operating loss under section 172 of the Internal Revenue Code generated for the  
331.10 tax year of the addition. The resulting delayed depreciation cannot be less than zero;

331.11 (9) job opportunity building zone income as provided under section 469.316;

331.12 (10) to the extent included in federal taxable income, the amount of compensation  
331.13 paid to members of the Minnesota National Guard or other reserve components of the  
331.14 United States military for active service, excluding compensation for services performed  
331.15 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active  
331.16 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause  
331.17 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision  
331.18 5b, but "active service" excludes service performed in accordance with section 190.08,  
331.19 subdivision 3;

331.20 (11) to the extent included in federal taxable income, the amount of compensation  
331.21 paid to Minnesota residents who are members of the armed forces of the United States  
331.22 or United Nations for active duty performed under United States Code, title 10; or the  
331.23 authority of the United Nations;

331.24 (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
331.25 qualified donor's donation, while living, of one or more of the qualified donor's organs  
331.26 to another person for human organ transplantation. For purposes of this clause, "organ"  
331.27 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
331.28 "human organ transplantation" means the medical procedure by which transfer of a human  
331.29 organ is made from the body of one person to the body of another person; "qualified  
331.30 expenses" means unreimbursed expenses for both the individual and the qualified donor  
331.31 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
331.32 may be subtracted under this clause only once; and "qualified donor" means the individual  
331.33 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
331.34 individual may claim the subtraction in this clause for each instance of organ donation for  
331.35 transplantation during the taxable year in which the qualified expenses occur;

332.1 (13) in each of the five tax years immediately following the tax year in which an  
 332.2 addition is required under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case  
 332.3 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth of  
 332.4 the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause ~~(16)~~  
 332.5 (15), in the case of a shareholder of a corporation that is an S corporation, minus the  
 332.6 positive value of any net operating loss under section 172 of the Internal Revenue Code  
 332.7 generated for the tax year of the addition. If the net operating loss exceeds the addition for  
 332.8 the tax year, a subtraction is not allowed under this clause;

332.9 (14) to the extent included in the federal taxable income of a nonresident of  
 332.10 Minnesota, compensation paid to a service member as defined in United States Code, title  
 332.11 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief  
 332.12 Act, Public Law 108-189, section 101(2);

332.13 (15) to the extent included in federal taxable income, the amount of national service  
 332.14 educational awards received from the National Service Trust under United States Code,  
 332.15 title 42, sections 12601 to 12604, for service in an approved Americorps National Service  
 332.16 program;

332.17 (16) to the extent included in federal taxable income, discharge of indebtedness  
 332.18 income resulting from reacquisition of business indebtedness included in federal taxable  
 332.19 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
 332.20 to the extent that the income was included in net income in a prior year as a result of the  
 332.21 addition under section 290.01, subdivision 19a, clause (16); and

332.22 (17) the amount of the net operating loss allowed under section 290.095, subdivision  
 332.23 11, paragraph (c).

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

332.25 Sec. 13. Minnesota Statutes 2012, section 290.01, subdivision 19c, is amended to read:

332.26 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,  
 332.27 there shall be added to federal taxable income:

332.28 (1) the amount of any deduction taken for federal income tax purposes for income,  
 332.29 excise, or franchise taxes based on net income or related minimum taxes, including but not  
 332.30 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,  
 332.31 another state, a political subdivision of another state, the District of Columbia, or any  
 332.32 foreign country or possession of the United States;

332.33 (2) interest not subject to federal tax upon obligations of: the United States, its  
 332.34 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other  
 332.35 state, any of its political or governmental subdivisions, any of its municipalities, or any

333.1 of its governmental agencies or instrumentalities; the District of Columbia; or Indian  
333.2 tribal governments;

333.3 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal  
333.4 Revenue Code;

333.5 (4) the amount of any net operating loss deduction taken for federal income tax  
333.6 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss  
333.7 deduction under section 810 of the Internal Revenue Code;

333.8 (5) the amount of any special deductions taken for federal income tax purposes  
333.9 under sections 241 to 247 and 965 of the Internal Revenue Code;

333.10 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,  
333.11 clause (a), that are not subject to Minnesota income tax;

333.12 (7) the amount of any capital losses deducted for federal income tax purposes under  
333.13 sections 1211 and 1212 of the Internal Revenue Code;

333.14 (8) the exempt foreign trade income of a foreign sales corporation under sections  
333.15 921(a) and 291 of the Internal Revenue Code;

333.16 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
333.17 291 of the Internal Revenue Code;

333.18 (10) for certified pollution control facilities placed in service in a taxable year  
333.19 beginning before December 31, 1986, and for which amortization deductions were elected  
333.20 under section 169 of the Internal Revenue Code of 1954, as amended through December  
333.21 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
333.22 income for those facilities;

333.23 (11) the amount of any deemed dividend from a foreign operating corporation  
333.24 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend  
333.25 shall be reduced by the amount of the addition to income required by clauses (19), (20),  
333.26 (21), and (22), ~~and (23)~~;

333.27 (12) the amount of a partner's pro rata share of net income which does not flow  
333.28 through to the partner because the partnership elected to pay the tax on the income under  
333.29 section 6242(a)(2) of the Internal Revenue Code;

333.30 ~~(13) the amount of net income excluded under section 114 of the Internal Revenue~~  
333.31 ~~Code;~~

333.32 ~~(14)~~ (13) any increase in subpart F income, as defined in section 952(a) of the  
333.33 Internal Revenue Code, for the taxable year when subpart F income is calculated without  
333.34 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

333.35 ~~(15)~~ (14) 80 percent of the depreciation deduction allowed under section  
333.36 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if

334.1 the taxpayer has an activity that in the taxable year generates a deduction for depreciation  
 334.2 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable  
 334.3 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation  
 334.4 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess  
 334.5 of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A)  
 334.6 over the amount of the loss from the activity that is not allowed in the taxable year. In  
 334.7 succeeding taxable years when the losses not allowed in the taxable year are allowed, the  
 334.8 depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

334.9 ~~(16)~~ (15) 80 percent of the amount by which the deduction allowed by section 179 of  
 334.10 the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
 334.11 Revenue Code of 1986, as amended through December 31, 2003;

334.12 ~~(17)~~ (16) to the extent deducted in computing federal taxable income, the amount of  
 334.13 the deduction allowable under section 199 of the Internal Revenue Code;

334.14 ~~(18)~~ (17) for taxable years beginning before January 1, 2013, the exclusion allowed  
 334.15 under section 139A of the Internal Revenue Code for federal subsidies for prescription  
 334.16 drug plans;

334.17 ~~(19)~~ (18) the amount of expenses disallowed under section 290.10, subdivision 2;

334.18 ~~(20)~~ (19) an amount equal to the interest and intangible expenses, losses, and  
 334.19 costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for  
 334.20 the benefit of a corporation that is a member of the taxpayer's unitary business group  
 334.21 that qualifies as a foreign operating corporation. For purposes of this clause, intangible  
 334.22 expenses and costs include:

334.23 (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,  
 334.24 use, maintenance or management, ownership, sale, exchange, or any other disposition of  
 334.25 intangible property;

334.26 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting  
 334.27 transactions;

334.28 (iii) royalty, patent, technical, and copyright fees;

334.29 (iv) licensing fees; and

334.30 (v) other similar expenses and costs.

334.31 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent  
 334.32 applications, trade names, trademarks, service marks, copyrights, mask works, trade  
 334.33 secrets, and similar types of intangible assets.

334.34 This clause does not apply to any item of interest or intangible expenses or costs paid,  
 334.35 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect  
 334.36 to such item of income to the extent that the income to the foreign operating corporation

335.1 is income from sources without the United States as defined in subtitle A, chapter 1,  
335.2 subchapter N, part 1, of the Internal Revenue Code;

335.3 ~~(21)~~ (20) except as already included in the taxpayer's taxable income pursuant to  
335.4 clause ~~(20)~~ (19), any interest income and income generated from intangible property  
335.5 received or accrued by a foreign operating corporation that is a member of the taxpayer's  
335.6 unitary group. For purposes of this clause, income generated from intangible property  
335.7 includes:

335.8 (i) income related to the direct or indirect acquisition, use, maintenance or  
335.9 management, ownership, sale, exchange, or any other disposition of intangible property;

335.10 (ii) income from factoring transactions or discounting transactions;

335.11 (iii) royalty, patent, technical, and copyright fees;

335.12 (iv) licensing fees; and

335.13 (v) other similar income.

335.14 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent  
335.15 applications, trade names, trademarks, service marks, copyrights, mask works, trade  
335.16 secrets, and similar types of intangible assets.

335.17 This clause does not apply to any item of interest or intangible income received or accrued  
335.18 by a foreign operating corporation with respect to such item of income to the extent that  
335.19 the income is income from sources without the United States as defined in subtitle A,  
335.20 chapter 1, subchapter N, part 1, of the Internal Revenue Code;

335.21 ~~(22)~~ (21) the dividends attributable to the income of a foreign operating corporation  
335.22 that is a member of the taxpayer's unitary group in an amount that is equal to the dividends  
335.23 paid deduction of a real estate investment trust under section 561(a) of the Internal  
335.24 Revenue Code for amounts paid or accrued by the real estate investment trust to the  
335.25 foreign operating corporation;

335.26 ~~(23)~~ (22) the income of a foreign operating corporation that is a member of the  
335.27 taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or  
335.28 personal property located in the United States;

335.29 ~~(24)~~ (23) for taxable years beginning before January 1, 2010, the additional amount  
335.30 allowed as a deduction for donation of computer technology and equipment under section  
335.31 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and

335.32 ~~(25)~~ (24) discharge of indebtedness income resulting from reacquisition of business  
335.33 indebtedness and deferred under section 108(i) of the Internal Revenue Code.

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

336.1 Sec. 14. Minnesota Statutes 2012, section 290.01, subdivision 19d, is amended to read:

336.2 Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For  
336.3 corporations, there shall be subtracted from federal taxable income after the increases  
336.4 provided in subdivision 19c:

336.5 (1) the amount of foreign dividend gross-up added to gross income for federal  
336.6 income tax purposes under section 78 of the Internal Revenue Code;

336.7 (2) the amount of salary expense not allowed for federal income tax purposes due to  
336.8 claiming the work opportunity credit under section 51 of the Internal Revenue Code;

336.9 (3) any dividend (not including any distribution in liquidation) paid within the  
336.10 taxable year by a national or state bank to the United States, or to any instrumentality of  
336.11 the United States exempt from federal income taxes, on the preferred stock of the bank  
336.12 owned by the United States or the instrumentality;

336.13 (4) amounts disallowed for intangible drilling costs due to differences between  
336.14 this chapter and the Internal Revenue Code in taxable years beginning before January  
336.15 1, 1987, as follows:

336.16 (i) to the extent the disallowed costs are represented by physical property, an amount  
336.17 equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09,  
336.18 subdivision 7, subject to the modifications contained in subdivision 19e; and

336.19 (ii) to the extent the disallowed costs are not represented by physical property, an  
336.20 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section  
336.21 290.09, subdivision 8;

336.22 (5) the deduction for capital losses pursuant to sections 1211 and 1212 of the  
336.23 Internal Revenue Code, except that:

336.24 (i) for capital losses incurred in taxable years beginning after December 31, 1986,  
336.25 capital loss carrybacks shall not be allowed;

336.26 (ii) for capital losses incurred in taxable years beginning after December 31, 1986,  
336.27 a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be  
336.28 allowed;

336.29 (iii) for capital losses incurred in taxable years beginning before January 1, 1987, a  
336.30 capital loss carryback to each of the three taxable years preceding the loss year, subject to  
336.31 the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

336.32 (iv) for capital losses incurred in taxable years beginning before January 1, 1987,  
336.33 a capital loss carryover to each of the five taxable years succeeding the loss year to the  
336.34 extent such loss was not used in a prior taxable year and subject to the provisions of  
336.35 Minnesota Statutes 1986, section 290.16, shall be allowed;

337.1 (6) an amount for interest and expenses relating to income not taxable for federal  
337.2 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and  
337.3 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or  
337.4 291 of the Internal Revenue Code in computing federal taxable income;

337.5 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for  
337.6 which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a  
337.7 reasonable allowance for depletion based on actual cost. In the case of leases the deduction  
337.8 must be apportioned between the lessor and lessee in accordance with rules prescribed  
337.9 by the commissioner. In the case of property held in trust, the allowable deduction must  
337.10 be apportioned between the income beneficiaries and the trustee in accordance with the  
337.11 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis  
337.12 of the trust's income allocable to each;

337.13 (8) for certified pollution control facilities placed in service in a taxable year  
337.14 beginning before December 31, 1986, and for which amortization deductions were elected  
337.15 under section 169 of the Internal Revenue Code of 1954, as amended through December  
337.16 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes  
337.17 1986, section 290.09, subdivision 7;

337.18 (9) amounts included in federal taxable income that are due to refunds of income,  
337.19 excise, or franchise taxes based on net income or related minimum taxes paid by the  
337.20 corporation to Minnesota, another state, a political subdivision of another state, the  
337.21 District of Columbia, or a foreign country or possession of the United States to the extent  
337.22 that the taxes were added to federal taxable income under section 290.01, subdivision 19c,  
337.23 clause (1), in a prior taxable year;

337.24 (10) 80 percent of royalties, fees, or other like income accrued or received from a  
337.25 foreign operating corporation or a foreign corporation which is part of the same unitary  
337.26 business as the receiving corporation, unless the income resulting from such payments or  
337.27 accruals is income from sources within the United States as defined in subtitle A, chapter  
337.28 1, subchapter N, part 1, of the Internal Revenue Code;

337.29 (11) income or gains from the business of mining as defined in section 290.05,  
337.30 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

337.31 (12) the amount of disability access expenditures in the taxable year which are not  
337.32 allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

337.33 (13) the amount of qualified research expenses not allowed for federal income tax  
337.34 purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that  
337.35 the amount exceeds the amount of the credit allowed under section 290.068;

338.1 (14) the amount of salary expenses not allowed for federal income tax purposes due to  
 338.2 claiming the Indian employment credit under section 45A(a) of the Internal Revenue Code;

338.3 ~~(15) for a corporation whose foreign sales corporation, as defined in section 922~~  
 338.4 ~~of the Internal Revenue Code, constituted a foreign operating corporation during any~~  
 338.5 ~~taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,~~  
 338.6 ~~claiming the deduction under section 290.21, subdivision 4, for income received from~~  
 338.7 ~~the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of~~  
 338.8 ~~income excluded under section 114 of the Internal Revenue Code, provided the income is~~  
 338.9 ~~not income of a foreign operating company;~~

338.10 ~~(16)~~ (15) any decrease in subpart F income, as defined in section 952(a) of the  
 338.11 Internal Revenue Code, for the taxable year when subpart F income is calculated without  
 338.12 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

338.13 ~~(17)~~ (16) in each of the five tax years immediately following the tax year in which an  
 338.14 addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth  
 338.15 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the  
 338.16 amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The  
 338.17 resulting delayed depreciation cannot be less than zero;

338.18 ~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an  
 338.19 addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth  
 338.20 of the amount of the addition; and

338.21 ~~(19)~~ (18) to the extent included in federal taxable income, discharge of indebtedness  
 338.22 income resulting from reacquisition of business indebtedness included in federal taxable  
 338.23 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
 338.24 to the extent that the income was included in net income in a prior year as a result of the  
 338.25 addition under section 290.01, subdivision 19c, clause ~~(25)~~ (24).

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

338.27 Sec. 15. Minnesota Statutes 2012, section 290.0921, subdivision 3, is amended to read:

338.28 Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable  
 338.29 income" is Minnesota net income as defined in section 290.01, subdivision 19, and  
 338.30 includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e),  
 338.31 (f), and (h) of the Internal Revenue Code. If a corporation files a separate company  
 338.32 Minnesota tax return, the minimum tax must be computed on a separate company basis.  
 338.33 If a corporation is part of a tax group filing a unitary return, the minimum tax must be  
 338.34 computed on a unitary basis. The following adjustments must be made.

339.1 (1) For purposes of the depreciation adjustments under section 56(a)(1) and  
 339.2 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in  
 339.3 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal  
 339.4 income tax purposes, including any modification made in a taxable year under section  
 339.5 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,  
 339.6 paragraph (c).

339.7 For taxable years beginning after December 31, 2000, the amount of any remaining  
 339.8 modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986,  
 339.9 section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation  
 339.10 allowance in the first taxable year after December 31, 2000.

339.11 (2) The portion of the depreciation deduction allowed for federal income tax  
 339.12 purposes under section 168(k) of the Internal Revenue Code that is required as an addition  
 339.13 under section 290.01, subdivision 19c, clause ~~(15)~~ (14), is disallowed in determining  
 339.14 alternative minimum taxable income.

339.15 (3) The subtraction for depreciation allowed under section 290.01, subdivision  
 339.16 19d, clause ~~(17)~~ (16), is allowed as a depreciation deduction in determining alternative  
 339.17 minimum taxable income.

339.18 (4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d)  
 339.19 of the Internal Revenue Code does not apply.

339.20 (5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal  
 339.21 Revenue Code does not apply.

339.22 ~~(6) The special rule for dividends from section 936 companies under section~~  
 339.23 ~~56(g)(4)(C)(iii) does not apply.~~

339.24 ~~(7)~~ (6) The tax preference for depletion under section 57(a)(1) of the Internal  
 339.25 Revenue Code does not apply.

339.26 ~~(8)~~ (7) The tax preference for intangible drilling costs under section 57(a)(2) of the  
 339.27 Internal Revenue Code must be calculated without regard to subparagraph (E) and the  
 339.28 subtraction under section 290.01, subdivision 19d, clause (4).

339.29 ~~(9)~~ (8) The tax preference for tax exempt interest under section 57(a)(5) of the  
 339.30 Internal Revenue Code does not apply.

339.31 ~~(10)~~ (9) The tax preference for charitable contributions of appreciated property  
 339.32 under section 57(a)(6) of the Internal Revenue Code does not apply.

339.33 ~~(11)~~ (10) For purposes of calculating the tax preference for accelerated depreciation  
 339.34 or amortization on certain property placed in service before January 1, 1987, under section  
 339.35 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the  
 339.36 deduction allowed under section 290.01, subdivision 19e.

340.1 For taxable years beginning after December 31, 2000, the amount of any remaining  
340.2 modification made under section 290.01, subdivision 19e, not previously deducted is a  
340.3 depreciation or amortization allowance in the first taxable year after December 31, 2004.

340.4 ~~(12)~~ (11) For purposes of calculating the adjustment for adjusted current earnings  
340.5 in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable  
340.6 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative  
340.7 minimum taxable income as defined in this subdivision, determined without regard to the  
340.8 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

340.9 ~~(13)~~ (12) For purposes of determining the amount of adjusted current earnings  
340.10 under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under  
340.11 section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign  
340.12 dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1),  
340.13 (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in  
340.14 section 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other  
340.15 like income subtracted as provided in section 290.01, subdivision 19d, clause (10).

340.16 ~~(14)~~ (13) Alternative minimum taxable income excludes the income from operating  
340.17 in a job opportunity building zone as provided under section 469.317.

340.18 ~~(15)~~ (14) Alternative minimum taxable income excludes the income from operating  
340.19 in a biotechnology and health sciences industry zone as provided under section 469.337.

340.20 Items of tax preference must not be reduced below zero as a result of the  
340.21 modifications in this subdivision.

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

340.23 Sec. 16. Minnesota Statutes 2012, section 290.17, subdivision 4, is amended to read:

340.24 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly  
340.25 within this state or partly within and partly without this state is part of a unitary business,  
340.26 the entire income of the unitary business is subject to apportionment pursuant to section  
340.27 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary  
340.28 business is considered to be derived from any particular source and none may be allocated  
340.29 to a particular place except as provided by the applicable apportionment formula. The  
340.30 provisions of this subdivision do not apply to business income subject to subdivision 5,  
340.31 income of an insurance company, or income of an investment company determined under  
340.32 section 290.36.

340.33 (b) The term "unitary business" means business activities or operations which  
340.34 result in a flow of value between them. The term may be applied within a single legal

341.1 entity or between multiple entities and without regard to whether each entity is a sole  
341.2 proprietorship, a corporation, a partnership or a trust.

341.3 (c) Unity is presumed whenever there is unity of ownership, operation, and use,  
341.4 evidenced by centralized management or executive force, centralized purchasing,  
341.5 advertising, accounting, or other controlled interaction, but the absence of these  
341.6 centralized activities will not necessarily evidence a nonunitary business. Unity is also  
341.7 presumed when business activities or operations are of mutual benefit, dependent upon or  
341.8 contributory to one another, either individually or as a group.

341.9 (d) Where a business operation conducted in Minnesota is owned by a business  
341.10 entity that carries on business activity outside the state different in kind from that  
341.11 conducted within this state, and the other business is conducted entirely outside the state, it  
341.12 is presumed that the two business operations are unitary in nature, interrelated, connected,  
341.13 and interdependent unless it can be shown to the contrary.

341.14 (e) Unity of ownership is does not ~~deemed to~~ exist when ~~a corporation is two or~~  
341.15 more corporations are involved unless ~~that corporation is a member of a group of two or~~  
341.16 ~~more business entities~~ and more than 50 percent of the voting stock of each ~~member of~~  
341.17 ~~the group~~ corporation is directly or indirectly owned by a common owner or by common  
341.18 owners, either corporate or noncorporate, or by one or more of the member corporations  
341.19 of the group. For this purpose, the term "voting stock" shall include membership interests  
341.20 of mutual insurance holding companies formed under section 66A.40.

341.21 (f) The net income and apportionment factors under section 290.191 or 290.20 of  
341.22 foreign corporations and other foreign entities which are part of a unitary business shall  
341.23 not be included in the net income or the apportionment factors of the unitary business.  
341.24 A foreign corporation or other foreign entity which is required to file a return under this  
341.25 chapter shall file on a separate return basis. The net income and apportionment factors  
341.26 under section 290.191 or 290.20 of foreign operating corporations shall not be included in  
341.27 the net income or the apportionment factors of the unitary business except as provided in  
341.28 paragraph (g).

341.29 (g) The adjusted net income of a foreign operating corporation shall be deemed to  
341.30 be paid as a dividend on the last day of its taxable year to each shareholder thereof, in  
341.31 proportion to each shareholder's ownership, with which such corporation is engaged in  
341.32 a unitary business. Such deemed dividend shall be treated as a dividend under section  
341.33 290.21, subdivision 4.

341.34 Dividends actually paid by a foreign operating corporation to a corporate shareholder  
341.35 which is a member of the same unitary business as the foreign operating corporation shall  
341.36 be eliminated from the net income of the unitary business in preparing a combined report

342.1 for the unitary business. The adjusted net income of a foreign operating corporation  
342.2 shall be its net income adjusted as follows:

342.3 (1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto  
342.4 Rico, or a United States possession or political subdivision of any of the foregoing shall  
342.5 be a deduction; and

342.6 (2) the subtraction from federal taxable income for payments received from foreign  
342.7 corporations or foreign operating corporations under section 290.01, subdivision 19d,  
342.8 clause (10), shall not be allowed.

342.9 If a foreign operating corporation incurs a net loss, neither income nor deduction from  
342.10 that corporation shall be included in determining the net income of the unitary business.

342.11 (h) For purposes of determining the net income of a unitary business and the factors  
342.12 to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there  
342.13 must be included only the income and apportionment factors of domestic corporations or  
342.14 other domestic entities other than foreign operating corporations that are determined to  
342.15 be part of the unitary business pursuant to this subdivision, notwithstanding that foreign  
342.16 corporations or other foreign entities might be included in the unitary business.

342.17 (i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter  
342.18 that are connected with or allocable against dividends, deemed dividends described  
342.19 in paragraph (g), or royalties, fees, or other like income described in section 290.01,  
342.20 subdivision 19d, clause (10), shall not be disallowed.

342.21 (j) Each corporation or other entity, except a sole proprietorship, that is part of a  
342.22 unitary business must file combined reports as the commissioner determines. On the  
342.23 reports, all intercompany transactions between entities included pursuant to paragraph  
342.24 (h) must be eliminated and the entire net income of the unitary business determined in  
342.25 accordance with this subdivision is apportioned among the entities by using each entity's  
342.26 Minnesota factors for apportionment purposes in the numerators of the apportionment  
342.27 formula and the total factors for apportionment purposes of all entities included pursuant  
342.28 to paragraph (h) in the denominators of the apportionment formula.

342.29 (k) If a corporation has been divested from a unitary business and is included in a  
342.30 combined report for a fractional part of the common accounting period of the combined  
342.31 report:

342.32 (1) its income includable in the combined report is its income incurred for that part  
342.33 of the year determined by proration or separate accounting; and

342.34 (2) its sales, property, and payroll included in the apportionment formula must  
342.35 be prorated or accounted for separately.

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

343.1 Sec. 17. Minnesota Statutes 2012, section 290.9705, subdivision 1, is amended to read:

343.2 Subdivision 1. **Withholding of payments to out-of-state contractors.** (a) In this  
343.3 section, "person" means a person, corporation, or cooperative, the state of Minnesota and  
343.4 its political subdivisions, and a city, county, and school district in Minnesota.

343.5 (b) A person who in the regular course of business is hiring, contracting, or having a  
343.6 contract with a nonresident person or foreign corporation, ~~as defined in Minnesota Statutes~~  
343.7 ~~1986, section 290.01, subdivision 5,~~ to perform construction work in Minnesota, shall  
343.8 deduct and withhold eight percent of cumulative calendar year payments made to the  
343.9 contractor which exceed if the value of the contract exceeds \$50,000.

343.10 **EFFECTIVE DATE.** This section is effective for payments made to contractors  
343.11 after December 31, 2013.

## 343.12 ARTICLE 14

### 343.13 DEPARTMENT POLICY AND TECHNICAL: SALES AND USE 343.14 TAXES; SPECIAL TAXES

343.15 Section 1. Minnesota Statutes 2012, section 287.20, is amended by adding a  
343.16 subdivision to read:

343.17 Subd. 11. **Partition.** "Partition" means the division by conveyance of real property  
343.18 that is held jointly or in common by two or more persons into individually owned interests.  
343.19 If one of the co-owners gives consideration for all or a part of the individually owned  
343.20 interest conveyed to them, that portion of the conveyance is not a part of the partition.

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

343.22 Sec. 2. Minnesota Statutes 2012, section 289A.20, subdivision 4, is amended to read:

343.23 Subd. 4. **Sales and use tax.** (a) The taxes imposed by chapter 297A are due and  
343.24 payable to the commissioner monthly on or before the 20th day of the month following  
343.25 the month in which the taxable event occurred, or following another reporting period  
343.26 as the commissioner prescribes or as allowed under section 289A.18, subdivision 4,  
343.27 paragraph (f) or (g), except that:

343.28 (1) use taxes due on an annual use tax return as provided under section 289A.11,  
343.29 subdivision 1, are payable by April 15 following the close of the calendar year; ~~and~~

343.30 (2) ~~except as provided in paragraph (f), for a vendor having a liability of \$120,000~~  
343.31 ~~or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the taxes~~  
343.32 ~~imposed by chapter 297A, except as provided in paragraph (b), are due and payable to the~~  
343.33 ~~commissioner monthly in the following manner:~~

344.1 ~~(i) On or before the 14th day of the month following the month in which the taxable~~  
344.2 ~~event occurred, the vendor must remit to the commissioner 90 percent of the estimated~~  
344.3 ~~liability for the month in which the taxable event occurred.~~

344.4 ~~(ii) On or before the 20th day of the month in which the taxable event occurs, the~~  
344.5 ~~vendor must remit to the commissioner a prepayment for the month in which the taxable~~  
344.6 ~~event occurs equal to 67 percent of the liability for the previous month.~~

344.7 ~~(iii) On or before the 20th day of the month following the month in which the taxable~~  
344.8 ~~event occurred, the vendor must pay any additional amount of tax not previously remitted~~  
344.9 ~~under either item (i) or (ii) or, if the payment made under item (i) or (ii) was greater than~~  
344.10 ~~the vendor's liability for the month in which the taxable event occurred, the vendor may~~  
344.11 ~~take a credit against the next month's liability in a manner prescribed by the commissioner.~~

344.12 ~~(iv) Once the vendor first pays under either item (i) or (ii), the vendor is required to~~  
344.13 ~~continue to make payments in the same manner, as long as the vendor continues having a~~  
344.14 ~~liability of \$120,000 or more during the most recent fiscal year ending June 30.~~

344.15 ~~(v) Notwithstanding items (i), (ii), and (iv), if a vendor fails to make the required~~  
344.16 ~~payment in the first month that the vendor is required to make a payment under either item~~  
344.17 ~~(i) or (ii), then the vendor is deemed to have elected to pay under item (ii) and must make~~  
344.18 ~~subsequent monthly payments in the manner provided in item (ii).~~

344.19 ~~(vi) For vendors making an accelerated payment under item (ii), for the first month~~  
344.20 ~~that the vendor is required to make the accelerated payment, on the 20th of that month, the~~  
344.21 ~~vendor will pay 100 percent of the liability for the previous month and a prepayment for~~  
344.22 ~~the first month equal to 67 percent of the liability for the previous month.~~

344.23 ~~(b) Notwithstanding paragraph (a), A vendor having a liability of \$120,000 or more~~  
344.24 ~~during a fiscal year ending June 30 must remit the June liability for the next year in the~~  
344.25 ~~following manner:~~

344.26 ~~(1) Two business days before June 30 of the year, the vendor must remit 90 percent~~  
344.27 ~~of the estimated June liability to the commissioner.~~

344.28 ~~(2) On or before August 20 of the year, the vendor must pay any additional amount~~  
344.29 ~~of tax not remitted in June.~~

344.30 ~~(c) A vendor having a liability of:~~

344.31 ~~(1) \$10,000 or more, but less than \$120,000 during a fiscal year ending June 30,~~  
344.32 ~~2009, and fiscal years thereafter, must remit by electronic means all liabilities on returns~~  
344.33 ~~due for periods beginning in the subsequent calendar year on or before the 20th day of~~  
344.34 ~~the month following the month in which the taxable event occurred, or on or before the~~  
344.35 ~~20th day of the month following the month in which the sale is reported under section~~  
344.36 ~~289A.18, subdivision 4; or~~

345.1 (2) \$120,000 or more, during a fiscal year ending June 30, 2009, and fiscal years  
 345.2 thereafter, must remit by electronic means all liabilities in the manner provided in  
 345.3 paragraph (a), ~~clause (2)~~, on returns due for periods beginning in the subsequent calendar  
 345.4 year, except for 90 percent of the estimated June liability, which is due two business days  
 345.5 before June 30. The remaining amount of the June liability is due on August 20.

345.6 (d) Notwithstanding paragraph (b) or (c), a person prohibited by the person's  
 345.7 religious beliefs from paying electronically shall be allowed to remit the payment by mail.  
 345.8 The filer must notify the commissioner of revenue of the intent to pay by mail before  
 345.9 doing so on a form prescribed by the commissioner. No extra fee may be charged to a  
 345.10 person making payment by mail under this paragraph. The payment must be postmarked  
 345.11 at least two business days before the due date for making the payment in order to be  
 345.12 considered paid on a timely basis.

345.13 ~~(e) Whenever the liability is \$120,000 or more separately for: (1) the tax imposed~~  
 345.14 ~~under chapter 297A; (2) a fee that is to be reported on the same return as and paid with the~~  
 345.15 ~~chapter 297A taxes; or (3) any other tax that is to be reported on the same return as and~~  
 345.16 ~~paid with the chapter 297A taxes, then the payment of all the liabilities on the return must~~  
 345.17 ~~be accelerated as provided in this subdivision.~~

345.18 ~~(f) At the start of the first calendar quarter at least 90 days after the cash flow account~~  
 345.19 ~~established in section 16A.152, subdivision 1, and the budget reserve account established in~~  
 345.20 ~~section 16A.152, subdivision 1a, reach the amounts listed in section 16A.152, subdivision~~  
 345.21 ~~2, paragraph (a), the remittance of the accelerated payments required under paragraph (a),~~  
 345.22 ~~clause (2), must be suspended. The commissioner of management and budget shall notify~~  
 345.23 ~~the commissioner of revenue when the accounts have reached the required amounts.~~  
 345.24 ~~Beginning with the suspension of paragraph (a), clause (2), for a vendor with a liability of~~  
 345.25 ~~\$120,000 or more during a fiscal year ending June 30, 2009, and fiscal years thereafter, the~~  
 345.26 ~~taxes imposed by chapter 297A are due and payable to the commissioner on the 20th day~~  
 345.27 ~~of the month following the month in which the taxable event occurred. Payments of tax~~  
 345.28 ~~liabilities for taxable events occurring in June under paragraph (b) are not changed.~~

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

345.30 Sec. 3. Minnesota Statutes 2012, section 297G.04, subdivision 2, is amended to read:

345.31 Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages  
 345.32 is entitled to a tax credit of \$4.60 per barrel on 25,000 barrels sold in any fiscal year  
 345.33 beginning July 1, regardless of the alcohol content of the product. Qualified brewers may  
 345.34 take the credit on the 18th day of each month, but the total credit allowed may not exceed  
 345.35 in any fiscal year the lesser of:

346.1 (1) the liability for tax; or

346.2 (2) \$115,000.

346.3 For purposes of this subdivision, a "qualified brewer" means a brewer, whether  
 346.4 or not located in this state, manufacturing less than 100,000 barrels of fermented malt  
 346.5 beverages in the calendar year immediately preceding the ~~calendar~~ fiscal year for which  
 346.6 the credit under this subdivision is claimed. In determining the number of barrels, all  
 346.7 brands or labels of a brewer must be combined. All facilities for the manufacture of  
 346.8 fermented malt beverages owned or controlled by the same person, corporation, or other  
 346.9 entity must be treated as a single brewer.

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

346.11 Sec. 4. Minnesota Statutes 2012, section 297I.05, subdivision 11, is amended to read:

346.12 Subd. 11. **Retaliatory provisions.** (a) If any other state or country imposes any  
 346.13 taxes, fines, deposits, penalties, licenses, or fees upon any insurance companies of this  
 346.14 state and their agents doing business in another state or country that are in addition to or in  
 346.15 excess of those imposed by the laws of this state upon foreign insurance companies and  
 346.16 their agents doing business in this state, the same taxes, fines, deposits, penalties, licenses,  
 346.17 and fees are imposed upon every similar insurance company of that state or country and  
 346.18 their agents doing or applying to do business in this state.

346.19 (b) If any conditions precedent to the right to do business in any other state or  
 346.20 country are imposed by the laws of that state or country, beyond those imposed upon  
 346.21 foreign companies by the laws of this state, the same conditions precedent are imposed  
 346.22 upon every similar insurance company of that state or country and their agents doing or  
 346.23 applying to do business in that state.

346.24 (c) For purposes of this subdivision, "taxes, fines, deposits, penalties, licenses, or  
 346.25 fees" means an amount of money that is deposited in the general revenue fund of the state  
 346.26 or other similar fund in another state or country and is not dedicated to a special purpose  
 346.27 or use or money deposited in the general revenue fund of the state or other similar fund in  
 346.28 another state or country and appropriated to the commissioner of commerce or insurance  
 346.29 for the operation of the Department of Commerce or other similar agency with jurisdiction  
 346.30 over insurance. Taxes, fines, deposits, penalties, licenses, or fees do not include:

346.31 (1) special purpose obligations or assessments imposed in connection with particular  
 346.32 kinds of insurance, including but not limited to assessments imposed in connection with  
 346.33 residual market mechanisms; or

346.34 (2) assessments made by the insurance guaranty association, life and health  
 346.35 guarantee association, or similar association.

347.1 (d) This subdivision applies to taxes imposed under subdivisions 1<sub>;</sub> 3<sub>;</sub> 4<sub>,</sub> ~~6,~~ and 12,  
347.2 paragraph (a), clauses (1) and (2); and 14.

347.3 (e) This subdivision does not apply to insurance companies organized or domiciled  
347.4 in a state or country, the laws of which do not impose retaliatory taxes, fines, deposits,  
347.5 penalties, licenses, or fees or which grant, on a reciprocal basis, exemptions from  
347.6 retaliatory taxes, fines, deposits, penalties, licenses, or fees to insurance companies  
347.7 domiciled in this state.

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

347.9 Sec. 5. **REPEALER.**

347.10 Minnesota Statutes 2012, section 289A.60, subdivision 31, is repealed.

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

347.12

## ARTICLE 15

347.13

### DEPARTMENT POLICY AND TECHNICAL: MINERALS 347.14 TAXES; PROPERTY TAX

347.15 Section 1. Minnesota Statutes 2012, section 13.4965, subdivision 3, is amended to read:

347.16 Subd. 3. **Homestead and other applications.** The classification and disclosure of  
347.17 certain information collected to determine eligibility of property for a homestead or other  
347.18 classification or benefit under section 273.13 are governed by ~~section~~ sections 273.124,  
347.19 ~~subdivision~~ subdivisions 13, 13a, 13b, 13c, and 13d; 273.1245; and 273.1315.

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

347.21 Sec. 2. Minnesota Statutes 2012, section 123A.455, subdivision 1, is amended to read:

347.22 Subdivision 1. **Definitions.** "Split residential property parcel" means a parcel of  
347.23 real estate that is located within the boundaries of more than one school district and that  
347.24 is classified as residential property under:

347.25 (1) section 273.13, subdivision 22, paragraph (a) or (b);

347.26 (2) section 273.13, subdivision 25, paragraph (b), clause (1); or

347.27 (3) section 273.13, subdivision 25, paragraph (c); ~~clause (1).~~

347.28 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
347.29 thereafter.

348.1 Sec. 3. Minnesota Statutes 2012, section 270.077, is amended to read:

348.2 **270.077 TAXES CREDITED TO STATE AIRPORTS FUND.**

348.3 All taxes levied under sections 270.071 to 270.079 must be collected by the  
348.4 commissioner and credited to the state airports fund created in section 360.017.

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

348.6 Sec. 4. Minnesota Statutes 2012, section 270.41, subdivision 5, is amended to read:

348.7 Subd. 5. **Prohibited activity.** A licensed assessor or other person employed by an  
348.8 assessment jurisdiction or contracting with an assessment jurisdiction for the purpose  
348.9 of valuing or classifying property for property tax purposes is prohibited from making  
348.10 appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report  
348.11 as defined in section 82B.021, subdivisions 2, 4, 6, and 7, on any property within the  
348.12 assessment jurisdiction where the individual is employed or performing the duties of the  
348.13 assessor under contract. Violation of this prohibition shall result in immediate revocation  
348.14 of the individual's license to assess property for property tax purposes. This prohibition  
348.15 must not be construed to prohibit an individual from carrying out any duties required  
348.16 for the proper assessment of property for property tax purposes or performing duties  
348.17 enumerated in section 273.061, subdivision 7 or 8. If a formal resolution has been adopted  
348.18 by the governing body of a governmental unit, which specifies the purposes for which  
348.19 such work will be done, this prohibition does not apply to appraisal activities undertaken  
348.20 on behalf of and at the request of the governmental unit that has employed or contracted  
348.21 with the individual. The resolution may only allow appraisal activities which are related to  
348.22 condemnations, right-of-way acquisitions, land exchanges, or special assessments.

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

348.24 Sec. 5. Minnesota Statutes 2012, section 270C.34, subdivision 1, is amended to read:

348.25 Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any  
348.26 penalty or interest that is imposed by a law administered by the commissioner, or imposed  
348.27 by section 270.0725, subdivision 1 or 2, or 270.075, subdivision 2, as a result of the late  
348.28 payment of tax or late filing of a return, or any part of an additional tax charge under  
348.29 section 289A.25, subdivision 2, or 289A.26, subdivision 4, if the failure to timely pay the  
348.30 tax or failure to timely file the return is due to reasonable cause, or if the taxpayer is located  
348.31 in a presidentially declared disaster or in a presidentially declared state of emergency area  
348.32 or in an area declared to be in a state of emergency by the governor under section 12.31.

349.1 (b) The commissioner shall abate any part of a penalty or additional tax charge  
 349.2 under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous  
 349.3 advice given to the taxpayer in writing by an employee of the department acting in  
 349.4 an official capacity, if the advice:

349.5 (1) was reasonably relied on and was in response to a specific written request of the  
 349.6 taxpayer; and

349.7 (2) was not the result of failure by the taxpayer to provide adequate or accurate  
 349.8 information.

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

349.10 Sec. 6. Minnesota Statutes 2012, section 272.01, subdivision 2, is amended to read:

349.11 Subd. 2. **Exempt property used by private entity for profit.** (a) When any real or  
 349.12 personal property which is exempt from ad valorem taxes, and taxes in lieu thereof, is  
 349.13 leased, loaned, or otherwise made available and used by a private individual, association,  
 349.14 or corporation in connection with a business conducted for profit, there shall be imposed a  
 349.15 tax, for the privilege of so using or possessing such real or personal property, in the same  
 349.16 amount and to the same extent as though the lessee or user was the owner of such property.

349.17 (b) The tax imposed by this subdivision shall not apply to:

349.18 (1) property leased or used as a concession in or relative to the use in whole  
 349.19 or part of a public park, market, fairgrounds, port authority, economic development  
 349.20 authority established under chapter 469, municipal auditorium, municipal parking facility,  
 349.21 municipal museum, or municipal stadium;

349.22 (2) property of an airport owned by a city, town, county, or group thereof which is:

349.23 (i) leased to or used by any person or entity including a fixed base operator; and

349.24 (ii) used as a hangar for the storage or repair of aircraft or to provide aviation goods,  
 349.25 services, or facilities to the airport or general public;

349.26 the exception from taxation provided in this clause does not apply to:

349.27 (i) property located at an airport owned or operated by the Metropolitan Airports  
 349.28 Commission or by a city of over 50,000 population according to the most recent federal  
 349.29 census or such a city's airport authority; or

349.30 (ii) hangars leased by a private individual, association, or corporation in connection  
 349.31 with a business conducted for profit other than an aviation-related business;

349.32 (3) property constituting or used as a public pedestrian ramp or concourse in  
 349.33 connection with a public airport;

350.1 (4) property constituting or used as a passenger check-in area or ticket sale counter,  
 350.2 boarding area, or luggage claim area in connection with a public airport but not the  
 350.3 airports owned or operated by the Metropolitan Airports Commission or cities of over  
 350.4 50,000 population or an airport authority therein. Real estate owned by a municipality  
 350.5 in connection with the operation of a public airport and leased or used for agricultural  
 350.6 purposes is not exempt;

350.7 (5) property leased, loaned, or otherwise made available to a private individual,  
 350.8 corporation, or association under a cooperative farming agreement made pursuant to  
 350.9 section 97A.135; or

350.10 (6) property leased, loaned, or otherwise made available to a private individual,  
 350.11 corporation, or association under section 272.68, subdivision 4.

350.12 (c) Taxes imposed by this subdivision are payable as in the case of personal property  
 350.13 taxes and shall be assessed to the lessees or users of real or personal property in the same  
 350.14 manner as taxes assessed to owners of real or personal property, except that such taxes  
 350.15 shall not become a lien against the property. When due, the taxes shall constitute a debt due  
 350.16 from the lessee or user to the state, township, city, county, and school district for which the  
 350.17 taxes were assessed and shall be collected in the same manner as personal property taxes.  
 350.18 If property subject to the tax imposed by this subdivision is leased or used jointly by two or  
 350.19 more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

350.20 (d) The tax on real property of the federal government, the state or any of its political  
 350.21 subdivisions that is leased by, loaned, or otherwise made available to a private individual,  
 350.22 association, or corporation and becomes taxable under this subdivision or other provision  
 350.23 of law must be assessed and collected as a personal property assessment. The taxes do  
 350.24 not become a lien against the real property.

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

350.26 Sec. 7. Minnesota Statutes 2012, section 272.02, subdivision 97, is amended to read:

350.27 Subd. 97. **Property used in business of mining subject to net proceeds tax.** The  
 350.28 following property used in the business of mining that is subject to the net proceeds tax  
 350.29 under section 298.015 is exempt:

350.30 (1) deposits of ores, metals, and minerals and the lands in which they are contained;

350.31 (2) all real and personal property used in mining, quarrying, producing, or refining  
 350.32 ores, minerals, or metals, including lands occupied by or used in connection with the  
 350.33 mining, quarrying, production, or ore refining facilities; and

350.34 (3) concentrate ~~or direct reduced ore.~~

351.1 This exemption applies for each year that a person subject to tax under section  
 351.2 298.015 uses the property for mining, quarrying, producing, or refining ores, metals, or  
 351.3 minerals.

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

351.5 Sec. 8. Minnesota Statutes 2012, section 272.03, subdivision 9, is amended to read:

351.6 Subd. 9. **Person.** "Person" ~~includes~~ means an individual, association, estate, trust,  
 351.7 partnership, firm, company, or corporation.

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

351.9 Sec. 9. Minnesota Statutes 2012, section 273.032, is amended to read:

351.10 **273.032 MARKET VALUE DEFINITION.**

351.11 For the purpose of determining any property tax levy limitation based on market  
 351.12 value, any qualification to receive state aid based on market value, or any state aid amount  
 351.13 based on market value, the terms "market value," "taxable market value," and "market  
 351.14 valuation," whether equalized or unequalized, mean the total taxable market value of  
 351.15 property within the local unit of government before any adjustments for tax increment,  
 351.16 fiscal disparity, powerline credit, or wind energy values, but after ~~the limited market~~  
 351.17 ~~adjustments under section 273.11, subdivision 1a, and after the market value exclusions of~~  
 351.18 certain improvements to homestead property under section 273.11, subdivision 16. Unless  
 351.19 otherwise provided, "market value," "taxable market value," and "market valuation" for  
 351.20 purposes of this paragraph, refer to the taxable market value for the previous assessment  
 351.21 year.

351.22 For the purpose of determining any net debt limit based on market value, or any limit  
 351.23 on the issuance of bonds, certificates of indebtedness, or capital notes based on market  
 351.24 value, the terms "market value," "taxable market value," and "market valuation," whether  
 351.25 equalized or unequalized, mean the total taxable market value of property within the local  
 351.26 unit of government before any adjustments for tax increment, fiscal disparity, powerline  
 351.27 credit, or wind energy values, but after ~~the limited market value adjustments under section~~  
 351.28 ~~273.11, subdivision 1a, and after the market value exclusions of certain improvements to~~  
 351.29 homestead property under section 273.11, subdivision 16. Unless otherwise provided,  
 351.30 "market value," "taxable market value," and "market valuation" for purposes of this  
 351.31 paragraph, mean the taxable market value as last finally equalized.

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

352.1 Sec. 10. Minnesota Statutes 2012, section 273.114, subdivision 6, is amended to read:

352.2 Subd. 6. **Additional taxes.** (a) When real property which is being, or has been  
352.3 valued and assessed under this section is sold, transferred, or no longer qualifies under  
352.4 subdivision 2, the portion sold, transferred, or no longer qualifying shall be subject to  
352.5 additional taxes in the amount equal to the difference between the taxes determined in  
352.6 accordance with subdivision 3 and the amount determined under subdivision 4, provided  
352.7 that the amount determined under subdivision 4 shall not be greater than it would have  
352.8 been had the actual bona fide sale price of the real property at an arm's-length transaction  
352.9 been used in lieu of the market value determined under subdivision 4. The additional taxes  
352.10 shall be extended against the property on the tax list for taxes payable in the current year,  
352.11 provided that no interest or penalties shall be levied on the additional taxes if timely paid  
352.12 and provided that the additional taxes shall only be levied with respect to the current year  
352.13 plus two prior years that the property has been valued and assessed under this section.

352.14 (b) In the case of a sale or transfer, the additional taxes under paragraph (a) shall not  
352.15 be extended against the property if the new owner submits a successful application under  
352.16 this section by the later of May 1 of the current year or 30 days after the sale or transfer.

352.17 (c) For the purposes of this section, the following events do not constitute a sale or  
352.18 transfer for property that qualified under subdivision 2 prior to the event:

352.19 (1) death of a property owner when the surviving owners retain ownership of the  
352.20 property;

352.21 (2) divorce of a married couple when one of the spouses retains ownership of the  
352.22 property;

352.23 (3) marriage of a single property owner when that owner retains ownership of the  
352.24 property in whole or in part;

352.25 (4) the organization or reorganization of a farm ownership entity that is not prohibited  
352.26 from owning agricultural land in this state under section 500.24, if all owners maintain the  
352.27 same beneficial interest both before and after the organization or reorganization; and

352.28 (5) transfer of the property to a trust or trustee, provided that the individual owners  
352.29 of the property are the grantors of the trust and they maintain the same beneficial interest  
352.30 both before and after placement of the property in trust.

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

352.32 Sec. 11. Minnesota Statutes 2012, section 273.124, subdivision 13, is amended to read:

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

353.1 (b) The format and contents of a uniform homestead application shall be prescribed  
353.2 by the commissioner of revenue. The application must clearly inform the taxpayer that  
353.3 this application must be signed by all owners who occupy the property or by the qualifying  
353.4 relative and returned to the county assessor in order for the property to receive homestead  
353.5 treatment.

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

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

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

353.26 ~~The Social Security numbers, state or federal tax returns or tax return information,~~  
353.27 ~~including the federal income tax schedule F required by this section, or affidavits or other~~  
353.28 ~~proofs of the property owners and spouses submitted under this or another section to~~  
353.29 ~~support a claim for a property tax homestead classification are private data on individuals as~~  
353.30 ~~defined by section 13.02, subdivision 12, but, notwithstanding that section, the private data~~  
353.31 ~~may be disclosed to the commissioner of revenue, or, for purposes of proceeding under the~~  
353.32 ~~Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.~~

353.33 (d) If residential real estate is occupied and used for purposes of a homestead by a  
353.34 relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in  
353.35 order for the property to receive homestead status, a homestead application must be filed  
353.36 with the assessor. The Social Security number of each relative and spouse of a relative

354.1 occupying the property shall be required on the homestead application filed under this  
 354.2 subdivision. If a different relative of the owner subsequently occupies the property, the  
 354.3 owner of the property must notify the assessor within 30 days of the change in occupancy.  
 354.4 The Social Security number of a relative or relative's spouse occupying the property  
 354.5 is private data on individuals as defined by section 13.02, subdivision 12, but may be  
 354.6 disclosed to the commissioner of revenue, or, for the purposes of proceeding under the  
 354.7 Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

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

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

354.26 Subd. 13a. Occupant list. (g) At the request of the commissioner, each county  
 354.27 must give the commissioner a list that includes the name and Social Security number  
 354.28 of each occupant of homestead property who is the property owner, property owner's  
 354.29 spouse, qualifying relative of a property owner, or a spouse of a qualifying relative. The  
 354.30 commissioner shall use the information provided on the lists as appropriate under the law,  
 354.31 including for the detection of improper claims by owners, or relatives of owners, under  
 354.32 chapter 290A.

354.33 Subd. 13b. Improper homestead. (h) (a) If the commissioner finds that a  
 354.34 property owner may be claiming a fraudulent homestead, the commissioner shall notify  
 354.35 the appropriate counties. Within 90 days of the notification, the county assessor shall  
 354.36 investigate to determine if the homestead classification was properly claimed. If the

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

355.7 The county auditor shall send a notice to the person who owned the affected property  
355.8 at the time the homestead application related to the improper homestead was filed,  
355.9 demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent  
355.10 of the homestead benefits. The person notified may appeal the county's determination  
355.11 by serving copies of a petition for review with county officials as provided in section  
355.12 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax  
355.13 Court within 60 days of the date of the notice from the county. Procedurally, the appeal  
355.14 is governed by the provisions in chapter 271 which apply to the appeal of a property tax  
355.15 assessment or levy, but without requiring any prepayment of the amount in controversy. If  
355.16 the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal  
355.17 has been filed, the county auditor shall certify the amount of taxes and penalty to the county  
355.18 treasurer. The county treasurer will add interest to the unpaid homestead benefits and  
355.19 penalty amounts at the rate provided in section 279.03 for real property taxes becoming  
355.20 delinquent in the calendar year during which the amount remains unpaid. Interest may be  
355.21 assessed for the period beginning 60 days after demand for payment was made.

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

355.30 If the person notified is not the current owner of the property, the treasurer may  
355.31 collect the amounts due under the Revenue Recapture Act in chapter 270A, or use any of  
355.32 the powers granted in sections 277.20 and 277.21 without exclusion, to enforce payment  
355.33 of the homestead benefits, penalty, interest, and costs, as if those amounts were delinquent  
355.34 tax obligations of the person who owned the property at the time the application related to  
355.35 the improperly allowed homestead was filed. The treasurer may relieve a prior owner of  
355.36 personal liability for the homestead benefits, penalty, interest, and costs, and instead extend

356.1 those amounts on the tax lists against the property as provided in this paragraph to the extent  
 356.2 that the current owner agrees in writing. On all demands, billings, property tax statements,  
 356.3 and related correspondence, the county must list and state separately the amounts of  
 356.4 homestead benefits, penalty, interest and costs being demanded, billed or assessed.

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

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

356.18 Subd. 13c. **Property lists.** ~~(k)~~ In addition to lists of homestead properties, the  
 356.19 commissioner may ask the counties to furnish lists of all properties and the record owners.  
 356.20 The Social Security numbers and federal identification numbers that are maintained by  
 356.21 a county or city assessor for property tax administration purposes, and that may appear  
 356.22 on the lists retain their classification as private or nonpublic data; but may be viewed,  
 356.23 accessed, and used by the county auditor or treasurer of the same county for the limited  
 356.24 purpose of assisting the commissioner in the preparation of microdata samples under  
 356.25 section 270C.12. The commissioner shall use the information provided on the lists as  
 356.26 appropriate under the law, including for the detection of improper claims by owners, or  
 356.27 relatives of owners, under chapter 290A.

356.28 Subd. 13d. **Homestead data.** ~~(l)~~ On or before April 30 each year beginning in 2007,  
 356.29 each county must provide the commissioner with the following data for each parcel of  
 356.30 homestead property by electronic means as defined in section 289A.02, subdivision 8:

356.31 ~~(i)~~ (1) the property identification number assigned to the parcel for purposes of  
 356.32 taxes payable in the current year;

356.33 ~~(ii)~~ (2) the name and Social Security number of each occupant of homestead property  
 356.34 who is the property owner, property owner's spouse, qualifying relative of a property  
 356.35 owner, or spouse of a qualifying relative;

357.1 ~~(iii)~~ (3) the classification of the property under section 273.13 for taxes payable  
357.2 in the current year and in the prior year;

357.3 ~~(iv)~~ (4) an indication of whether the property was classified as a homestead for  
357.4 taxes payable in the current year because of occupancy by a relative of the owner or  
357.5 by a spouse of a relative;

357.6 ~~(v)~~ (5) the property taxes payable as defined in section 290A.03, subdivision 13, for  
357.7 the current year and the prior year;

357.8 ~~(vi)~~ (6) the market value of improvements to the property first assessed for tax  
357.9 purposes for taxes payable in the current year;

357.10 ~~(vii)~~ (7) the assessor's estimated market value assigned to the property for taxes  
357.11 payable in the current year and the prior year;

357.12 ~~(viii)~~ (8) the taxable market value assigned to the property for taxes payable in the  
357.13 current year and the prior year;

357.14 ~~(ix)~~ (9) whether there are delinquent property taxes owing on the homestead;

357.15 ~~(x)~~ (10) the unique taxing district in which the property is located; and

357.16 ~~(xi)~~ (11) such other information as the commissioner decides is necessary.

357.17 The commissioner shall use the information provided on the lists as appropriate  
357.18 under the law, including for the detection of improper claims by owners, or relatives  
357.19 of owners, under chapter 290A.

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

357.21 Sec. 12. **[273.1245] CLASSIFICATION OF DATA.**

357.22 **Subdivision 1. Private or nonpublic data.** The following data are private or  
357.23 nonpublic data as defined in 13.02, subdivisions 9 and 12, when they are submitted to a  
357.24 county or local assessor under section 273.124, 273.13, or another section, to support a  
357.25 claim for the property tax homestead classification under section 273.13, or other property  
357.26 tax classification or benefit that is provided under section 273.13:

357.27 (1) Social Security numbers;

357.28 (2) copies of state or federal income tax returns; and

357.29 (3) state or federal income tax return information, including the federal income  
357.30 tax schedule F.

357.31 **Subd. 2. Disclosure.** The assessor shall disclose the data described in subdivision 1  
357.32 to the commissioner of revenue as provided by law. The assessor shall also disclose all or  
357.33 portions of the data described in subdivision 1 to the county treasurer solely for the purpose  
357.34 of proceeding under the Revenue Recapture Act to recover personal property taxes owing.

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

358.2 Sec. 13. Minnesota Statutes 2012, section 273.13, subdivision 23, is amended to read:

358.3 Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural  
358.4 land that is homesteaded, along with any class 2b rural vacant land that is contiguous to  
358.5 the class 2a land under the same ownership. The market value of the house and garage  
358.6 and immediately surrounding one acre of land has the same class rates as class 1a or 1b  
358.7 property under subdivision 22. The value of the remaining land including improvements  
358.8 up to the first tier valuation limit of agricultural homestead property has a net class rate  
358.9 of 0.5 percent of market value. The remaining property over the first tier has a class rate  
358.10 of one percent of market value. For purposes of this subdivision, the "first tier valuation  
358.11 limit of agricultural homestead property" and "first tier" means the limit certified under  
358.12 section 273.11, subdivision 23.

358.13 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that  
358.14 are agricultural land and buildings. Class 2a property has a net class rate of one percent of  
358.15 market value, unless it is part of an agricultural homestead under paragraph (a). Class 2a  
358.16 property must also include any property that would otherwise be classified as 2b, but is  
358.17 interspersed with class 2a property, including but not limited to sloughs, wooded wind  
358.18 shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback requirement,  
358.19 and other similar land that is impractical for the assessor to value separately from the rest of  
358.20 the property or that is unlikely to be able to be sold separately from the rest of the property.

358.21 An assessor may classify the part of a parcel described in this subdivision that is used  
358.22 for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

358.23 (c) Class 2b rural vacant land consists of parcels of property, or portions thereof,  
358.24 that are unplatted real estate, rural in character and not used for agricultural purposes,  
358.25 including land used for growing trees for timber, lumber, and wood and wood products,  
358.26 that is not improved with a structure. The presence of a minor, ancillary nonresidential  
358.27 structure as defined by the commissioner of revenue does not disqualify the property from  
358.28 classification under this paragraph. Any parcel of 20 acres or more improved with a  
358.29 structure that is not a minor, ancillary nonresidential structure must be split-classified, and  
358.30 ten acres must be assigned to the split parcel containing the structure. Class 2b property  
358.31 has a net class rate of one percent of market value unless it is part of an agricultural  
358.32 homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

358.33 (d) Class 2c managed forest land consists of no less than 20 and no more than 1,920  
358.34 acres statewide per taxpayer that is being managed under a forest management plan that  
358.35 meets the requirements of chapter 290C, but is not enrolled in the sustainable forest

359.1 resource management incentive program. It has a class rate of .65 percent, provided that  
 359.2 the owner of the property must apply to the assessor in order for the property to initially  
 359.3 qualify for the reduced rate and provide the information required by the assessor to verify  
 359.4 that the property qualifies for the reduced rate. If the assessor receives the application  
 359.5 and information before May 1 in an assessment year, the property qualifies beginning  
 359.6 with that assessment year. If the assessor receives the application and information after  
 359.7 April 30 in an assessment year, the property may not qualify until the next assessment  
 359.8 year. The commissioner of natural resources must concur that the land is qualified. The  
 359.9 commissioner of natural resources shall annually provide county assessors verification  
 359.10 information on a timely basis. The presence of a minor, ancillary nonresidential structure  
 359.11 as defined by the commissioner of revenue does not disqualify the property from  
 359.12 classification under this paragraph.

359.13 (e) Agricultural land as used in this section means:

359.14 (1) contiguous acreage of ten acres or more, used during the preceding year for  
 359.15 agricultural purposes; or

359.16 (2) contiguous acreage used during the preceding year for an intensive livestock or  
 359.17 poultry confinement operation, provided that land used only for pasturing or grazing  
 359.18 does not qualify under this clause.

359.19 "Agricultural purposes" as used in this section means the raising, cultivation, drying,  
 359.20 or storage of agricultural products for sale, or the storage of machinery or equipment  
 359.21 used in support of agricultural production by the same farm entity. For a property to be  
 359.22 classified as agricultural based only on the drying or storage of agricultural products,  
 359.23 the products being dried or stored must have been produced by the same farm entity as  
 359.24 the entity operating the drying or storage facility. "Agricultural purposes" also includes  
 359.25 enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or  
 359.26 the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar  
 359.27 state or federal conservation program if the property was classified as agricultural (i)  
 359.28 under this subdivision for the assessment year 2002 taxes payable in 2003 because of its  
 359.29 enrollment in a qualifying program and the land remains enrolled or (ii) in the year prior  
 359.30 to its enrollment. Agricultural classification shall not be based upon the market value of  
 359.31 any residential structures on the parcel or contiguous parcels under the same ownership.

359.32 "Contiguous acreage," for purposes of this paragraph, means all of, or a contiguous  
 359.33 portion of, a tax parcel as described in section 272.193, or all of, or a contiguous portion  
 359.34 of, a set of contiguous tax parcels under that section that are owned by the same person.

359.35 (f) Real estate of Agricultural land under this section also includes:

360.1 (1) contiguous acreage that is less than ten acres, which is in size and exclusively or  
 360.2 intensively used in the preceding year for raising or cultivating agricultural products, shall  
 360.3 ~~be considered as agricultural land. To qualify under this paragraph, property that includes~~  
 360.4 ~~a residential structure must be used intensively for one of the following purposes; or~~

360.5 (2) contiguous acreage that contains a residence and is less than 11 acres in size, if  
 360.6 the contiguous acreage exclusive of the house, garage, and surrounding one acre of land  
 360.7 was used in the preceding year for one or more of the following three uses:

360.8 (i) for an intensive grain drying or storage of grain operation, or for intensive  
 360.9 machinery or equipment storage of machinery or equipment activities used to support  
 360.10 agricultural activities on other parcels of property operated by the same farming entity;

360.11 (ii) as a nursery, provided that only those acres used intensively to produce nursery  
 360.12 stock are considered agricultural land; or

360.13 ~~(iii) for livestock or poultry confinement, provided that land that is used only for~~  
 360.14 ~~pasturing and grazing does not qualify; or~~

360.15 ~~(iv)~~ (iii) for intensive market farming; for purposes of this paragraph, "market  
 360.16 farming" means the cultivation of one or more fruits or vegetables or production of animal  
 360.17 or other agricultural products for sale to local markets by the farmer or an organization  
 360.18 with which the farmer is affiliated.

360.19 "Contiguous acreage," for purposes of this paragraph, means all of a tax parcel as  
 360.20 described in section 272.193, or all of a set of contiguous tax parcels under that section  
 360.21 that are owned by the same person.

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

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

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

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

360.31 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing  
 360.32 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains,  
 360.33 bees, and apiary products by the owner;

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

361.1 (3) the commercial boarding of horses, which may include related horse training and  
361.2 riding instruction, if the boarding is done on property that is also used for raising pasture  
361.3 to graze horses or raising or cultivating other agricultural products as defined in clause (1);

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

361.6 (5) game birds and waterfowl bred and raised (i) on a game farm licensed under  
361.7 section 97A.105, provided that the annual licensing report to the Department of Natural  
361.8 Resources, which must be submitted annually by March 30 to the assessor, indicates  
361.9 that at least 500 birds were raised or used for breeding stock on the property during the  
361.10 preceding year and that the owner provides a copy of the owner's most recent schedule F;  
361.11 or (ii) for use on a shooting preserve licensed under section 97A.115;

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

361.13 (7) trees, grown for sale as a crop, including short rotation woody crops, and not  
361.14 sold for timber, lumber, wood, or wood products; and

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

361.17 (j) If a parcel used for agricultural purposes is also used for commercial or industrial  
361.18 purposes, including but not limited to:

361.19 (1) wholesale and retail sales;

361.20 (2) processing of raw agricultural products or other goods;

361.21 (3) warehousing or storage of processed goods; and

361.22 (4) office facilities for the support of the activities enumerated in clauses (1), (2),  
361.23 and (3),

361.24 the assessor shall classify the part of the parcel used for agricultural purposes as class  
361.25 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its  
361.26 use. The grading, sorting, and packaging of raw agricultural products for first sale is  
361.27 considered an agricultural purpose. A greenhouse or other building where horticultural  
361.28 or nursery products are grown that is also used for the conduct of retail sales must be  
361.29 classified as agricultural if it is primarily used for the growing of horticultural or nursery  
361.30 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of  
361.31 those products. Use of a greenhouse or building only for the display of already grown  
361.32 horticultural or nursery products does not qualify as an agricultural purpose.

361.33 (k) The assessor shall determine and list separately on the records the market value  
361.34 of the homestead dwelling and the one acre of land on which that dwelling is located. If  
361.35 any farm buildings or structures are located on this homesteaded acre of land, their market  
361.36 value shall not be included in this separate determination.

362.1 (l) Class 2d airport landing area consists of a landing area or public access area of  
362.2 a privately owned public use airport. It has a class rate of one percent of market value.  
362.3 To qualify for classification under this paragraph, a privately owned public use airport  
362.4 must be licensed as a public airport under section 360.018. For purposes of this paragraph,  
362.5 "landing area" means that part of a privately owned public use airport properly cleared,  
362.6 regularly maintained, and made available to the public for use by aircraft and includes  
362.7 runways, taxiways, aprons, and sites upon which are situated landing or navigational aids.  
362.8 A landing area also includes land underlying both the primary surface and the approach  
362.9 surfaces that comply with all of the following:

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

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

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

362.15 The land contained in a landing area under this paragraph must be described and certified  
362.16 by the commissioner of transportation. The certification is effective until it is modified,  
362.17 or until the airport or landing area no longer meets the requirements of this paragraph.

362.18 For purposes of this paragraph, "public access area" means property used as an aircraft  
362.19 parking ramp, apron, or storage hangar, or an arrival and departure building in connection  
362.20 with the airport.

362.21 (m) Class 2e consists of land with a commercial aggregate deposit that is not actively  
362.22 being mined and is not otherwise classified as class 2a or 2b, provided that the land is not  
362.23 located in a county that has elected to opt-out of the aggregate preservation program as  
362.24 provided in section 273.1115, subdivision 6. It has a class rate of one percent of market  
362.25 value. To qualify for classification under this paragraph, the property must be at least  
362.26 ten contiguous acres in size and the owner of the property must record with the county  
362.27 recorder of the county in which the property is located an affidavit containing:

362.28 (1) a legal description of the property;

362.29 (2) a disclosure that the property contains a commercial aggregate deposit that is not  
362.30 actively being mined but is present on the entire parcel enrolled;

362.31 (3) documentation that the conditional use under the county or local zoning  
362.32 ordinance of this property is for mining; and

362.33 (4) documentation that a permit has been issued by the local unit of government  
362.34 or the mining activity is allowed under local ordinance. The disclosure must include a  
362.35 statement from a registered professional geologist, engineer, or soil scientist delineating  
362.36 the deposit and certifying that it is a commercial aggregate deposit.

363.1 For purposes of this section and section 273.1115, "commercial aggregate deposit"  
363.2 means a deposit that will yield crushed stone or sand and gravel that is suitable for use  
363.3 as a construction aggregate; and "actively mined" means the removal of top soil and  
363.4 overburden in preparation for excavation or excavation of a commercial deposit.

363.5 (n) When any portion of the property under this subdivision or subdivision 22 begins  
363.6 to be actively mined, the owner must file a supplemental affidavit within 60 days from  
363.7 the day any aggregate is removed stating the number of acres of the property that is  
363.8 actively being mined. The acres actively being mined must be (1) valued and classified  
363.9 under subdivision 24 in the next subsequent assessment year, and (2) removed from the  
363.10 aggregate resource preservation property tax program under section 273.1115, if the  
363.11 land was enrolled in that program. Copies of the original affidavit and all supplemental  
363.12 affidavits must be filed with the county assessor, the local zoning administrator, and the  
363.13 Department of Natural Resources, Division of Land and Minerals. A supplemental  
363.14 affidavit must be filed each time a subsequent portion of the property is actively mined,  
363.15 provided that the minimum acreage change is five acres, even if the actual mining activity  
363.16 constitutes less than five acres.

363.17 (o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are  
363.18 not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions  
363.19 in section 14.386 concerning exempt rules do not apply.

363.20 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
363.21 thereafter.

363.22 Sec. 14. Minnesota Statutes 2012, section 273.13, subdivision 25, is amended to read:

363.23 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more  
363.24 units and used or held for use by the owner or by the tenants or lessees of the owner  
363.25 as a residence for rental periods of 30 days or more, excluding property qualifying for  
363.26 class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other  
363.27 than hospitals exempt under section 272.02, and contiguous property used for hospital  
363.28 purposes, without regard to whether the property has been platted or subdivided. The  
363.29 market value of class 4a property has a class rate of 1.25 percent.

363.30 (b) Class 4b includes:

363.31 (1) residential real estate containing less than four units that does not qualify as class  
363.32 4bb, other than seasonal residential recreational property;

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

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

364.1 (4) unimproved property that is classified residential as determined under subdivision  
364.2 33.

364.3 The market value of class 4b property has a class rate of 1.25 percent.

364.4 (c) Class 4bb includes:

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

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

364.9 Class 4bb property has the same class rates as class 1a property under subdivision 22.

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

364.13 (d) Class 4c property includes:

364.14 (1) except as provided in subdivision 22, paragraph (c), real and personal property  
364.15 devoted to commercial temporary and seasonal residential occupancy for recreation  
364.16 purposes, for not more than 250 days in the year preceding the year of assessment. For  
364.17 purposes of this clause, property is devoted to a commercial purpose on a specific day  
364.18 if any portion of the property is used for residential occupancy, and a fee is charged for  
364.19 residential occupancy. Class 4c property under this clause must contain three or more  
364.20 rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room,  
364.21 or individual camping site equipped with water and electrical hookups for recreational  
364.22 vehicles. A camping pad offered for rent by a property that otherwise qualifies for class  
364.23 4c under this clause is also class 4c under this clause regardless of the term of the rental  
364.24 agreement, as long as the use of the camping pad does not exceed 250 days. In order for a  
364.25 property to be classified under this clause, either (i) the business located on the property  
364.26 must provide recreational activities, at least 40 percent of the annual gross lodging receipts  
364.27 related to the property must be from business conducted during 90 consecutive days,  
364.28 and either (A) at least 60 percent of all paid bookings by lodging guests during the year  
364.29 must be for periods of at least two consecutive nights; or (B) at least 20 percent of the  
364.30 annual gross receipts must be from charges for providing recreational activities, or (ii) the  
364.31 business must contain 20 or fewer rental units, and must be located in a township or a city  
364.32 with a population of 2,500 or less located outside the metropolitan area, as defined under  
364.33 section 473.121, subdivision 2, that contains a portion of a state trail administered by the  
364.34 Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or  
364.35 more nights shall be counted as two bookings. Class 4c property also includes commercial  
364.36 use real property used exclusively for recreational purposes in conjunction with other class

365.1 4c property classified under this clause and devoted to temporary and seasonal residential  
365.2 occupancy for recreational purposes, up to a total of two acres, provided the property is  
365.3 not devoted to commercial recreational use for more than 250 days in the year preceding  
365.4 the year of assessment and is located within two miles of the class 4c property with which  
365.5 it is used. In order for a property to qualify for classification under this clause, the owner  
365.6 must submit a declaration to the assessor designating the cabins or units occupied for 250  
365.7 days or less in the year preceding the year of assessment by January 15 of the assessment  
365.8 year. Those cabins or units and a proportionate share of the land on which they are located  
365.9 must be designated class 4c under this clause as otherwise provided. The remainder of the  
365.10 cabins or units and a proportionate share of the land on which they are located will be  
365.11 designated as class 3a. The owner of property desiring designation as class 4c property  
365.12 under this clause must provide guest registers or other records demonstrating that the units  
365.13 for which class 4c designation is sought were not occupied for more than 250 days in the  
365.14 year preceding the assessment if so requested. The portion of a property operated as a  
365.15 (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other  
365.16 nonresidential facility operated on a commercial basis not directly related to temporary and  
365.17 seasonal residential occupancy for recreation purposes does not qualify for class 4c. For  
365.18 the purposes of this paragraph, "recreational activities" means renting ice fishing houses,  
365.19 boats and motors, snowmobiles, downhill or cross-country ski equipment; providing  
365.20 marina services, launch services, or guide services; or selling bait and fishing tackle;  
365.21 (2) qualified property used as a golf course if:  
365.22 (i) it is open to the public on a daily fee basis. It may charge membership fees or  
365.23 dues, but a membership fee may not be required in order to use the property for golfing,  
365.24 and its green fees for golfing must be comparable to green fees typically charged by  
365.25 municipal courses; and  
365.26 (ii) it meets the requirements of section 273.112, subdivision 3, paragraph (d).  
365.27 A structure used as a clubhouse, restaurant, or place of refreshment in conjunction  
365.28 with the golf course is classified as class 3a property;  
365.29 (3) real property up to a maximum of three acres of land owned and used by a  
365.30 nonprofit community service oriented organization and not used for residential purposes  
365.31 on either a temporary or permanent basis, provided that:  
365.32 (i) the property is not used for a revenue-producing activity for more than six days  
365.33 in the calendar year preceding the year of assessment; or  
365.34 (ii) the organization makes annual charitable contributions and donations at least  
365.35 equal to the property's previous year's property taxes and the property is allowed to be

366.1 used for public and community meetings or events for no charge, as appropriate to the  
366.2 size of the facility.

366.3 For purposes of this clause:

366.4 (A) "charitable contributions and donations" has the same meaning as lawful  
366.5 gambling purposes under section 349.12, subdivision 25, excluding those purposes  
366.6 relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

366.7 (B) "property taxes" excludes the state general tax;

366.8 (C) a "nonprofit community service oriented organization" means any corporation,  
366.9 society, association, foundation, or institution organized and operated exclusively for  
366.10 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from  
366.11 federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal  
366.12 Revenue Code; and

366.13 (D) "revenue-producing activities" shall include but not be limited to property or that  
366.14 portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt  
366.15 liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling  
366.16 alley, a retail store, gambling conducted by organizations licensed under chapter 349, an  
366.17 insurance business, or office or other space leased or rented to a lessee who conducts a  
366.18 for-profit enterprise on the premises.

366.19 Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use  
366.20 of the property for social events open exclusively to members and their guests for periods  
366.21 of less than 24 hours, when an admission is not charged nor any revenues are received by  
366.22 the organization shall not be considered a revenue-producing activity.

366.23 The organization shall maintain records of its charitable contributions and donations  
366.24 and of public meetings and events held on the property and make them available upon  
366.25 request any time to the assessor to ensure eligibility. An organization meeting the  
366.26 requirement under item (ii) must file an application by May 1 with the assessor for  
366.27 eligibility for the current year's assessment. The commissioner shall prescribe a uniform  
366.28 application form and instructions;

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

366.33 (5)(i) manufactured home parks as defined in section 327.14, subdivision 3,  
366.34 excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii)  
366.35 manufactured home parks as defined in section 327.14, subdivision 3, that are described in  
366.36 section 273.124, subdivision 3a;

367.1 (6) real property that is actively and exclusively devoted to indoor fitness, health,  
367.2 social, recreational, and related uses, is owned and operated by a not-for-profit corporation,  
367.3 and is located within the metropolitan area as defined in section 473.121, subdivision 2;

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

367.6 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan  
367.7 Airports Commission, or group thereof; and

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

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

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

367.15 (i) the land abuts a public airport; and

367.16 (ii) the owner of the aircraft storage hangar provides the assessor with a signed  
367.17 agreement restricting the use of the premises, prohibiting commercial use or activity  
367.18 performed at the hangar; and

367.19 (9) residential real estate, a portion of which is used by the owner for homestead  
367.20 purposes, and that is also a place of lodging, if all of the following criteria are met:

367.21 (i) rooms are provided for rent to transient guests that generally stay for periods  
367.22 of 14 or fewer days;

367.23 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated  
367.24 in the basic room rate;

367.25 (iii) meals are not provided to the general public except for special events on fewer  
367.26 than seven days in the calendar year preceding the year of the assessment; and

367.27 (iv) the owner is the operator of the property.

367.28 The market value subject to the 4c classification under this clause is limited to five rental  
367.29 units. Any rental units on the property in excess of five, must be valued and assessed as  
367.30 class 3a. The portion of the property used for purposes of a homestead by the owner must  
367.31 be classified as class 1a property under subdivision 22;

367.32 (10) real property up to a maximum of three acres and operated as a restaurant  
367.33 as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake  
367.34 as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B)  
367.35 is either devoted to commercial purposes for not more than 250 consecutive days, or  
367.36 receives at least 60 percent of its annual gross receipts from business conducted during

368.1 four consecutive months. Gross receipts from the sale of alcoholic beverages must be  
368.2 included in determining the property's qualification under subitem (B). The property's  
368.3 primary business must be as a restaurant and not as a bar. Gross receipts from gift shop  
368.4 sales located on the premises must be excluded. Owners of real property desiring 4c  
368.5 classification under this clause must submit an annual declaration to the assessor by  
368.6 February 1 of the current assessment year, based on the property's relevant information for  
368.7 the preceding assessment year;

368.8 (11) lakeshore and riparian property and adjacent land, not to exceed six acres, used  
368.9 as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to  
368.10 the public and devoted to recreational use for marina services. The marina owner must  
368.11 annually provide evidence to the assessor that it provides services, including lake or river  
368.12 access to the public by means of an access ramp or other facility that is either located on  
368.13 the property of the marina or at a publicly owned site that abuts the property of the marina.  
368.14 No more than 800 feet of lakeshore may be included in this classification. Buildings used  
368.15 in conjunction with a marina for marina services, including but not limited to buildings  
368.16 used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing  
368.17 tackle, are classified as class 3a property; and

368.18 (12) real and personal property devoted to noncommercial temporary and seasonal  
368.19 residential occupancy for recreation purposes.

368.20 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each  
368.21 parcel of noncommercial seasonal residential recreational property under clause (12)  
368.22 has the same class rates as class 4bb property, (ii) manufactured home parks assessed  
368.23 under clause (5), item (i), have the same class rate as class 4b property, and the market  
368.24 value of manufactured home parks assessed under clause (5), item (ii), has the same class  
368.25 rate as class 4d property if more than 50 percent of the lots in the park are occupied by  
368.26 shareholders in the cooperative corporation or association and a class rate of one percent if  
368.27 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential  
368.28 recreational property and marina recreational land as described in clause (11), has a  
368.29 class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the  
368.30 remaining market value, (iv) the market value of property described in clause (4) has a  
368.31 class rate of one percent, (v) the market value of property described in clauses (2), (6), and  
368.32 (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property  
368.33 in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

368.34 (e) Class 4d property is qualifying low-income rental housing certified to the assessor  
368.35 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion  
368.36 of the units in the building qualify as low-income rental housing units as certified under

369.1 section 273.128, subdivision 3, only the proportion of qualifying units to the total number  
 369.2 of units in the building qualify for class 4d. The remaining portion of the building shall be  
 369.3 classified by the assessor based upon its use. Class 4d also includes the same proportion of  
 369.4 land as the qualifying low-income rental housing units are to the total units in the building.  
 369.5 For all properties qualifying as class 4d, the market value determined by the assessor must  
 369.6 be based on the normal approach to value using normal unrestricted rents.

369.7 Class 4d property has a class rate of 0.75 percent.

369.8 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and  
 369.9 thereafter.

369.10 Sec. 15. Minnesota Statutes 2012, section 273.1315, subdivision 1, is amended to read:

369.11 Subdivision 1. **Class 1b homestead declaration before 2009.** Any property owner  
 369.12 seeking classification and assessment of the owner's homestead as class 1b property  
 369.13 pursuant to section 273.13, subdivision 22, paragraph (b), on or before October 1, 2008,  
 369.14 shall file with the commissioner of revenue a 1b homestead declaration, on a form  
 369.15 prescribed by the commissioner. The declaration shall contain the following information:

369.16 ~~(a)~~ (1) the information necessary to verify that on or before June 30 of the filing year,  
 369.17 the property owner or the owner's spouse satisfies the requirements of section 273.13,  
 369.18 subdivision 22, paragraph (b), for 1b classification; and

369.19 ~~(b)~~ (2) any additional information prescribed by the commissioner.

369.20 The declaration must be filed on or before October 1 to be effective for property  
 369.21 taxes payable during the succeeding calendar year. The declaration and any supplementary  
 369.22 information received from the property owner pursuant to this subdivision shall be subject  
 369.23 to chapter 270B. If approved by the commissioner, the declaration remains in effect until  
 369.24 the property no longer qualifies under section 273.13, subdivision 22, paragraph (b).

369.25 Failure to notify the commissioner within 30 days that the property no longer qualifies  
 369.26 under that paragraph because of a sale, change in occupancy, or change in the status  
 369.27 or condition of an occupant shall result in the penalty provided in section 273.124,  
 369.28 subdivision ~~13~~ 13b, computed on the basis of the class 1b benefits for the property, and  
 369.29 the property shall lose its current class 1b classification.

369.30 The commissioner shall provide to the assessor on or before November 1 a listing  
 369.31 of the parcels of property qualifying for 1b classification.

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

369.33 Sec. 16. Minnesota Statutes 2012, section 273.1315, subdivision 2, is amended to read:

370.1 Subd. 2. **Class 1b homestead declaration 2009 and thereafter.** (a) Any property  
 370.2 owner seeking classification and assessment of the owner's homestead as class 1b property  
 370.3 pursuant to section 273.13, subdivision 22, paragraph (b), after October 1, 2008, shall file  
 370.4 with the county assessor a class 1b homestead declaration, on a form prescribed by the  
 370.5 commissioner of revenue. The declaration must contain the following information:

370.6 (1) the information necessary to verify that, on or before June 30 of the filing year,  
 370.7 the property owner or the owner's spouse satisfies the requirements of section 273.13,  
 370.8 subdivision 22, paragraph (b), for class 1b classification; and

370.9 (2) any additional information prescribed by the commissioner.

370.10 (b) The declaration must be filed on or before October 1 to be effective for property  
 370.11 taxes payable during the succeeding calendar year. The Social Security numbers and  
 370.12 income and medical information received from the property owner pursuant to this  
 370.13 subdivision are private data on individuals as defined in section 13.02. If approved by  
 370.14 the assessor, the declaration remains in effect until the property no longer qualifies under  
 370.15 section 273.13, subdivision 22, paragraph (b). Failure to notify the assessor within 30  
 370.16 days that the property no longer qualifies under that paragraph because of a sale, change in  
 370.17 occupancy, or change in the status or condition of an occupant shall result in the penalty  
 370.18 provided in section 273.124, subdivision ~~4~~ 13b, computed on the basis of the class 1b  
 370.19 benefits for the property, and the property shall lose its current class 1b classification.

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

370.21 Sec. 17. Minnesota Statutes 2012, section 273.19, subdivision 1, is amended to read:

370.22 Subdivision 1. **Tax-exempt property; lease.** Except as provided in subdivision 3 or  
 370.23 4, tax-exempt property held under a lease for a term of at least one year, and not taxable  
 370.24 under section 272.01, subdivision 2, or under a contract for the purchase thereof, shall be  
 370.25 considered, for all purposes of taxation, as the property of the person holding it. In this  
 370.26 subdivision, "tax-exempt property" means property owned by the United States, the state  
 370.27 or any of its political subdivisions, a school, or any religious, scientific, or benevolent  
 370.28 society or institution, incorporated or unincorporated, or any corporation whose property  
 370.29 is not taxed in the same manner as other property. This subdivision does not apply to  
 370.30 property exempt from taxation under section 272.01, subdivision 2, paragraph (b), clauses  
 370.31 (2), (3), and (4), or to property exempt from taxation under section 272.0213.

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

370.33 Sec. 18. Minnesota Statutes 2012, section 273.372, subdivision 4, is amended to read:

371.1 Subd. 4. **Administrative appeals.** (a) Companies that submit the reports under  
 371.2 section 270.82 or 273.371 by the date specified in that section, or by the date specified by  
 371.3 the commissioner in an extension, may appeal administratively to the commissioner prior  
 371.4 to bringing an action in court ~~by submitting.~~

371.5 (b) Companies that must submit reports under section 270.82 must submit a written  
 371.6 request with to the commissioner for a conference within ten days after the date of the  
 371.7 commissioner's valuation certification or notice to the company, or by ~~May~~ June 15,  
 371.8 whichever is earlier.

371.9 (c) Companies that submit reports under section 273.371 must submit a written  
 371.10 request to the commissioner for a conference within ten days after the date of the  
 371.11 commissioner's valuation certification or notice to the company, or by July 1, whichever  
 371.12 is earlier.

371.13 (d) The commissioner shall conduct the conference upon the commissioner's entire  
 371.14 files and records and such further information as may be offered. The conference must  
 371.15 be held no later than 20 days after the date of the commissioner's valuation certification  
 371.16 or notice to the company, or by the date specified by the commissioner in an extension.  
 371.17 Within 60 days after the conference the commissioner shall make a final determination of  
 371.18 the matter and shall notify the company promptly of the determination. The conference  
 371.19 is not a contested case hearing.

371.20 ~~(b)~~ (e) In addition to the opportunity for a conference under paragraph (a), the  
 371.21 commissioner shall also provide the railroad and utility companies the opportunity to  
 371.22 discuss any questions or concerns relating to the values established by the commissioner  
 371.23 through certification or notice in a less formal manner. This does not change or modify  
 371.24 the deadline for requesting a conference under paragraph (a), the deadline in section  
 371.25 271.06 for appealing an order of the commissioner, or the deadline in section 278.01 for  
 371.26 appealing property taxes in court.

371.27 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

371.28 Sec. 19. Minnesota Statutes 2012, section 273.39, is amended to read:

371.29 **273.39 RURAL AREA.**

371.30 As used in sections 273.39 to 273.41, the term "rural area" shall be deemed to mean  
 371.31 any area of the state not included within the boundaries of any ~~incorporated~~ statutory  
 371.32 city or home rule charter city, and such term shall be deemed to include both farm and  
 371.33 nonfarm population thereof.

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

372.1 Sec. 20. Minnesota Statutes 2012, section 279.06, subdivision 1, is amended to read:

372.2 Subdivision 1. **List and notice.** Within five days after the filing of such list, the  
372.3 court administrator shall return a copy thereof to the county auditor, with a notice prepared  
372.4 and signed by the court administrator, and attached thereto, which may be substantially in  
372.5 the following form:

372.6 State of Minnesota )

372.7 ) ss.

372.8 County of ..... )

372.9 District Court

372.10 ..... Judicial District.

372.11 The state of Minnesota, to all persons, companies, or corporations who have or claim  
372.12 any estate, right, title, or interest in, claim to, or lien upon, any of the several parcels of  
372.13 land described in the list hereto attached:

372.14 The list of taxes and penalties on real property for the county of .....  
372.15 remaining delinquent on the first Monday in January, ....., has been filed in the office of  
372.16 the court administrator of the district court of said county, of which that hereto attached is a  
372.17 copy. Therefore, you, and each of you, are hereby required to file in the office of said court  
372.18 administrator, on or before the 20th day after the publication of this notice and list, your  
372.19 answer, in writing, setting forth any objection or defense you may have to the taxes, or any  
372.20 part thereof, upon any parcel of land described in the list, in, to, or on which you have or  
372.21 claim any estate, right, title, interest, claim, or lien, and, in default thereof, judgment will  
372.22 be entered against such parcel of land for the taxes on such list appearing against it, and  
372.23 for all penalties, interest, and costs. Based upon said judgment, the land shall be sold to  
372.24 the state of Minnesota on the second Monday in May, ..... ~~The period of redemption for~~  
372.25 ~~all lands sold to the state at a tax judgment sale shall be three years from the date of sale to~~  
372.26 ~~the state of Minnesota if the land is within an incorporated area unless it is:~~

372.27 ~~(a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22;~~

372.28 ~~(b) homesteaded agricultural land as defined in section 273.13, subdivision 23,~~

372.29 ~~paragraph (a);~~

372.30 ~~(c) seasonal residential recreational land as defined in section 273.13, subdivisions~~

372.31 ~~22, paragraph (c), and 25, paragraph (d), clause (1), in which event the period of~~

372.32 ~~redemption is five years from the date of sale to the state of Minnesota;~~

372.33 ~~(d) abandoned property and pursuant to section 281.173 a court order has been~~

372.34 ~~entered shortening the redemption period to five weeks; or~~

372.35 ~~(e) vacant property as described under section 281.174, subdivision 2, and for which~~

372.36 ~~a court order is entered shortening the redemption period under section 281.174.~~

373.1 ~~The period of redemption for all other lands sold to the state at a tax judgment sale~~  
 373.2 ~~shall be five years from the date of sale.~~

373.3 Inquiries as to the proceedings set forth above can be made to the county auditor of  
 373.4 ..... county whose address is .....

373.5 (Signed) .....,  
 373.6 Court Administrator of the District Court of the  
 373.7 County of .....  
 373.8 (Here insert list.)

373.9 The notice must contain a narrative description of the various periods to redeem  
 373.10 specified in sections 281.17, 281.173, and 281.174, in the manner prescribed by the  
 373.11 commissioner of revenue under subdivision 2.

373.12 The list referred to in the notice shall be substantially in the following form:

373.13 List of real property for the county of ....., on which taxes remain  
 373.14 delinquent on the first Monday in January, .....

373.15 Town of (Fairfield),  
 373.16 Township (40), Range (20),

373.17 Names (and Current  
 373.18 Filed Addresses) for  
 373.19 the Taxpayers and Fee  
 373.20 Owners and in Addition  
 373.21 Those Parties Who Have  
 373.22 Filed Their Addresses

373.23 Pursuant to section	Subdivision of		Tax Parcel	Total Tax
373.24 276.041	Section	Section	Number	and Penalty
373.25				\$ cts.

373.26 John Jones (825 Fremont 373.27 Fairfield, MN 55000)	S.E. 1/4 of S.W. 1/4	10	23101	2.20
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373.28 Bruce Smith (2059 Hand 373.29 Fairfield, MN 55000) 373.30 and Fairfield State 373.31 Bank (100 Main Street 373.32 Fairfield, MN 55000)	That part of N.E. 1/4 of S.W. 1/4 desc. as follows: Beg. at the S.E. corner of said N.E. 1/4 of S.W. 1/4; thence N. along the E. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence W. parallel with the S. line of said N.E. 1/4 of S.W. 1/4 a distance of 600 ft.; thence S. parallel with said E. line a distance of 600 ft. to S. line of said N.E. 1/4 of S.W. 1/4; thence E. along said S. line a distance of 600 ft. to the point of beg.	21	33211	3.15
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374.1 As to platted property, the form of heading shall conform to circumstances and be  
374.2 substantially in the following form:

374.3 City of (Smithtown)  
374.4 Brown's Addition, or Subdivision

374.5 Names (and Current  
374.6 Filed Addresses) for  
374.7 the Taxpayers and Fee  
374.8 Owners and in Addition  
374.9 Those Parties Who Have  
374.10 Filed Their Addresses

374.11 Pursuant to section			Tax Parcel	Total Tax
374.12 276.041	Lot	Block	Number	and Penalty
374.13				\$ cts.

374.14 John Jones (825 Fremont 374.15 Fairfield, MN 55000)	15	9	58243	2.20
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374.16 Bruce Smith (2059 Hand 374.17 Fairfield, MN 55000) 374.18 and Fairfield State 374.19 Bank (100 Main Street 374.20 Fairfield, MN 55000)	16	9	58244	3.15
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374.21 The names, descriptions, and figures employed in parentheses in the above forms are  
374.22 merely for purposes of illustration.

374.23 The name of the town, township, range or city, and addition or subdivision, as the  
374.24 case may be, shall be repeated at the head of each column of the printed lists as brought  
374.25 forward from the preceding column.

374.26 Errors in the list shall not be deemed to be a material defect to affect the validity  
374.27 of the judgment and sale.

374.28 **EFFECTIVE DATE.** This section is effective for lists and notices required after  
374.29 December 31, 2013.

374.30 Sec. 21. Minnesota Statutes 2012, section 290A.25, is amended to read:

374.31 **290A.25 VERIFICATION OF SOCIAL SECURITY NUMBERS.**

374.32 Annually, the commissioner of revenue shall furnish a list to the county assessor  
374.33 containing the names and Social Security numbers of persons who have applied for both  
374.34 homestead classification under section 273.13 and a property tax refund as a renter  
374.35 under this chapter.

374.36 Within 90 days of the notification, the county assessor shall investigate to determine  
374.37 if the homestead classification was improperly claimed. If the property owner does  
374.38 not qualify, the county assessor shall notify the county auditor who will determine the  
374.39 amount of homestead benefits that has been improperly allowed. For the purpose of this

375.1 section, "homestead benefits" has the meaning given in section 273.124, subdivision 13,  
375.2 ~~paragraph (h) 13b~~. The county auditor shall send a notice to persons who owned the  
375.3 affected property at the time the homestead application related to the improper homestead  
375.4 was filed, demanding reimbursement of the homestead benefits plus a penalty equal to  
375.5 100 percent of the homestead benefits. The person notified may appeal the county's  
375.6 determination with the Minnesota Tax Court within 60 days of the date of the notice from  
375.7 the county as provided in section 273.124, subdivision 13, ~~paragraph (h) 13b~~.

375.8 If the amount of homestead benefits and penalty is not paid within 60 days, and if  
375.9 no appeal has been filed, the county auditor shall certify the amount of taxes and penalty  
375.10 to the county treasurer. The county treasurer will add interest to the unpaid homestead  
375.11 benefits and penalty amounts at the rate provided for delinquent personal property taxes  
375.12 for the period beginning 60 days after demand for payment was made until payment. If  
375.13 the person notified is the current owner of the property, the treasurer may add the total  
375.14 amount of benefits, penalty, interest, and costs to the real estate taxes otherwise payable on  
375.15 the property in the following year. If the person notified is not the current owner of the  
375.16 property, the treasurer may collect the amounts due under the Revenue Recapture Act in  
375.17 chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without  
375.18 exclusion, to enforce payment of the benefits, penalty, interest, and costs, as if those  
375.19 amounts were delinquent tax obligations of the person who owned the property at the time  
375.20 the application related to the improperly allowed homestead was filed. The treasurer may  
375.21 relieve a prior owner of personal liability for the benefits, penalty, interest, and costs, and  
375.22 instead extend those amounts on the tax lists against the property for taxes payable in the  
375.23 following year to the extent that the current owner agrees in writing.

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

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

375.34 Sec. 22. Minnesota Statutes 2012, section 290B.04, subdivision 2, is amended to read:

376.1 Subd. 2. **Approval; recording.** The commissioner shall approve all initial  
376.2 applications that qualify under this chapter and shall notify qualifying homeowners on or  
376.3 before December 1. The commissioner may investigate the facts or require confirmation  
376.4 in regard to an application. The commissioner shall record or file a notice of qualification  
376.5 for deferral, including the names of the qualifying homeowners and a legal description  
376.6 of the property, in the office of the county recorder, or registrar of titles, whichever is  
376.7 applicable, in the county where the qualifying property is located. The notice must state  
376.8 that it serves as a notice of lien and that it includes deferrals under this section for future  
376.9 years. The commissioner shall prescribe the form of the notice. Execution of the notice  
376.10 by the original or facsimile signature of the commissioner or a delegate entitles them to  
376.11 be recorded, and no other attestation, certification, or acknowledgment is necessary. The  
376.12 homeowner shall pay the recording or filing fees for the notice, which, notwithstanding  
376.13 section 357.18, shall be paid by the homeowner at the time of satisfaction of the lien.

376.14 **EFFECTIVE DATE.** This section is effective for notices that are both executed  
376.15 and recorded after June 30, 2013.

376.16 Sec. 23. Minnesota Statutes 2012, section 298.01, subdivision 3, is amended to read:

376.17 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of  
376.18 mining, refining, or producing ores, metals, or minerals in this state, except iron ore or  
376.19 taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided  
376.20 in this subdivision. For purposes of this subdivision, mining includes the application of  
376.21 hydrometallurgical processes. Hydrometallurgical processes are processes that extract  
376.22 the ores, metals, or minerals, by use of aqueous solutions that leach, concentrate, and  
376.23 recover the ore, metal, or mineral. The tax is determined in the same manner as the tax  
376.24 imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17,  
376.25 subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must  
376.26 be computed by applying to taxable income the rate of 2.45 percent. A person subject  
376.27 to occupation tax under this section shall apportion its net income on the basis of the  
376.28 percentage obtained by taking the sum of:

376.29 (1) 75 percent of the percentage which the sales made within this state in connection  
376.30 with the trade or business during the tax period are of the total sales wherever made in  
376.31 connection with the trade or business during the tax period;

376.32 (2) 12.5 percent of the percentage which the total tangible property used by the  
376.33 taxpayer in this state in connection with the trade or business during the tax period is of  
376.34 the total tangible property, wherever located, used by the taxpayer in connection with the  
376.35 trade or business during the tax period; and

377.1 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred  
 377.2 in this state or paid in respect to labor performed in this state in connection with the trade  
 377.3 or business during the tax period are of the taxpayer's total payrolls paid or incurred in  
 377.4 connection with the trade or business during the tax period.

377.5 The tax is in addition to all other taxes.

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

377.7 Sec. 24. Minnesota Statutes 2012, section 298.018, is amended to read:

377.8 **298.018 DISTRIBUTION OF PROCEEDS.**

377.9 Subdivision 1. **Within taconite assistance area.** The proceeds of the tax paid  
 377.10 under sections 298.015 and 298.016 on ores, metals, or minerals ~~and energy resources~~  
 377.11 mined or extracted within the taconite assistance area defined in section 273.1341, shall  
 377.12 be allocated as follows:

377.13 (1) five percent to the city or town within which the minerals or energy resources  
 377.14 are mined or extracted;

377.15 (2) ten percent to the taconite municipal aid account to be distributed as provided  
 377.16 in section 298.282;

377.17 (3) ten percent to the school district within which the minerals or energy resources  
 377.18 are mined or extracted;

377.19 (4) 20 percent to a group of school districts comprised of those school districts  
 377.20 wherein the mineral or energy resource was mined or extracted or in which there is a  
 377.21 qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion  
 377.22 to school district indexes as follows: for each school district, its pupil units determined  
 377.23 under section 126C.05 for the prior school year shall be multiplied by the ratio of the  
 377.24 average adjusted net tax capacity per pupil unit for school districts receiving aid under  
 377.25 this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year  
 377.26 ending prior to distribution to the adjusted net tax capacity per pupil unit of the district.  
 377.27 Each district shall receive that portion of the distribution which its index bears to the sum  
 377.28 of the indices for all school districts that receive the distributions;

377.29 (5) 20 percent to the county within which the minerals or energy resources are  
 377.30 mined or extracted;

377.31 (6) 20 percent to St. Louis County acting as the counties' fiscal agent to be  
 377.32 distributed as provided in sections 273.134 to 273.136;

377.33 (7) five percent to the Iron Range Resources and Rehabilitation Board for the  
 377.34 purposes of section 298.22;

378.1 (8) five percent to the Douglas J. Johnson economic protection trust fund; and

378.2 (9) five percent to the taconite environmental protection fund.

378.3 The proceeds of the tax shall be distributed on July 15 each year.

378.4 Subd. 2. **Outside taconite assistance area.** The proceeds of the tax paid under  
378.5 sections 298.015 and 298.016 on ores, metals, or minerals and ~~energy resources~~ mined  
378.6 or extracted outside of the taconite assistance area defined in section 273.1341, shall  
378.7 be deposited in the general fund.

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

378.9 Sec. 25. Minnesota Statutes 2012, section 373.01, subdivision 1, is amended to read:

378.10 Subdivision 1. **Public corporation; listed powers.** (a) Each county is a body politic  
378.11 and corporate and may:

378.12 (1) Sue and be sued.

378.13 (2) Acquire and hold real and personal property for the use of the county, and lands  
378.14 sold for taxes as provided by law.

378.15 (3) Purchase and hold for the benefit of the county real estate sold by virtue of  
378.16 judicial proceedings, to which the county is a party.

378.17 (4) Sell, lease, and convey real or personal estate owned by the county, and give  
378.18 contracts or options to sell, lease, or convey it, and make orders respecting it as deemed  
378.19 conducive to the interests of the county's inhabitants.

378.20 (5) Make all contracts and do all other acts in relation to the property and concerns  
378.21 of the county necessary to the exercise of its corporate powers.

378.22 (b) No sale, lease, or conveyance of real estate owned by the county, except the lease  
378.23 of a residence acquired for the furtherance of an approved capital improvement project, nor  
378.24 any contract or option for it, shall be valid, without first advertising for bids or proposals in  
378.25 the official newspaper of the county for three consecutive weeks and once in a newspaper  
378.26 of general circulation in the area where the property is located. The notice shall state the  
378.27 time and place of considering the proposals, contain a legal description of any real estate,  
378.28 and a brief description of any personal property. Leases that do not exceed \$15,000 for any  
378.29 one year may be negotiated and are not subject to the competitive bid procedures of this  
378.30 section. All proposals estimated to exceed \$15,000 in any one year shall be considered at  
378.31 the time set for the bid opening, and the one most favorable to the county accepted, but the  
378.32 county board may, in the interest of the county, reject any or all proposals.

378.33 (c) Sales of personal property the value of which is estimated to be \$15,000 or  
378.34 more shall be made only after advertising for bids or proposals in the county's official  
378.35 newspaper, on the county's Web site, or in a recognized industry trade journal. At the same

379.1 time it posts on its Web site or publishes in a trade journal, the county must publish in the  
379.2 official newspaper, either as part of the minutes of a regular meeting of the county board  
379.3 or in a separate notice, a summary of all requests for bids or proposals that the county  
379.4 advertises on its Web site or in a trade journal. After publication in the official newspaper,  
379.5 on the Web site, or in a trade journal, bids or proposals may be solicited and accepted by  
379.6 the electronic selling process authorized in section 471.345, subdivision 17. Sales of  
379.7 personal property the value of which is estimated to be less than \$15,000 may be made  
379.8 either on competitive bids or in the open market, in the discretion of the county board.  
379.9 "Web site" means a specific, addressable location provided on a server connected to the  
379.10 Internet and hosting World Wide Web pages and other files that are generally accessible  
379.11 on the Internet all or most of a day.

379.12 (d) Notwithstanding anything to the contrary herein, the county may, when acquiring  
379.13 real property for county highway right-of-way, exchange parcels of real property of  
379.14 substantially similar or equal value without advertising for bids. The estimated values for  
379.15 these parcels shall be determined by the county assessor.

379.16 (e) Notwithstanding anything in this section to the contrary, the county may, when  
379.17 acquiring real property for purposes other than county highway right-of-way, exchange  
379.18 parcels of real property of substantially similar or equal value without advertising for  
379.19 bids. The estimated values for these parcels must be determined by the county assessor  
379.20 or a private appraisal performed by a licensed Minnesota real estate appraiser. For the  
379.21 purpose of determining for the county the estimated values of parcels proposed to be  
379.22 exchanged, the county assessor need not be licensed under chapter 82B. Before giving  
379.23 final approval to any exchange of land, the county board shall hold a public hearing on  
379.24 the exchange. At least two weeks before the hearing, the county auditor shall post a  
379.25 notice in the auditor's office and the official newspaper of the county of the hearing that  
379.26 contains a description of the lands affected.

379.27 (f) If real estate or personal property remains unsold after advertising for and  
379.28 consideration of bids or proposals the county may employ a broker to sell the property.  
379.29 The broker may sell the property for not less than 90 percent of its appraised market value  
379.30 as determined by the county. The broker's fee shall be set by agreement with the county but  
379.31 may not exceed ten percent of the sale price and must be paid from the proceeds of the sale.

379.32 (g) A county or its agent may rent a county-owned residence acquired for the  
379.33 furtherance of an approved capital improvement project subject to the conditions set  
379.34 by the county board and not subject to the conditions for lease otherwise provided by  
379.35 paragraph (a), clause (4), and paragraphs (b), (c), (d), (f), and (h).

380.1 (h) In no case shall lands be disposed of without there being reserved to the county  
 380.2 all iron ore and other valuable minerals in and upon the lands, with right to explore for,  
 380.3 mine and remove the iron ore and other valuable minerals, nor shall the minerals and  
 380.4 mineral rights be disposed of, either before or after disposition of the surface rights,  
 380.5 otherwise than by mining lease, in similar general form to that provided by section 93.20  
 380.6 for mining leases affecting state lands. The lease shall be for a term not exceeding 50  
 380.7 years, and be issued on a royalty basis, the royalty to be not less than 25 cents per ton of  
 380.8 2,240 pounds, and fix a minimum amount of royalty payable during each year, whether  
 380.9 mineral is removed or not. Prospecting options for mining leases may be granted for  
 380.10 periods not exceeding one year. The options shall require, among other things, periodical  
 380.11 showings to the county board of the results of exploration work done.

380.12 (i) Notwithstanding anything in this subdivision to the contrary, the county may,  
 380.13 when selling real property owned in fee simple that cannot be improved because of  
 380.14 noncompliance with local ordinances regarding minimum area, shape, frontage, or access,  
 380.15 proceed to sell the nonconforming parcel without advertising for bid. At the county's  
 380.16 discretion, the real property may be restricted to sale to adjoining landowners or may be  
 380.17 sold to any other interested party. The property shall be sold to the highest bidder, but in no  
 380.18 case shall the property be sold for less than 90 percent of its fair market value as determined  
 380.19 by the county assessor. All owners of land adjoining the land to be sold shall be given a  
 380.20 written notice at least 30 days before the sale. This paragraph shall be liberally construed to  
 380.21 encourage the sale of nonconforming real property and promote its return to the tax rolls.

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

380.23 Sec. 26. **REPEALER.**

380.24 Minnesota Statutes 2012, sections 272.69; and 273.11, subdivisions 1a and 22, are  
 380.25 repealed.

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

## 380.27 **ARTICLE 16**

### 380.28 **DEPARTMENT POLICY AND TECHNICAL: MISCELLANEOUS**

380.29 Section 1. Minnesota Statutes 2012, section 16A.46, is amended to read:

#### 380.30 **16A.46 LOST OR DESTROYED WARRANT DUPLICATE; INDEMNITY.**

380.31 **Subdivision 1. Duplicate warrant.** The commissioner may issue a duplicate of an  
 380.32 unpaid warrant to an owner if the owner certifies that the original was lost or destroyed. The

381.1 commissioner may require certification be documented by affidavit. The commissioner  
 381.2 may refuse to issue a duplicate of an unpaid state warrant. If the commissioner acts in  
 381.3 good faith, the commissioner is not liable, whether the application is granted or denied.

381.4 Subd. 2. Original warrant is void. When the duplicate is issued, the original is  
 381.5 void. The commissioner may require an indemnity bond from the applicant to the state for  
 381.6 double the amount of the warrant for anyone damaged by the issuance of the duplicate.  
 381.7 ~~The commissioner may refuse to issue a duplicate of an unpaid state warrant. If the~~  
 381.8 ~~commissioner acts in good faith the commissioner is not liable, whether the application is~~  
 381.9 ~~granted or denied~~ is not liable to any holder who took the void original warrant for value,  
 381.10 whether or not the commissioner required an indemnity bond from the applicant.

381.11 Subd. 3. Unpaid refund or rebate. For an unpaid refund or rebate issued under a  
 381.12 tax law administered by the commissioner of revenue that has been lost or destroyed, an  
 381.13 affidavit is not required for the commissioner to issue a duplicate if the duplicate is issued  
 381.14 to the same name and Social Security number as the original warrant and that information  
 381.15 is verified on a tax return filed by the recipient.

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

381.17 Sec. 2. Minnesota Statutes 2012, section 270C.38, subdivision 1, is amended to read:

381.18 Subdivision 1. **Sufficient notice.** (a) If no method of notification of a written  
 381.19 determination or action of the commissioner is otherwise specifically provided for by  
 381.20 law, notice of the determination or action sent postage prepaid by United States mail to  
 381.21 the taxpayer or other person affected by the determination or action at the taxpayer's  
 381.22 or person's last known address, is sufficient. If the taxpayer or person being notified is  
 381.23 deceased or is under a legal disability, or, in the case of a corporation being notified that  
 381.24 has terminated its existence, notice to the last known address of the taxpayer, person, or  
 381.25 corporation is sufficient, unless the department has been provided with a new address by a  
 381.26 party authorized to receive notices from the commissioner.

381.27 (b) If a taxpayer or other person agrees to accept notification by electronic means,  
 381.28 notice of a determination or action of the commissioner sent by electronic mail to the  
 381.29 taxpayer's or person's last known electronic mailing address as provided for in section  
 381.30 325L.08 is sufficient.

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

381.32 Sec. 3. Minnesota Statutes 2012, section 270C.42, subdivision 2, is amended to read:

382.1 Subd. 2. **Penalty for failure to pay electronically.** In addition to other applicable  
382.2 penalties imposed by law, after notification from the commissioner to the taxpayer that  
382.3 payments for a tax payable to the commissioner are required to be made by electronic  
382.4 means, and the payments are remitted by some other means, there is a penalty in the  
382.5 amount of five percent of each payment that should have been remitted electronically.  
382.6 After the commissioner's initial notification to the taxpayer that payments are required to  
382.7 be made by electronic means, the commissioner is not required to notify the taxpayer in  
382.8 subsequent periods if the initial notification specified the amount of tax liability at which a  
382.9 taxpayer is required to remit payments by electronic means. The penalty can be abated  
382.10 under the abatement procedures prescribed in section 270C.34 if the failure to remit the  
382.11 payment electronically is due to reasonable cause. The penalty bears interest at the rate  
382.12 specified in section 270C.40 from the ~~due date of the payment of the tax~~ provided in  
382.13 section 270C.40, subdivision 3, to the date of payment of the penalty.

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

382.15 Sec. 4. Minnesota Statutes 2012, section 287.385, subdivision 7, is amended to read:

382.16 Subd. 7. **Interest on penalties.** A penalty imposed under this chapter bears interest  
382.17 from the date ~~payment was required to be paid, including any extensions,~~ provided in  
382.18 section 270C.40, subdivision 3, to the date of payment of the penalty.

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

382.20 Sec. 5. Minnesota Statutes 2012, section 289A.55, subdivision 9, is amended to read:

382.21 Subd. 9. **Interest on penalties.** (a) A penalty imposed under section 289A.60,  
382.22 subdivision 1, 2, 2a, 4, 5, 6, or 21 bears interest from the date ~~the return or payment~~  
382.23 ~~was required to be filed or paid, including any extensions~~ provided in section 270C.40,  
382.24 subdivision 3, to the date of payment of the penalty.

382.25 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
382.26 60 days from the date of notice. In that case interest is imposed from the date of notice  
382.27 to the date of payment.

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

382.29 Sec. 6. Minnesota Statutes 2012, section 289A.60, subdivision 4, is amended to read:

382.30 Subd. 4. **Substantial understatement of liability; penalty.** (a) The commissioner  
382.31 of revenue shall impose a penalty for substantial understatement of any tax payable to the  
382.32 commissioner, except a tax imposed under chapter 297A.

383.1 (b) There must be added to the tax an amount equal to 20 percent of the amount of any  
383.2 underpayment attributable to the understatement. There is a substantial understatement of  
383.3 tax for the period if the amount of the understatement for the period exceeds the greater of:

383.4 (1) ten percent of the tax required to be shown on the return for the period; or

383.5 (2)(i) \$10,000 in the case of a mining company or a corporation, other than an S  
383.6 corporation as defined in section 290.9725, when the tax is imposed by chapter 290 or  
383.7 section 298.01 or 298.015, or

383.8 (ii) \$5,000 in the case of any other taxpayer, and in the case of a mining company or  
383.9 a corporation any tax not imposed by chapter 290 or section 298.01 or 298.015.

383.10 (c) For a corporation, other than an S corporation, there is also a substantial  
383.11 understatement of tax for any taxable year if the amount of the understatement for the  
383.12 taxable year exceeds the lesser of:

383.13 (1) ten percent of the tax required to be shown on the return for the taxable year  
383.14 (or, if greater, \$10,000); or

383.15 (2) \$10,000,000.

383.16 (d) The term "understatement" means the excess of the amount of the tax required  
383.17 to be shown on the return for the period, over the amount of the tax imposed that is  
383.18 shown on the return. The excess must be determined without regard to items to which  
383.19 subdivision 27 applies. The amount of the understatement shall be reduced by that part of  
383.20 the understatement that is attributable to the tax treatment of any item by the taxpayer if  
383.21 (1) there is or was substantial authority for the treatment, or (2)(i) any item with respect to  
383.22 which the relevant facts affecting the item's tax treatment are adequately disclosed in the  
383.23 return or in a statement attached to the return and (ii) there is a reasonable basis for the tax  
383.24 treatment of the item. The exception for substantial authority under clause (1) does not  
383.25 apply to positions listed by the Secretary of the Treasury under section 6662(d)(3) of the  
383.26 Internal Revenue Code. A corporation does not have a reasonable basis for its tax treatment  
383.27 of an item attributable to a multiple-party financing transaction if the treatment does not  
383.28 clearly reflect the income of the corporation within the meaning of section 6662(d)(2)(B)  
383.29 of the Internal Revenue Code. The special rules in cases involving tax shelters provided in  
383.30 section 6662(d)(2)(C) of the Internal Revenue Code shall apply and shall apply to a tax  
383.31 shelter the principal purpose of which is the avoidance or evasion of state taxes.

383.32 (e) The commissioner may abate all or any part of the addition to the tax provided  
383.33 by this section on a showing by the taxpayer that there was reasonable cause for the  
383.34 understatement, or part of it, and that the taxpayer acted in good faith. The additional tax  
383.35 and penalty shall bear interest at the rate as specified in section 270C.40 ~~from the time~~  
383.36 ~~the tax should have been paid~~ until paid.

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

384.2 Sec. 7. Minnesota Statutes 2012, section 296A.01, subdivision 19, is amended to read:

384.3 Subd. 19. **E85.** "E85" means a petroleum product that is a blend of agriculturally  
 384.4 derived denatured ethanol and gasoline or natural gasoline that typically contains not more  
 384.5 than 85 percent ethanol by volume, but at a minimum must contain 60 greater than 50  
 384.6 percent ethanol by volume. For the purposes of this chapter, the energy content of E85  
 384.7 will be considered to be 82,000 BTUs per gallon. E85 produced for use as a motor fuel in  
 384.8 alternative fuel vehicles as defined in subdivision 5 must comply with ASTM specification  
 384.9 ~~D5798-07~~ D5798-11.

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

384.11 Sec. 8. Minnesota Statutes 2012, section 296A.22, subdivision 1, is amended to read:

384.12 Subdivision 1. **Penalty for failure to pay tax, general rule.** Upon the failure of  
 384.13 any person to pay any tax or fee when due, a penalty of one percent per day for the first  
 384.14 ten days of delinquency shall accrue, and thereafter the tax, fees, and penalty shall bear  
 384.15 interest at the rate specified in section 270C.40 until paid.

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

384.17 Sec. 9. Minnesota Statutes 2012, section 296A.22, subdivision 3, is amended to read:

384.18 Subd. 3. **Operating without license.** If any person operates as a distributor, special  
 384.19 fuel dealer, bulk purchaser, or motor carrier without first securing the license required  
 384.20 under this chapter, any tax or fee imposed by this chapter shall become immediately due  
 384.21 and payable. A penalty of 25 percent is imposed upon the tax and fee due. The tax, and  
 384.22 fees, and penalty shall bear interest at the rate specified in section 270C.40. The penalty  
 384.23 imposed in this subdivision shall bear interest from the date provided in section 270C.40,  
 384.24 subdivision 3, to the date of payment of the penalty.

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

384.26 Sec. 10. Minnesota Statutes 2012, section 297A.665, is amended to read:

384.27 **297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

384.28 (a) For the purpose of the proper administration of this chapter and to prevent  
 384.29 evasion of the tax, until the contrary is established, it is presumed that:

384.30 (1) all gross receipts are subject to the tax; and

385.1 (2) all retail sales for delivery in Minnesota are for storage, use, or other consumption  
385.2 in Minnesota.

385.3 (b) The burden of proving that a sale is not a taxable retail sale is on the seller.

385.4 However, a seller is relieved of liability if:

385.5 (1) the seller obtains a fully completed exemption certificate or all the relevant  
385.6 information required by section 297A.72, subdivision 2, at the time of the sale or within  
385.7 90 days after the date of the sale; or

385.8 (2) if the seller has not obtained a fully completed exemption certificate or all the  
385.9 relevant information required by section 297A.72, subdivision 2, within the time provided  
385.10 in clause (1), within 120 days after a request for substantiation by the commissioner,  
385.11 the seller either:

385.12 (i) obtains ~~in good faith~~ from the purchaser a fully completed exemption certificate  
385.13 or all the relevant information required by section 297A.72, subdivision 2, ~~from the~~  
385.14 ~~purchaser~~ taken in good faith which means that the exemption certificate claims an  
385.15 exemption that (A) was statutorily available on the date of the transaction, (B) could be  
385.16 applicable to the item for which the exemption is claimed, and (C) is reasonable for the  
385.17 purchaser's type of business; or

385.18 (ii) proves by other means that the transaction was not subject to tax.

385.19 (c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:

385.20 (1) fraudulently fails to collect the tax; or

385.21 (2) solicits purchasers to participate in the unlawful claim of an exemption.

385.22 (d) Notwithstanding paragraph (b), relief from liability does not apply to a seller  
385.23 who has obtained information under paragraph (b), clause (2), if through the audit process  
385.24 the commissioner finds the following:

385.25 (1) that at the time the information was provided the seller had knowledge or had  
385.26 reason to know that the information relating to the exemption was materially false; or

385.27 (2) that the seller knowingly participated in activity intended to purposefully evade  
385.28 the sales tax due on the transaction.

385.29 ~~(d)~~ (e) A certified service provider, as defined in section 297A.995, subdivision 2, is  
385.30 relieved of liability under this section to the extent a seller who is its client is relieved of  
385.31 liability.

385.32 ~~(e)~~ (f) A purchaser of tangible personal property or any items listed in section 297A.63  
385.33 that are shipped or brought to Minnesota by the purchaser has the burden of proving that the  
385.34 property was not purchased from a retailer for storage, use, or consumption in Minnesota.

385.35 ~~(f)~~ (g) If a seller claims that certain sales are exempt and does not provide the  
385.36 certificate, information, or proof required by paragraph (b), clause (2), within 120 days

386.1 after the date of the commissioner's request for substantiation, then the exemptions  
386.2 claimed by the seller that required substantiation are disallowed.

386.3 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2013.

386.4 Sec. 11. Minnesota Statutes 2012, section 297B.11, is amended to read:

386.5 **297B.11 REGISTRAR AS AGENT OF COMMISSIONER OF REVENUE;**  
386.6 **POWERS.**

386.7 The state commissioner of revenue is charged with the administration of the  
386.8 sales tax on motor vehicles. The commissioner may prescribe all rules not inconsistent  
386.9 with the provisions of this chapter, necessary and advisable for the proper and efficient  
386.10 administration of the law. The collection of this sales tax on motor vehicles shall be  
386.11 carried out by the motor vehicle registrar who shall act as the agent of the commissioner  
386.12 and who shall be subject to all rules not inconsistent with the provisions of this chapter,  
386.13 that may be prescribed by the commissioner.

386.14 The provisions of chapters 270C, 289A, and 297A relating to the commissioner's  
386.15 authority to audit, assess, and collect the tax, and to issue refunds and to hear appeals,  
386.16 are applicable to the sales tax on motor vehicles. The commissioner may impose civil  
386.17 penalties as provided in chapters 289A and 297A, and the additional tax and penalties  
386.18 are subject to interest at the rate provided in section 270C.40 from the date provided in  
386.19 section 270C.40, subdivision 3, until paid.

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

386.21 Sec. 12. Minnesota Statutes 2012, section 297E.14, subdivision 7, is amended to read:

386.22 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297E.12,  
386.23 subdivision 1, 2, 3, 4, or 5, bears interest from the date ~~the return or payment was required~~  
386.24 ~~to be filed or paid, including any extensions~~ provided in section 270C.40, subdivision  
386.25 3, to the date of payment of the penalty.

386.26 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
386.27 ten days from the date of notice. In that case interest is imposed from the date of notice  
386.28 to the date of payment.

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

386.30 Sec. 13. Minnesota Statutes 2012, section 297F.01, subdivision 23, is amended to read:

387.1 Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price stated  
 387.2 ~~on the price list in effect at the time of sale for which a manufacturer or person sells a~~  
 387.3 ~~tobacco product to a distributor, exclusive of any discount, promotional offer, or other~~  
 387.4 ~~reduction. For purposes of this subdivision, "price list" means the manufacturer's price at~~  
 387.5 ~~which tobacco products are made available for sale to all distributors on an ongoing basis~~  
 387.6 at which a distributor purchases a tobacco product. Wholesale sales price includes the  
 387.7 applicable federal excise tax, freight charges, or packaging costs, regardless of whether  
 387.8 they were included in the purchase price.

387.9 **EFFECTIVE DATE.** This section is effective for purchases made after December  
 387.10 31, 2013.

387.11 Sec. 14. Minnesota Statutes 2012, section 297F.09, subdivision 9, is amended to read:

387.12 Subd. 9. **Interest.** The amount of tax not timely paid, ~~together with any penalty~~  
 387.13 ~~imposed in this section,~~ bears interest at the rate specified in section 270C.40 from the  
 387.14 time such tax should have been paid until paid. The penalty imposed in this section bears  
 387.15 interest at the rate specified in section 270C.40 from the date provided in section 270C.40,  
 387.16 subdivision 3, to the date of payment of the penalty. Any interest and penalty is added to  
 387.17 the tax and collected as a part of it.

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

387.19 Sec. 15. Minnesota Statutes 2012, section 297F.18, subdivision 7, is amended to read:

387.20 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297F.19,  
 387.21 subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be~~  
 387.22 ~~filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the  
 387.23 date of payment of the penalty.

387.24 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
 387.25 ten days from the date of the notice. In that case interest is imposed from the date of notice  
 387.26 to the date of payment.

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

387.28 Sec. 16. Minnesota Statutes 2012, section 297G.09, subdivision 8, is amended to read:

387.29 Subd. 8. **Interest.** The amount of tax not timely paid, ~~together with any penalty~~  
 387.30 ~~imposed by this chapter,~~ bears interest at the rate specified in section 270C.40 from the  
 387.31 time the tax should have been paid until paid. Any penalty imposed by this chapter bears

388.1 interest from the date provided in section 270C.40, subdivision 3, to the date of payment  
388.2 of the penalty. Any interest and penalty is added to the tax and collected as a part of it.

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

388.4 Sec. 17. Minnesota Statutes 2012, section 297G.17, subdivision 7, is amended to read:

388.5 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297G.18,  
388.6 subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be~~  
388.7 ~~filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the  
388.8 date of payment of the penalty.

388.9 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
388.10 ten days from the date of the notice. In that case interest is imposed from the date of notice  
388.11 to the date of payment.

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

388.13 Sec. 18. Minnesota Statutes 2012, section 297I.05, subdivision 7, is amended to read:

388.14 Subd. 7. **Nonadmitted insurance premium tax.** (a) A tax is imposed on surplus  
388.15 lines brokers. The rate of tax is equal to three percent of the gross premiums less return  
388.16 premiums paid by an insured whose home state is Minnesota.

388.17 (b) A tax is imposed on ~~persons, firms, or corporations~~ a person, firm, corporation,  
388.18 or purchasing group as defined in section 60E.02, or any member of a purchasing group,  
388.19 ~~that procure~~ procures insurance directly from a nonadmitted insurer. The rate of tax is  
388.20 equal to two percent of the gross premiums less return premiums paid by an insured  
388.21 whose home state is Minnesota.

388.22 (c) No state other than the home state of an insured may require any premium tax  
388.23 payment for nonadmitted insurance. When Minnesota is the home state of the insured,  
388.24 as provided under section 297I.01, 100 percent of the gross premiums are taxable in  
388.25 Minnesota with no allocation of the tax to other states.

388.26 **EFFECTIVE DATE.** This section is effective for premiums received after  
388.27 December 31, 2013.

388.28 Sec. 19. Minnesota Statutes 2012, section 297I.05, subdivision 12, is amended to read:

388.29 Subd. 12. **Other entities.** (a) A tax is imposed equal to two percent of:

388.30 (1) gross premiums less return premiums written for risks resident or located in  
388.31 Minnesota by a risk retention group;

389.1 (2) gross premiums less return premiums received by an attorney in fact acting  
 389.2 in accordance with chapter 71A;

389.3 (3) gross premiums less return premiums received pursuant to assigned risk policies  
 389.4 and contracts of coverage under chapter 79; and

389.5 (4) the direct funded premium received by the reinsurance association under section  
 389.6 79.34 from self-insurers approved under section 176.181 and political subdivisions that  
 389.7 self-insure; and.

389.8 ~~(5) gross premiums less return premiums paid to an insurer other than a licensed  
 389.9 insurance company or a surplus lines broker for coverage of risks resident or located in  
 389.10 Minnesota by a purchasing group or any members of the purchasing group to a broker or  
 389.11 agent for the purchasing group.~~

389.12 (b) A tax is imposed on a joint self-insurance plan operating under chapter 60F. The  
 389.13 rate of tax is equal to two percent of the total amount of claims paid during the fund year,  
 389.14 with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

389.15 (c) A tax is imposed on a joint self-insurance plan operating under chapter 62H.  
 389.16 The rate of tax is equal to two percent of the total amount of claims paid during the  
 389.17 fund's fiscal year, with no deduction for claims wholly or partially reimbursed through  
 389.18 stop-loss insurance.

389.19 (d) A tax is imposed equal to the tax imposed under section 297I.05, subdivision 5,  
 389.20 on the gross premiums less return premiums on all coverages received by an accountable  
 389.21 provider network or agents of an accountable provider network in Minnesota, in cash or  
 389.22 otherwise, during the year.

389.23 **EFFECTIVE DATE.** This section is effective for premiums received after  
 389.24 December 31, 2013.

389.25 Sec. 20. Minnesota Statutes 2012, section 297I.30, subdivision 1, is amended to read:

389.26 Subdivision 1. **General rule.** On or before March 1, every taxpayer subject to  
 389.27 taxation under section 297I.05, subdivisions 1 to 5;<sup>2</sup> 7, paragraph (b);<sup>2</sup> 12, ~~paragraphs (a),~~  
 389.28 ~~clauses (1) to (4), (b), (c), and (d);<sup>2</sup> and 14, shall file an annual return for the preceding~~  
 389.29 calendar year in the form prescribed by the commissioner.

389.30 **EFFECTIVE DATE.** This section is effective for premiums received after  
 389.31 December 31, 2013.

389.32 Sec. 21. Minnesota Statutes 2012, section 297I.30, subdivision 2, is amended to read:

390.1 Subd. 2. **Surplus lines brokers and purchasing groups.** On or before February  
 390.2 15 and August 15 of each year, every surplus lines broker subject to taxation under  
 390.3 section 297I.05, subdivision 7, paragraph (a), ~~and every purchasing group or member of~~  
 390.4 ~~a purchasing group subject to tax under section 297I.05, subdivision 12, paragraph (a),~~  
 390.5 ~~clause (5)~~; shall file a return with the commissioner for the preceding six-month period  
 390.6 ending December 31, or June 30, in the form prescribed by the commissioner.

390.7 **EFFECTIVE DATE.** This section is effective for premiums received after  
 390.8 December 31, 2013.

390.9 Sec. 22. Minnesota Statutes 2012, section 297I.80, subdivision 1, is amended to read:

390.10 Subdivision 1. **Payable to commissioner.** (a) When interest is required under this  
 390.11 section, interest is computed at the rate specified in section 270C.40.

390.12 (b) If a tax or surcharge is not paid within the time named by law for payment, the  
 390.13 unpaid tax or surcharge bears interest from the date the tax or surcharge should have been  
 390.14 paid until the date the tax or surcharge is paid.

390.15 (c) Whenever a taxpayer is liable for additional tax or surcharge because of a  
 390.16 redetermination by the commissioner or other reason, the additional tax or surcharge  
 390.17 bears interest from the time the tax or surcharge should have been paid until the date the  
 390.18 tax or surcharge is paid.

390.19 (d) A penalty bears interest from the date ~~the return or payment was required to be~~  
 390.20 ~~filed or paid~~ provided in section 270C.40, subdivision 3, to the date of payment of the  
 390.21 penalty.

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

390.23 Sec. 23. Minnesota Statutes 2012, section 469.319, subdivision 4, is amended to read:

390.24 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under  
 390.25 chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must  
 390.26 file an amended return with the commissioner of revenue and pay any taxes required  
 390.27 to be repaid within 30 days after becoming subject to repayment under this section.  
 390.28 The amount required to be repaid is determined by calculating the tax for the period or  
 390.29 periods for which repayment is required without regard to the exemptions and credits  
 390.30 allowed under section 469.315.

390.31 (b) For the repayment of taxes imposed under chapter 297B, a business must pay any  
 390.32 taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of  
 390.33 revenue, within 30 days after becoming subject to repayment under this section.

391.1 (c) For the repayment of property taxes, the county auditor shall prepare a tax  
391.2 statement for the business, applying the applicable tax extension rates for each payable  
391.3 year and provide a copy to the business and to the taxpayer of record. The business must  
391.4 pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The  
391.5 business or the taxpayer of record may appeal the valuation and determination of the  
391.6 property tax to the Tax Court within 30 days after receipt of the tax statement.

391.7 (d) The provisions of chapters 270C and 289A relating to the commissioner's  
391.8 authority to audit, assess, and collect the tax and to hear appeals are applicable to the  
391.9 repayment required under paragraphs (a) and (b). The commissioner may impose civil  
391.10 penalties as provided in chapter 289A, and the additional tax and penalties are subject  
391.11 to interest at the rate provided in section 270C.40<sup>7</sup>. The additional tax shall bear interest  
391.12 from 30 days after becoming subject to repayment under this section until the date the  
391.13 tax is paid. Any penalty imposed pursuant to this section shall bear interest from the date  
391.14 provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

391.15 (e) If a property tax is not repaid under paragraph (c), the county treasurer shall  
391.16 add the amount required to be repaid to the property taxes assessed against the property  
391.17 for payment in the year following the year in which the auditor provided the statement  
391.18 under paragraph (c).

391.19 (f) For determining the tax required to be repaid, a reduction of a state or local sales or  
391.20 use tax is deemed to have been received on the date that the good or service was purchased  
391.21 or first put to a taxable use. In the case of an income tax or franchise tax, including the  
391.22 credit payable under section 469.318, a reduction of tax is deemed to have been received  
391.23 for the two most recent tax years that have ended prior to the date that the business became  
391.24 subject to repayment under this section. In the case of a property tax, a reduction of tax is  
391.25 deemed to have been received for the taxes payable in the year that the business became  
391.26 subject to repayment under this section and for the taxes payable in the prior year.

391.27 (g) The commissioner may assess the repayment of taxes under paragraph (d) any  
391.28 time within two years after the business becomes subject to repayment under subdivision  
391.29 1, or within any period of limitations for the assessment of tax under section 289A.38,  
391.30 whichever period is later. The county auditor may send the statement under paragraph  
391.31 (c) any time within three years after the business becomes subject to repayment under  
391.32 subdivision 1.

391.33 (h) A business is not entitled to any income tax or franchise tax benefits, including  
391.34 refundable credits, for any part of the year in which the business becomes subject to  
391.35 repayment under this section nor for any year thereafter. Property is not exempt from tax  
391.36 under section 272.02, subdivision 64, for any taxes payable in the year following the year

392.1 in which the property became subject to repayment under this section nor for any year  
392.2 thereafter. A business is not eligible for any sales tax benefits beginning with goods  
392.3 or services purchased or first put to a taxable use on the day that the business becomes  
392.4 subject to repayment under this section.

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

392.6 Sec. 24. Minnesota Statutes 2012, section 469.340, subdivision 4, is amended to read:

392.7 Subd. 4. **Repayment procedures.** (a) For the repayment of taxes imposed under  
392.8 chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must  
392.9 file an amended return with the commissioner of revenue and pay any taxes required to be  
392.10 repaid within 30 days after ceasing to do business in the zone. The amount required to be  
392.11 repaid is determined by calculating the tax for the period or periods for which repayment  
392.12 is required without regard to the exemptions and credits allowed under section 469.336.

392.13 (b) For the repayment of property taxes, the county auditor shall prepare a tax  
392.14 statement for the business, applying the applicable tax extension rates for each payable  
392.15 year and provide a copy to the business. The business must pay the taxes to the county  
392.16 treasurer within 30 days after receipt of the tax statement. The taxpayer may appeal the  
392.17 valuation and determination of the property tax to the Tax Court within 30 days after  
392.18 receipt of the tax statement.

392.19 (c) The provisions of chapters 270C and 289A relating to the commissioner's  
392.20 authority to audit, assess, and collect the tax and to hear appeals are applicable to the  
392.21 repayment required under paragraph (a). The commissioner may impose civil penalties as  
392.22 provided in chapter 289A, and the additional tax and penalties are subject to interest at the  
392.23 rate provided in section 270C.40; The additional tax shall bear interest from 30 days after  
392.24 ceasing to do business in the biotechnology and health sciences industry zone until the  
392.25 date the tax is paid. Any penalty imposed pursuant to this section shall bear interest from  
392.26 the date provided in section 270C.40, subdivision 3, to the date of payment of the penalty.

392.27 (d) If a property tax is not repaid under paragraph (b), the county treasurer shall add  
392.28 the amount required to be repaid to the property taxes assessed against the property for  
392.29 payment in the year following the year in which the treasurer discovers that the business  
392.30 ceased to operate in the biotechnology and health sciences industry zone.

392.31 (e) For determining the tax required to be repaid, a tax reduction is deemed to have  
392.32 been received on the date that the tax would have been due if the taxpayer had not been  
392.33 entitled to the exemption, or on the date a refund was issued for a refundable credit.

392.34 (f) The commissioner may assess the repayment of taxes under paragraph (c) any  
392.35 time within two years after the business ceases to operate in the biotechnology and health

- 393.1 sciences industry zone, or within any period of limitations for the assessment of tax under  
393.2 section 289A.38, whichever period is later.
- 393.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

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Article locations in S0552-1

ARTICLE 1	AIDS AND CREDITS .....	Page.Ln 3.28
ARTICLE 2	PROPERTY TAX .....	Page.Ln 19.3
ARTICLE 3	EDUCATION AIDS AND LEVIES .....	Page.Ln 53.1
ARTICLE 4	SPECIAL TAXES .....	Page.Ln 66.11
ARTICLE 5	INDIVIDUAL INCOME AND CORPORATE FRANCHISE TAXES	Page.Ln 96.1
ARTICLE 6	ESTATE TAXES .....	Page.Ln 144.3
ARTICLE 7	SALES AND USE TAXES; LOCAL SALES TAXES .....	Page.Ln 147.9
ARTICLE 8	LOCAL DEVELOPMENT .....	Page.Ln 197.4
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ARTICLE 11	PUBLIC FINANCE .....	Page.Ln 252.21
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ARTICLE 13	DEPARTMENT POLICY AND TECHNICAL: INCOME AND FRANCHISE TAXES; ESTATE TAXES .....	Page.Ln 324.5
ARTICLE 14	DEPARTMENT POLICY AND TECHNICAL: SALES AND USE TAXES; SPECIAL TAXES .....	Page.Ln 343.12
ARTICLE 15	DEPARTMENT POLICY AND TECHNICAL: MINERALS TAXES; PROPERTY TAX .....	Page.Ln 347.12
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**16A.725 HEALTH IMPACT FUND AND FUND REIMBURSEMENTS.**

Subdivision 1. **Health impact fund.** There is created in the state treasury a health impact fund to which must be credited all revenue from the health impact fee under section 256.9658 and any floor stocks fee enacted into law.

Subd. 2. **Certified tobacco expenditures.** By April 30 of each year, the commissioner of human services shall certify to the commissioner of management and budget the state share, by fund, of tobacco use attributable costs for the previous fiscal year in Minnesota health care programs, including medical assistance, general assistance medical care, and MinnesotaCare, or other applicable expenditures.

Subd. 3. **Fund reimbursements.** (a) Each fiscal year, the commissioner of management and budget shall first transfer from the health impact fund to the general fund an amount sufficient to offset the general fund cost of the certified expenditures under subdivision 2 or the balance of the fund, whichever is less.

(b) If any balance remains in the health impact fund after the transfer in paragraph (a), the commissioner of management and budget shall transfer to the health care access fund the amount sufficient to offset the health care access fund cost of the certified expenditures in subdivision 2, or the balance of the fund, whichever is less.

**256.9658 TOBACCO HEALTH IMPACT FEE.**

Subdivision 1. **Purpose.** A tobacco use health impact fee is imposed on and collected from cigarette distributors and tobacco products distributors to recover for the state health costs related to or caused by tobacco use and to reduce tobacco use, particularly by youths.

Subd. 2. **Definitions.** The definitions under section 297F.01 apply to this section.

Subd. 3. **Fee imposed.** (a) A fee is imposed upon the sale of cigarettes in this state, upon having cigarettes in possession in this state with intent to sell, upon any person engaged in business as a distributor, and upon the use or storage by consumers of cigarettes. The fee is imposed at the following rates:

(1) on cigarettes weighing not more than three pounds per thousand, 37.5 mills on each cigarette; and

(2) on cigarettes weighing more than three pounds per thousand, 75 mills on each cigarette.

(b) A fee is imposed upon all tobacco products in this state and upon any person engaged in business as a distributor in an amount equal to the liability for tax under section 297F.05, subdivision 3, or on a consumer of tobacco products equal to the tax under section 297F.05, subdivision 4. Liability for the fee is in addition to the tax under section 297F.05, subdivision 3 or 4.

Subd. 4. **Payment.** A distributor must pay the fee at the same time and in the same manner as provided for payment of tax under chapter 297F.

Subd. 5. **Fee on use of unstamped cigarettes.** Any person, other than a distributor, that purchases or possesses cigarettes that have not been stamped and on which the fee imposed under this section has not been paid is liable for the fee under this section on the possession or use of those cigarettes.

Subd. 6. **Administration.** The audit, assessment, interest, appeal, refund, penalty, enforcement, administrative, and collection provisions of chapters 270C and 297F apply to the fee imposed under this section.

Subd. 7. **Cigarette stamp.** (a) The stamp in section 297F.08 must be affixed to each package and is prima facie evidence that the fee imposed by this section has been paid.

(b) Notwithstanding any other provisions of this section, the fee due on the return is based upon actual stamps purchased during the reporting period.

Subd. 8. **License revocation.** The commissioner of revenue may revoke or suspend the license of a distributor for failure to pay the fee or otherwise comply with the requirements under this section. The provisions and procedures under section 297F.04 apply to a suspension or revocation under this subdivision.

Subd. 9. **Deposit of revenues.** The commissioner of revenue shall deposit the revenues from the fee under this section in the state treasury and credit them to the health impact fund.

**272.69 LISTING LEASED PERSONAL PROPERTY; PENALTY.**

Subdivision 1. **Filing of list with commissioner.** Any person, firm, or corporation engaged in the business of leasing items of tangible personal property which are subject to personal property taxation shall file with the commissioner of revenue not later than February 15 of each

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year a listing of all items of personal property owned by the lessor and in possession of a lessee under a lease, rental purchase option, or similar type of agreement as of the January 2 immediately preceding. The listing shall be made on forms provided by the commissioner and shall contain a brief description of each item including the serial number, if any, the location thereof, the date of manufacture, and the manufacturer's list selling price. The commissioner may grant an extension of the filing date herein prescribed for good cause shown.

Subd. 2. **List to county assessor.** Upon receipt of the listings required by subdivision 1, the commissioner of revenue shall compile a listing of all property thus located in each county and shall forward a copy of the listing together with other pertinent data to the county assessor of the county in which the property is, or was as of January 2, located in order to aid in the proper listing and assessment thereof.

Subd. 3. **Intent; agreements between lessors and lessees.** It is the intent of this section that leased personal property which is subject to personal property taxation be assessed to and the tax paid by the lessor, notwithstanding any agreement between lessor and lessee to the contrary. Any such agreement may, however, be construed as an agreement by the lessee to indemnify the lessor for the amount of personal property taxes paid. The listing required by this section shall be in lieu of any other property tax listing required by law for property required to be listed.

Subd. 4. **Penalty.** Any person, firm, or corporation, or agent, officer, or employee thereof required by this section to file a listing of personal property who shall willfully fail to file such listing or who shall willfully or knowingly omit therefrom any item or items of personal property required to be listed is guilty of a gross misdemeanor. In addition, items omitted from a listing shall be treated as omitted property subject to the provisions of section 273.02.

#### **273.11 VALUATION OF PROPERTY.**

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 residential recreational, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment.

For assessment years 2004, 2005, and 2006, 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 2007, 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 2008, 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 through assessment year 2008 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 under this subdivision and subdivision 16, shall be used.

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 residential recreational, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment.

For assessment years 2004, 2005, and 2006, 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 2007, 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 2008, 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.

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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 through assessment year 2008 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 under this subdivision and subdivision 16, shall be used.

**Subd. 22. Lead hazard market value reduction.** Owners of property classified as class 1a, 1b, 1c, 2a, 4b, 4bb, or 4d under section 273.13 may apply for a lead hazard valuation reduction, provided that the property is located in a city which has authorized valuation reductions under this subdivision. A city that authorizes reductions under this subdivision must establish guidelines for qualifying lead hazard reduction projects and must designate an agency within the city to issue certificates of completion of qualifying projects. For purposes of this subdivision, "lead hazard reduction" has the same meaning as in section 144.9501, subdivision 17.

The property owner must obtain a certificate from the agency stating (1) that the project has been completed and (2) the total cost incurred by the owner, which must be at least \$3,000. Only projects originating after July 1, 2005, and completed before July 1, 2010, qualify for a reduction under this subdivision. The property owner shall apply for the valuation reduction to the assessor on a form prescribed by the assessor accompanied by a copy of the certificate of completion from the agency.

A qualifying property is eligible for a one-year valuation reduction equal to the actual cost incurred, to a maximum of \$20,000. If a property owner applies to the assessor for the valuation reduction under this subdivision between January 1 and June 30 of any year, the reduction applies for taxes payable in the following year. If a property owner applies to the assessor for the valuation reduction under this subdivision between July 1 and December 31, the reduction applies for taxes payable in the second following year. For purposes of subdivision 1a, any additional market value resulting from the lead hazard removal must be considered an increase in value due to new construction.

### **275.025 STATE GENERAL TAX.**

**Subd. 4. Apportionment and levy of state general tax.** Ninety-five percent of the state general tax must be levied by applying a uniform rate to all commercial-industrial tax capacity and five percent of the state general tax must be levied by applying a uniform rate to all seasonal residential recreational tax capacity. On or before October 1 each year, the commissioner of revenue shall certify the preliminary state general levy rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy rate to each county auditor that shall be used in spreading taxes.

### **276A.01 DEFINITIONS.**

**Subd. 11. Valuation.** "Valuation" means the market value of real and personal property within a municipality as defined in subdivision 10.

### **289A.60 CIVIL PENALTIES.**

**Subd. 31. Accelerated payment of monthly sales tax liability; penalty for underpayment.** For payments made after September 1, 2010, if a vendor is required by section 289A.20, subdivision 4, paragraph (a), clause (2), item (i) or (ii), to make accelerated payments, then the penalty for underpayment is as follows:

(a) For those vendors that must remit a 90 percent payment by the 14th day of the month following the month in which the taxable event occurred, as an estimation of the monthly sales tax liability, including the liability of any fee or other tax that is to be reported on the same return as and paid with the chapter 297A taxes, for the month in which the taxable event occurred, the vendor shall pay a penalty equal to ten percent of the amount of liability that was required to be paid by the 14th day of the month, less the amount remitted by the 14th day of the month. The penalty must not be imposed, however, if the amount remitted by the 14th day of the month equals the least of: (1) 90 percent of the liability for the month preceding the month in which the taxable event occurred; (2) 90 percent of the liability for the same month in the previous

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calendar year as the month in which the taxable event occurred; or (3) 90 percent of the average monthly liability for the previous calendar year.

(b) For those vendors that, on or before the 20th day of the month in which the taxable event occurs, must remit to the commissioner a prepayment of the sales tax liability for the month in which the taxable event occurs equal to 67 percent of the liability for the previous month, including the liability of any fee or other tax that is to be reported on the same return as and paid with the chapter 297A taxes, for the month in which the taxable event occurred, the vendor shall pay a penalty equal to ten percent of the amount of liability that was required to be paid by the 20th of the month, less the amount remitted by the 20th of the month. The penalty must not be imposed, however, if the amount remitted by the 20th of the month equals the lesser of: (1) 67 percent of the liability of the same month in the previous calendar year as the month in which the taxable event occurred; or (2) an amount equal to the liability for the month in which the taxable event occurred.

**290.01 DEFINITIONS.**

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;
- (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;
- (3) it is not an interest charge domestic international sales corporation under sections 992, 993, 994, and 995 of the Internal Revenue Code;
- (4) either (i) it has in effect a valid election under section 936 of the Internal Revenue Code; or (ii) at least 80 percent of the gross income from all sources of the corporation in the tax year is active foreign business income; and
- (5) for purposes of this subdivision, active foreign business income means gross income that is (i) derived from sources without the United States, as defined in subtitle A, chapter 1, subchapter N, part 1, of the Internal Revenue Code; and (ii) attributable to the active conduct of a trade or business in a foreign country.

**290.0921 CORPORATE ALTERNATIVE MINIMUM TAX AFTER 1989.**

Subd. 7. **Foreign operating companies.** The income and deductions related to foreign operating companies, as defined in section 290.01, subdivision 6b, that are used to calculate Minnesota alternative minimum taxable income, are limited to the amounts included for purposes of calculating taxable income under section 290.01, subdivision 29.

**290.171 ENACTMENT OF MULTISTATE TAX COMPACT.**

The "Multistate Tax Compact" is hereby enacted into law to the extent provided in this section and entered into with all jurisdictions legally joining therein, in the form substantially as follows:

Article I. Purposes.

The purposes of this compact are to:

1. Facilitate proper determination of state and local tax liability of multistate taxpayers, including the equitable apportionment of tax bases and settlement of apportionment disputes.
2. Promote uniformity or compatibility in significant components of tax systems.
3. Facilitate taxpayer convenience and compliance in the filing of tax returns and in other phases of tax administration.
4. Avoid duplicative taxation.

Article II. Definitions.

As used in this compact:

1. "State" means a state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States.
2. "Subdivision" means any governmental unit or special district of a state.
3. "Taxpayer" means any corporation, partnership, firm, association, governmental unit or agency or person acting as a business entity in more than one state.
4. "Income tax" means a tax imposed on or measured by net income including any tax imposed on or measured by an amount arrived at by deducting expenses from gross income, one or more forms of which expenses are not specifically and directly related to particular transactions.
5. "Capital stock tax" means a tax measured in any way by the capital of a corporation considered in its entirety.

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6. "Gross receipts tax" means a tax, other than a sales tax, which is imposed on or measured by the gross volume of business, in terms of gross receipts or in other terms, and in the determination of which no deduction is allowed which would constitute the tax an income tax.

7. "Sales tax" means a tax imposed with respect to the transfer for a consideration of ownership, possession or custody of tangible personal property or the rendering of services measured by the price of the tangible personal property transferred or services rendered and which is required by state or local law to be separately stated from the sales price by the seller, or which is customarily separately stated from the sales price, but does not include a tax imposed exclusively on the sale of a specifically identified commodity or article or class of commodities or articles.

8. "Use tax" means a nonrecurring tax, other than a sales tax, which (a) is imposed on or with respect to the exercise or enjoyment of any right or power over tangible personal property incident to the ownership, possession or custody of that property or the leasing of that property from another including any consumption, keeping, retention, or other use of tangible personal property and (b) is complementary to a sales tax.

9. "Tax" means an income tax, capital stock tax, gross receipts tax, sales tax, use tax, and any other tax which has a multistate impact, except that the provisions of article V of this compact shall apply only to the taxes specifically designated therein.

Article III. Elements of Income Tax Laws.

Article IV. Division of Income.

Article V. Elements of Sales and Use Tax Laws.

#### Tax Credit.

1. Each purchaser liable for a use tax on tangible personal property shall be entitled to full credit for the combined amount or amounts of legally imposed sales or use taxes paid by him with respect to the same property to another state and any subdivision thereof. 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 the amount of any use tax due a subdivision.

2. Whenever a vendor receives and accepts in good faith from a purchaser a resale or other exemption certificate or other written evidence of exemption authorized by the appropriate state or subdivision taxing authority, the vendor shall be relieved of liability for a sales or use tax with respect to the transaction.

Article VI. The Commission.

#### Organization and Management.

1. (a) The multistate tax commission is hereby established. It shall be composed of one "member" from each party state who shall be the head of the state agency charged with the administration of the types of taxes to which this compact applies. If there is more than one such agency the state shall provide by law for the selection of the commission member from the heads of the relevant agencies. State law may provide that a member of the commission be represented by an alternate but only if there is on file with the commission written notification of the designation and identity of the alternate. The attorney general of each party state or his designee, or other counsel if the laws of the party state specifically provide, shall be entitled to attend the meetings of the commission, but shall not vote. Such attorneys general, designees, or other counsel shall receive all notices of meetings required under paragraph 1(e) of this article.

(b) Each party state shall provide by law for the selection of representatives from its subdivisions affected by this compact to consult with the commission member from that state.

(c) Each member shall be entitled to one vote. The commission shall not act unless a majority of the members are present, and no action shall be binding unless approved by a majority of the total number of members.

(d) The commission shall adopt an official seal to be used as it may provide.

(e) The commission shall hold an annual meeting and such other regular meetings as its bylaws may provide and such special meetings as its executive committee may determine. The commission bylaws shall specify the dates of the annual and any other regular meetings, and shall provide for the giving of notice of annual, regular and special meetings. Notices of special meetings shall include the reasons therefor and an agenda of the items to be considered.

(f) The commission shall elect annually, from among its members, a chairman, a vice-chairman and a treasurer. The commission shall appoint an executive director who shall serve at its pleasure, and it shall fix his duties and compensation. The executive director shall be secretary of the commission. The commission shall make provision for the bonding of such of its officers and employees as it may deem appropriate.

(g) Irrespective of the civil service, personnel or other merit system laws of any party state, the executive director shall appoint or discharge such personnel as may be necessary for the performance of the functions of the commission and shall fix their duties and compensation. The commission bylaws shall provide for personnel policies and programs.

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(h) The commission may borrow, accept or contract for the services of personnel from any state, the United States, or any other governmental entity.

(i) The commission may accept for any of its purposes and functions any and all donations and grants of money, equipment, supplies, materials and services, conditional or otherwise, from any governmental entity, and may utilize and dispose of the same.

(j) The commission may establish one or more offices for the transacting of its business.

(k) The commission shall adopt bylaws for the conduct of its business. The commission shall publish its bylaws in convenient form, and shall file a copy of the bylaws and any amendments thereto with the appropriate agency or officer in each of the party states.

(l) The commission annually shall make to the governor of each party state a report covering its activities for the preceding year. Any donation or grant accepted by the commission or services borrowed shall be reported in the annual report of the commission, and shall include the nature, amount and conditions, if any, of the donation, gift, grant or services borrowed and the identity of the donor or lender. The commission may make additional reports as it may deem desirable.

#### Committees.

2. (a) To assist in the conduct of its business when the full commission is not meeting, the commission shall have an executive committee of seven members, including the chairman, vice chairman, treasurer and four other members elected annually by the commission. The executive committee, subject to the provisions of this compact and consistent with the policies of the commission, shall function as provided in the bylaws of the commission.

(b) The commission may establish advisory and technical committees, membership on which may include private persons and public officials, in furthering any of its activities. Such committees may consider any matter of concern to the commission, including problems of special interest to any party state and problems dealing with particular types of taxes.

(c) The commission may establish such additional committees as its bylaws may provide.

#### Powers.

3. In addition to powers conferred elsewhere in this compact, the commission shall have power to:

(a) Study state and local tax systems and particular types of state and local taxes.

(b) Develop and recommend proposals for an increase in uniformity or compatibility of state and local tax laws with a view toward encouraging the simplification and improvement of state and local tax law and administration.

(c) Compile and publish information as in its judgment would assist the party states in implementation of the compact and taxpayers in complying with state and local tax laws.

(d) Do all things necessary and incidental to the administration of its functions pursuant to this compact.

#### Finance.

4. (a) The commission shall submit to the governor or designated officer or officers of each party state a budget of its estimated expenditures for such period as may be required by the laws of that state for presentation to the legislature thereof.

(b) Each of the commission's budgets of estimated expenditures shall contain specific recommendations of the amounts to be appropriated by each of the party states. The total amount of appropriations requested under any such budget shall be apportioned among the party states as follows: one-tenth in equal shares; and the remainder in proportion to the amount of revenue collected by each party state and its subdivisions from income taxes, capital stock taxes, gross receipts taxes, sales and use taxes. In determining such amounts, the commission shall employ such available public sources of information as, in its judgment, present the most equitable and accurate comparisons among the party states. Each of the commission's budgets of estimated expenditures and requests for appropriations shall indicate the sources used in obtaining information employed in applying the formula contained in this paragraph.

(c) The commission shall not pledge the credit of any party state. The commission may meet any of its obligations in whole or in part with funds available to it under paragraph 1(i) of this article, provided that the commission takes specific action setting aside such funds prior to incurring any obligation to be met in whole or in part in such manner. Except where the commission makes use of funds available to it under paragraph 1(i), the commission shall not incur any obligation prior to the allotment of funds by the party states adequate to meet the same.

(d) The commission shall keep accurate accounts of all receipts and disbursements. The receipts and disbursements of the commission shall be subject to the audit and accounting procedures established under its bylaws. All receipts and disbursements of funds handled by the commission shall be audited yearly by a certified or licensed public accountant and the report of the audit shall be included in and become part of the annual report of the commission.

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(e) The accounts of the commission shall be open at any reasonable time for inspection by duly constituted officers of the party states and by any persons authorized by the commission.

(f) Nothing contained in this article shall be construed to prevent commission compliance with laws relating to audit or inspection of accounts by or on behalf of any government contributing to the support of the commission.

#### Article VII. Uniform Regulations and Forms.

1. Whenever any two or more party states, or subdivisions of party states, have uniform or similar provisions of law relating to an income tax, capital stock tax, gross receipts tax, sales or use tax, the commission may adopt uniform regulations for any phase of the administration of such law, including assertion of jurisdiction to tax, or prescribing uniform tax forms.

2. Prior to the adoption of any regulation, the commission shall:

(a) As provided in its bylaws, hold at least one public hearing on due notice to all affected party states and subdivisions thereof and to all taxpayers and other persons who have made timely request of the commission for advance notice of its regulation-making proceedings.

(b) Afford all affected party states and subdivisions and interested persons an opportunity to submit relevant written data and views, which shall be considered fully by the commission.

3. The commission shall submit any regulations adopted by it to the appropriate officials of all party states and subdivisions to which they might apply. Each such state and subdivision shall consider any such regulation for adoption in accordance with its own laws and procedures.

#### Article VIII. Interstate Audits.

1. Any party state or subdivision thereof desiring to make or participate in an audit of any accounts, books, papers, records or other documents may request the commission to perform the audit on its behalf. In responding to the request, the commission shall have access to and may examine, at any reasonable time, such accounts, books, papers, records, and other documents and any relevant property or stock of merchandise. The commission may enter into agreements with party states or their subdivisions for assistance in performance of the audit. The commission shall make charges, to be paid by the state or local government or governments for which it performs the service, for any audits performed by it in order to reimburse itself for the actual costs incurred in making the audit.

2. The commission may require the attendance of any person within the state where it is conducting an audit or part thereof at a time and place fixed by it within such state for the purpose of giving testimony with respect to any account, book, paper, document, other record, property or stock of merchandise being examined in connection with the audit. If the person is not within the jurisdiction, he may be required to attend for such purpose at any time and place fixed by the commission within the state of which he is a resident, provided that such state has adopted this article.

3. The commission may apply to any court having power to issue compulsory process for orders in aid of its powers and responsibilities pursuant to this article and any and all such courts shall have jurisdiction to issue such orders. Failure of any person to obey any such order shall be punishable as contempt of the issuing court. If the party or subject matter on account of which the commission seeks an order is within the jurisdiction of the court to which application is made, such application may be to a court in the state or subdivision on behalf of which the audit is being made or a court in the state in which the object of the order being sought is situated. The provisions of this paragraph apply only to courts in a state that has adopted this article.

4. The commission may decline to perform any audit requested if it finds that its available personnel or other resources are insufficient for the purpose or that, in the terms requested, the audit is impracticable of satisfactory performance. If the commission, on the basis of its experience, has reason to believe that an audit of a particular taxpayer, either at a particular time or on a particular schedule, would be of interest to a number of party states or their subdivisions, it may offer to make the audit or audits, the offer to be contingent on sufficient participation therein as determined by the commission.

5. Information obtained by any audit pursuant to this article shall be confidential and available only for tax purposes to party states, their subdivisions or the United States. Availability of information shall be in accordance with the laws of the states or subdivisions on whose account the commission performs the audit, and only through the appropriate agencies or officers of such states or subdivisions. Nothing in this article shall be construed to require any taxpayer to keep records for any period not otherwise required by law.

6. Other arrangements made or authorized pursuant to law for cooperative audit by or on behalf of the party states or any of their subdivisions are not superseded or invalidated by this article.

7. In no event shall the commission make any charge against a taxpayer for an audit.

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8. As used in this article, "tax," in addition to the meaning ascribed to it in article II, means any tax or license fee imposed in whole or in part for revenue purposes.

#### Article IX. Arbitration.

1. Whenever the commission finds a need for settling disputes concerning apportionments and allocations by arbitration, it may adopt a regulation placing this article in effect, notwithstanding the provisions of article VII.

2. The commission shall select and maintain an arbitration panel composed of officers and employees of state and local governments and private persons who shall be knowledgeable and experienced in matters of tax law and administration.

3. Whenever the laws of the party states or subdivisions thereof are substantially identical with the relevant provisions of this chapter, the taxpayer, by written notice to the commission and to each party state or subdivision thereof that would be affected, may secure arbitration of an apportionment or allocation, if he is dissatisfied with the final administrative determination of the tax agency of the state or subdivision with respect thereto on the ground that it would subject him to double or multiple taxation by two or more party states or subdivisions thereof. Each party state and subdivision thereof hereby consents to the arbitration as provided herein, and agrees to be bound thereby.

4. The arbitration board shall be composed of one person selected by the taxpayer, one by the agency or agencies involved, and one member of the commission's arbitration panel. If the agencies involved are unable to agree on the person to be selected by them, such person shall be selected by lot from the total membership of the arbitration panel. The two persons selected for the board in the manner provided by the foregoing provisions of this paragraph shall jointly select the third member of the board. If they are unable to agree on the selection, the third member shall be selected by lot from among the total membership of the arbitration panel. No member of a board selected by lot shall be qualified to serve if he is an officer or employee or is otherwise affiliated with any party to the arbitration proceeding. Residence within the jurisdiction of a party to the arbitration proceeding shall not constitute affiliation within the meaning of this paragraph.

5. The board may sit in any state or subdivision party to the proceeding, in the state of the taxpayer's incorporation, residence or domicile, in any state where the taxpayer does business, or in any place that it finds most appropriate for gaining access to evidence relevant to the matter before it.

6. The board shall give due notice of the times and places of its hearings. The parties shall be entitled to be heard, to present evidence, and to examine and cross-examine witnesses. The board shall act by majority vote.

7. The board shall have power to administer oaths, take testimony, subpoena and require the attendance of witnesses and the production of accounts, books, papers, records, and other documents, and issue commissions to take testimony. Subpoenas may be signed by any member of the board. In case of failure to obey a subpoena, and upon application by the board, any judge of a court of competent jurisdiction of the state in which the board is sitting or in which the person to whom the subpoena is directed may be found may make an order requiring compliance with the subpoena, and the court may punish failure to obey the order as a contempt. The provisions of this paragraph apply only in states that have adopted this article.

8. Unless the parties otherwise agree the expenses and other costs of the arbitration shall be assessed and allocated among the parties by the board in such manner as it may determine. The commission shall fix a schedule of compensation for members of arbitration boards and of other allowable expenses and costs. No officer or employee of a state or local government who serves as a member of a board shall be entitled to compensation therefor unless he is required on account of his service to forgo the regular compensation attaching to his public employment, but any such board member shall be entitled to expenses.

9. The board shall determine the disputed apportionment or allocation and any matters necessary thereto. The determinations of the board shall be final for purposes of making the apportionment or allocation, but for no other purpose.

10. The board shall file with the commission and with each tax agency represented in the proceeding: the determination of the board; the board's written statement of its reasons therefor; the record of the board's proceedings; and any other documents required by the arbitration rules of the commission to be filed.

11. The commission shall publish the determinations of boards together with the statements of the reasons therefor.

12. The commission shall adopt and publish rules of procedure and practice and shall file a copy of such rules and of any amendment thereto with the appropriate agency or officer in each of the party states.

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13. Nothing contained herein shall prevent at any time a written compromise of any matter or matters in dispute, if otherwise lawful, by the parties to the arbitration proceedings.

#### Article X. Entry Into Force and Withdrawal.

1. This compact shall become effective as to any other state upon its enactment. The commission shall arrange for notification of all party states whenever there is a new enactment of the compact.

2. Any party state may withdraw from this compact by enacting a statute repealing the same. No withdrawal shall affect any liability already incurred by or chargeable to a party state prior to the time of such withdrawal.

3. No proceeding commenced before an arbitration board prior to the withdrawal of a state and to which the withdrawing state or any subdivision thereof is a party shall be discontinued or terminated by the withdrawal, nor shall the board thereby lose jurisdiction over any of the parties to the proceeding necessary to make a binding determination therein.

#### Article XI. Effect on Other Laws and Jurisdictions.

Nothing in this compact shall be construed to:

(a) Affect the power of any state or subdivision thereof to fix rates of taxation.

(b) Apply to any tax or fixed fee imposed for the registration of a motor vehicle or any tax on motor fuel, other than a sales tax, provided that the definition of "tax" in article VIII 9 may apply for the purposes of that article and the commission's powers of study and recommendation pursuant to article VI 3 may apply.

(c) Withdraw or limit the jurisdiction of any state or local court or administrative officer or body with respect to any person, corporation or other entity or subject matter, except to the extent that such jurisdiction is expressly conferred by or pursuant to this compact upon another agency or body.

(d) Supersede or limit the jurisdiction of any court of the United States.

#### Article XII. Construction and Severability.

This compact shall be liberally construed so as to effectuate the purposes thereof. The provisions of this compact shall be severable and if any phrase, clause, sentence, or provision of this compact is declared to be contrary to the constitution of any state or of the United States or the applicability thereof to any government, agency, person or circumstance is held invalid, the validity of the remainder of this compact and the applicability thereof to any government, agency, person or circumstance shall not be affected thereby. If this compact shall be held contrary to the constitution of any state participating therein, the compact shall remain in full force and effect as to the remaining party states and in full force and effect as to the state affected as to all severable matters.

### **290.173 MULTISTATE COMPACT ADVISORY COMMITTEE.**

There is hereby established the Multistate Tax Compact Advisory Committee composed of the commissioner of revenue or the alternate member of the commission designated by the commissioner, the attorney general or a designee, and two members of the senate, appointed by the Committee on Committees, and two members of the house of representatives appointed by the speaker of the house. The chair shall be the member of the Multistate Tax Commission, representing the state of Minnesota. The committee shall meet at the call of its chair or at the request of a majority of its members, but in any event not less than three times in each year. The committee may consider any and all matters relating to recommendations of the Multistate Tax Commission and the activities of the members in representing the state of Minnesota on the commission.

### **290.174 INTERSTATE AUDITS.**

Article VIII of the Multistate Tax Compact relating to interstate audits shall be in force in and with respect to the state of Minnesota. For purposes of chapter 270B, the Multistate Tax Commission will be considered to be a state for purposes of auditing corporate sales, excise, and income tax returns.

### **297A.61 DEFINITIONS.**

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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.

**297A.66 JURISDICTION TO REQUIRE COLLECTION AND REMITTANCE OF TAX BY RETAILER.**

Subd. 4. **Affiliated entities.** (a) An entity is an "affiliate" of the retailer for purposes of subdivision 1, paragraph (a), if:

(1) the entity uses its facilities or employees in this state to advertise, promote, or facilitate the establishment or maintenance of a market for sales of items by the retailer to purchasers in this state or for the provision of services to the retailer's purchasers in this state, such as accepting returns of purchases for the retailer, providing assistance in resolving customer complaints of the retailer, or providing other services; and

(2) the retailer and the entity are related parties.

(b) Two entities are related parties under this section if one of the entities meets at least one of the following tests with respect to the other entity:

(1) one or both entities is a corporation, and one entity and any party related to that entity in a manner that would require an attribution of stock from the corporation to the party or from the party to the corporation under the attribution rules of section 318 of the Internal Revenue Code owns directly, indirectly, beneficially, or constructively at least 50 percent of the value of the corporation's outstanding stock;

(2) one or both entities is a partnership, estate, or trust and any partner or beneficiary, and the partnership, estate, or trust and its partners or beneficiaries own directly, indirectly, beneficially, or constructively, in the aggregate, at least 50 percent of the profits, capital, stock, or value of the other entity or both entities; or

(3) an individual stockholder and the members of the stockholder's family (as defined in section 318 of the Internal Revenue Code) owns directly, indirectly, beneficially, or constructively, in the aggregate, at least 50 percent of the value of both entities' outstanding stock.

(c) An entity is an affiliate under the provisions of this subdivision if the requirements of paragraphs (a) and (b) are met during any part of the 12-month period ending on the first day of the month before the month in which the sale was made.

**297A.67 GENERAL EXEMPTIONS.**

Subd. 8. **Clothing.** (a) Clothing is exempt. For purposes of this subdivision, "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:

(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;

(8) protective equipment; and

(9) fur clothing as defined in section 297A.61, subdivision 46.

For purposes of this subdivision, "clothing accessories or equipment" means incidental items worn on the person or in conjunction with clothing. Clothing accessories and equipment 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

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for general use. Sports and recreational equipment includes, but is not limited to, ballet and tap shoes; cleated or spiked athletic shoes; gloves, including, but not limited to, 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.

#### **297A.68 BUSINESS EXEMPTIONS.**

Subd. 9. **Super Bowl admissions.** The granting of the privilege of admission to a world championship football game sponsored by the National Football League is exempt.

Subd. 22. **Copies of court reporter documents.** Transcripts or copies of transcripts of verbatim testimony are exempt if produced and sold by court reporters or other transcribers of legal proceedings to individuals or entities that are parties to or representatives of parties to the proceeding to which the transcript relates.

Subd. 35. **Telecommunications, cable television, and direct satellite machinery and equipment.** (a) Telecommunications, cable television, or direct satellite machinery and equipment purchased or leased for use directly by a telecommunications, cable television, or direct satellite service provider primarily in the provision of telecommunications, cable television, or direct satellite 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, cable television, or direct satellite 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, cable television, or direct satellite 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, cable television, or direct satellite 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, cable television, or direct satellite equipment; and software necessary to the operation of the telecommunications, cable television, or direct satellite 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.

#### **473F.02 DEFINITIONS.**

Subd. 13. **Valuation.** "Valuation" means the market value of real and personal property within a municipality as defined in subdivision 12.

#### **477A.011 DEFINITIONS.**

Subd. 2a. **Special taxing district.** "Special taxing district" means a political subdivision with the authority to levy property taxes, other than a city, county, town, or school district.

Subd. 19. **Metropolitan area.** "Metropolitan area" is the metropolitan area as defined in section 473.121, subdivision 2.

Subd. 21. **Equalized market values.** "Equalized market values" means market values that have been equalized by dividing the assessor's estimated market value for the second year prior to that in which the aid is payable by the assessment sales ratios determined by class in the assessment sales ratio study conducted by the Department of Revenue pursuant to section 127A.48 in the second year prior to that in which the aid is payable. The equalized market values equal the unequalized market values divided by the assessment sales ratio.

Subd. 29. **Adjusted revenue base.** "Adjusted revenue base" means revenue base as defined in subdivision 27 less the levy reported under section 275.62, subdivision 1, clause (2).

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Subd. 31. **Population decline percentage.** "Population decline percentage" for a city is the percent decline in a city's population for the last ten years, based on the most recently available population estimate from the state demographer or a federal census. A city's population decline percentage cannot be less than zero.

Subd. 32. **Commercial industrial percentage.** "Commercial industrial percentage" for a city is 100 times the sum of the estimated market values of all real property in the city classified as class 3 under section 273.13, subdivision 24, excluding public utility property, to the total market value of all taxable real and personal property in the city. The market values are the amounts computed before any adjustments for fiscal disparities under section 276A.06 or 473F.08. The market values used for this subdivision are not equalized.

Subd. 33. **Transformed population.** "Transformed population" for a city is the city population raised to the .3308 power, times 30.5485.

Subd. 36. **City aid base.** (a) Except as otherwise provided in this subdivision, "city aid base" is zero.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

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(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

(m) The city aid base for a city is increased by \$150,000 in calendar years 2002 to 2011 and by an additional \$75,000 in calendar years 2009 to 2014 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 and by \$75,000 in calendar year 2009 only, provided that:

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- (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.
- (n) The city aid base for a city is increased by \$200,000 beginning in calendar year 2003 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 2003 only, provided that the city qualified for an increase in homestead and agricultural credit aid under Laws 1995, chapter 264, article 8, section 18.
- (o) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.
- (p) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998, and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.
- (q) The city aid base for a city is increased by \$30,000 in 2009 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$25,000 in calendar year 2006 only if the city had a population in 2003 of at least 1,000 and has a state park for which the city provides rescue services and which comprised at least 14 percent of the total geographic area included within the city boundaries in 2000.
- (r) The city aid base for a city is increased by \$80,000 in 2009 and thereafter and the minimum and maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$80,000 in calendar year 2009 only, if:
- (1) as of May 1, 2006, at least 25 percent of the tax capacity of the city is proposed to be placed in trust status as tax-exempt Indian land;
  - (2) the placement of the land is being challenged administratively or in court; and
  - (3) due to the challenge, the land proposed to be placed in trust is still on the tax rolls as of May 1, 2006.
- (s) The city aid base for a city is increased by \$100,000 in 2007 and thereafter and the minimum and maximum total amount of aid it may receive under this section is also increased in calendar year 2007 only, provided that:
- (1) the city has a 2004 estimated population greater than 200 but less than 2,000;
  - (2) its city net tax capacity for aids payable in 2006 was less than \$300 per capita;
  - (3) the ratio of its pay 2005 tax levy compared to its city net tax capacity for aids payable in 2006 was greater than 110 percent; and
  - (4) it is located in a county where at least 15,000 acres of land are classified as tax-exempt Indian reservations according to the 2004 abstract of tax-exempt property.
- (t) The city aid base for a city is increased by \$30,000 in 2009 only, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$30,000 in calendar year 2009, only if the city had a population in 2005 of less than 3,000 and the city's boundaries as of 2007 were formed by the consolidation of two cities and one township in 2002.
- (u) The city aid base for a city is increased by \$100,000 in 2009 and thereafter, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$100,000 in calendar year 2009 only, if the city had a city net tax capacity for aids payable in 2007 of less than \$150 per capita and the city experienced flooding on March 14, 2007, that resulted in evacuation of at least 40 homes.
- (v) The city aid base for a city is increased by \$100,000 in 2009 to 2013, and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$100,000 in calendar year 2009 only, if the city:
- (1) is located outside of the Minneapolis-St. Paul standard metropolitan statistical area;
  - (2) has a 2005 population greater than 7,000 but less than 8,000; and
  - (3) has a 2005 net tax capacity per capita of less than \$500.
- (w) The city aid base is increased by \$25,000 in calendar years 2009 to 2013 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is increased by \$25,000 in calendar year 2009 only, provided that:
- (1) the city is located in the seven-county metropolitan area;
  - (2) its population in 2006 is less than 200; and
  - (3) the percentage of its housing stock built before 1940, according to the 2000 United States Census, is greater than 40 percent.

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(x) The city aid base is increased by \$90,000 in calendar year 2009 only and the minimum and maximum total amount of aid it may receive under section 477A.013, subdivision 9, is also increased by \$90,000 in calendar year 2009 only, provided that the city is located in the seven-county metropolitan area, has a 2006 population between 5,000 and 7,000 and has a 1997 population of over 7,000.

(y) In calendar year 2010 only, the city aid base for a city is increased by \$225,000 if it was eligible for a \$450,000 payment in calendar year 2008 under Minnesota Statutes 2006, section 477A.011, subdivision 36, paragraph (e), and the second half of the payment under that paragraph in December 2008 was canceled due to the governor's unallotment. The payment under this paragraph is not subject to any aid reductions under section 477A.0134 or any future unallotment of the city aid under section 16A.152.

(z) In calendar year 2013 only, the total aid the city may receive under section 477A.013 is increased by \$12,000 if:

(1) the city's 2010 population is less than 100 and its population growth between 2000 and 2010 was more than 55 percent; and

(2) its commercial industrial percentage as defined in subdivision 32, based on assessments for calendar year 2010, payable in 2011, is greater than 15 percent.

Subd. 39. **Road accidents factor.** "Road accidents factor" means the average annual number of vehicular accidents occurring on public roads, streets, and alleys in the jurisdiction as reported to the commissioner of revenue by the commissioner of public safety by July 1 of the aid calculation year using the most recent three-year period for which the commissioner of public safety has complete information, divided by the jurisdiction's population.

Subd. 40. **Metropolitan area factor.** "Metropolitan area factor" means 35.20915 for cities located in the metropolitan area.

Subd. 41. **Small city aid base.** (a) "Small city aid base" for a city with a population less than 5,000 is equal to \$8.50 multiplied by its population. The small city aid base for all other cities is equal to zero.

(b) For calendar year 2010 and subsequent years, the small city aid base for a city, as determined in paragraph (a), is multiplied by the ratio of the appropriation under section 477A.03, subdivision 2a, for the year in which the aid is paid to the appropriation under that section for aids payable in 2009.

Subd. 42. **City jobs base.** (a) "City jobs base" for a city with a population of 5,000 or more is equal to the product of (1) \$25.20, (2) the number of jobs per capita in the city, and (3) its population. For cities with a population less than 5,000, the city jobs base is equal to zero. For a city receiving aid under subdivision 36, paragraph (k), its city jobs base is reduced by the lesser of 36 percent of the amount of aid received under that paragraph or \$1,000,000. No city's city jobs base may exceed \$4,725,000 under this paragraph.

(b) For calendar year 2010 and subsequent years, the city jobs base for a city, as determined in paragraph (a), is multiplied by the ratio of the appropriation under section 477A.03, subdivision 2a, for the year in which the aid is paid to the appropriation under that section for aids payable in 2009.

(c) For purposes of this subdivision, "jobs per capita in the city" means (1) the average annual number of employees in the city based on the data from the Quarterly Census of Employment and Wages, as reported by the Department of Employment and Economic Development, for the most recent calendar year available as of May 1, 2008, divided by (2) the city's population for the same calendar year as the employment data. The commissioner of the Department of Employment and Economic Development shall certify to the city the average annual number of employees for each city by June 1, 2008. A city may challenge an estimate under this paragraph by filing its specific objection, including the names of employers that it feels may have misreported data, in writing with the commissioner by June 20, 2008. The commissioner shall make every reasonable effort to address the specific objection and adjust the data as necessary. The commissioner shall certify the estimates of the annual employment to the commissioner of revenue by July 15, 2008, including any estimates still under objection.

### **477A.013 MUNICIPAL GOVERNMENT DISTRIBUTIONS.**

Subd. 11. **Aid payments in 2011 and 2012.** Notwithstanding aids calculated or certified for 2011 under subdivision 9, for 2011 and 2012, each city shall receive an aid distribution under this section equal to the lesser of (1) the total amount of aid it received under this section in 2010 after the reductions under sections 477A.0133 and 477A.0134, and reduced by the amount of payments made under section 477A.011, subdivision 36, paragraphs (y) and (z), or (2) the amount it was certified to receive in 2011 under subdivision 9. In 2011 only, a city that qualifies for the

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aid base adjustment under section 477A.011, subdivision 36, paragraph (aa), shall receive the amount that it was certified to receive in 2011. In 2012, a city that qualifies for the aid base adjustment under section 477A.011, subdivision 36, paragraph (aa), shall receive the amount that it was certified to receive in 2011, minus the aid base adjustment provided under section 477A.011, subdivision 36, paragraph (aa).

Subd. 12. **Aid payments in 2013.** (a) Notwithstanding aids calculated for 2013 under subdivision 9, for 2013, each city with a population of 5,000 or more shall receive an aid distribution under this section equal to its aid distribution under this section in 2012.

(b) Notwithstanding aids calculated for 2013 under subdivision 9, each city with a population under 5,000 shall receive an aid distribution under this section equal to any additional city aid base authorized in calendar year 2013 under section 477A.011, subdivision 36, paragraph (z), plus the greater of (1) its aid distribution under this section in 2012 or (2) its amount that it is calculated to receive under subdivision 9.

**477A.0133 2009 AND 2010 AID REDUCTIONS.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them in this subdivision.

(b) The "2009 revenue base" for a statutory or home rule charter city is the sum of the city's certified property tax levy for taxes payable in 2009, plus the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2009, plus the amount of taconite aids under sections 298.28 and 298.282 that the city was certified to receive in 2009, including any amounts required to be placed in a special fund for distribution in a later year.

(c) The "2009 revenue base" for a county is the sum of the county's certified property tax levy for taxes payable in 2009, plus the amount of county program aid under section 477A.0124 that the county was certified to receive in 2009, plus the amount of taconite aids under sections 298.28 and 298.282 that the county was certified to receive in 2009, including any amounts required to be placed in a special fund for distribution in a later year.

(d) The "2009 revenue base" for a town is the sum of the town's certified property tax levy for taxes payable in 2009, plus the amount of aid under section 477A.013 that the town was certified to receive in 2009, plus the amount of taconite aids under sections 298.28 and 298.282 that the town was certified to receive in 2009, including any amounts required to be placed in a special fund for distribution in a later year.

(e) "Population" means the population of the county, city, or town for 2007 based on information available to the commissioner of revenue in July 2009.

(f) "Adjusted net tax capacity" means the amount of net tax capacity for the county, city, or town, computed using equalized market values according to section 477A.011, subdivision 20, for aid payable in 2009.

(g) "Adjusted net tax capacity per capita" means the jurisdiction's adjusted net tax capacity divided by its population.

Subd. 2. **2009 aid reductions.** (a) The commissioner of revenue must compute a 2009 aid reduction amount for each county.

The aid reduction amount is zero for a county with a population of less than 5,000, and is zero for a county containing the Shooting Star Casino property that was removed from the tax rolls in 2009.

For all other counties, the aid reduction amount is equal to 1.188968672 percent of the county's 2009 revenue base.

The reduction amount is limited to the sum of the amount of county program aid under section 477A.0124 that the county was certified to receive in 2009, plus the amount of market value credit reimbursements under section 273.1384 payable to the county in 2009 before the reductions in this section.

The reduction amount is applied first to reduce the amount payable to the county in 2009 as county program aid under section 477A.013 and then, if necessary, to reduce the amount payable to the county in 2009 as market value credit reimbursements under section 273.1384.

No county's aid or reimbursements are reduced to less than zero under this section.

(b) The commissioner of revenue must compute a 2009 aid reduction amount for each city. The aid reduction amount is zero for any city with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all cities. The aid reduction amount is also zero for a city located outside the seven-county metropolitan area, with a 2006 population greater than 3,500, a pre-1940 housing percentage greater than 29 percent, a commercial-industrial percentage less than nine

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percent, and a population decline percentage of zero based on the data used to certify the 2009 local government aid distribution under section 477A.013.

For all other cities, the aid reduction amount is equal to 3.3127634 percent of the city's 2009 revenue base.

The reduction amount is limited to the sum of the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2009, plus the amount of market value credit reimbursements under section 273.1384 payable to the city in 2009 before the reductions in this section.

The reduction amount for a city is further limited to \$22 per capita.

The reduction amount is applied first to reduce the amount payable to the city in 2009 as local government aid under section 477A.013 and then, if necessary, to reduce the amount payable to the city in 2009 as market value credit reimbursements under section 273.1384.

No city's aid or reimbursements are reduced to less than zero under this section.

(c) The commissioner of revenue must compute a 2009 aid reduction amount for each town.

The aid reduction amount is zero for any town with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all towns.

For all other towns, the aid reduction amount is equal to 1.735103 percent of the town's 2009 revenue base.

The reduction amount is limited to \$5 per capita.

The reduction amount is applied to reduce the amount payable to the town in 2009 as market value credit reimbursements under section 273.1384.

No town's reimbursements are reduced to less than zero under this section.

**Subd. 3. 2010 aid reductions.** (a) The commissioner of revenue must compute a 2010 aid reduction amount for each county.

The aid reduction amount is zero for a county with a population of less than 5,000, and is zero for a county containing the Shooting Star Casino property that was removed from the tax rolls in 2009.

For all other counties, the aid reduction amount is equal to 2.41396687 percent of the county's 2009 revenue base.

The reduction amount is limited to the sum of the amount of county program aid under section 477A.0124 that the county was certified to receive in 2009, plus the amount of market value credit reimbursements under section 273.1384 payable to the county in 2009 before the reductions in this section.

The reduction amount is applied first to reduce the amount payable to the county in 2010 as county program aid under section 477A.013 and then, if necessary, to reduce the amount payable to the county in 2010 as market value credit reimbursements under section 273.1384.

No county's aid or reimbursements are reduced to less than zero under this section.

(b) The commissioner of revenue must compute a 2010 aid reduction amount for each city.

The aid reduction amount is zero for any city with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all cities.

For all other cities, the aid reduction amount is equal to 7.643803025 percent of the city's 2009 revenue base.

The reduction amount is limited to the sum of the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2010, plus the amount of market value credit reimbursements under section 273.1384 payable to the city in 2010 before the reductions in this section.

The reduction amount for a city is further limited to \$55 per capita.

The reduction amount is applied first to reduce the amount payable to the city in 2010 as local government aid under section 477A.013 and then, if necessary, to reduce the amount payable to the city in 2010 as market value credit reimbursements under section 273.1384.

No city's aid or reimbursements are reduced to less than zero under this section.

(c) The commissioner of revenue must compute a 2010 aid reduction amount for each town.

The aid reduction amount is zero for any town with a population of less than 1,000 that has an adjusted net tax capacity per capita amount less than the statewide average adjusted net tax capacity amount per capita for all towns.

For all other towns, the aid reduction amount is equal to 3.660798 percent of the town's 2009 revenue base.

The reduction amount is limited to \$10 per capita.

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The reduction amount is applied to reduce the amount payable to the town in 2010 as market value credit reimbursements under section 273.1384.

No town's reimbursements are reduced to less than zero under this section.

**477A.0134 ADDITIONAL 2010 AID AND CREDIT REDUCTIONS.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given them in this subdivision.

(b) The "2010 revenue base" for a county is the sum of the county's certified property tax levy for taxes payable in 2010, plus the amount of county program aid under section 477A.0124 that the county was certified to receive in 2010, plus the amount of taconite aids under sections 298.28 and 298.282 that the county was certified to receive in 2010 including any amounts required to be placed in a special fund for distribution in a later year.

(c) The "2010 revenue base" for a statutory or home rule charter city is the sum of the city's certified property tax levy for taxes payable in 2010, plus the amount of local government aid under section 477A.013, subdivision 9, that the city was certified to receive in 2010, plus the amount of taconite aids under sections 298.28 and 298.282 that the city was certified to receive in 2010 including any amounts required to be placed in a special fund for distribution in a later year.

Subd. 2. **2010 reductions; counties and cities.** The commissioner of revenue must compute additional 2010 aid and credit reimbursement reduction amounts for each county and city under this section, after implementing any reduction of county program aid under section 477A.0124, local government aid under section 477A.013, or market value credit reimbursements under section 273.1384, to reflect the reductions under section 477A.0133.

The additional reduction amounts under this section are limited to the sum of the amount of county program aid under section 477A.0124, local government aid under section 477A.013, and market value credit reimbursements under section 273.1384 payable to the county or city in 2010 before the reductions in this section, but after the reductions under section 477A.0133.

The reduction amount under this section is applied first to reduce the amount payable to the county or city in 2010 as market value credit reimbursements under section 273.1384, and then if necessary, to reduce the amount payable as either county program aid under section 477A.0124 in the case of a county, or local government aid under section 477A.013 in the case of a city.

No aid or reimbursement amount is reduced to less than zero under this section.

The additional 2010 aid reduction amount for a county is equal to 1.82767 percent of the county's 2010 revenue base. The additional 2010 aid reduction amount for a city is equal to the lesser of (1) 3.4287 percent of the city's 2010 revenue base or (2) \$28 multiplied by the city's 2008 population.

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**8130.0500 LICENSE TO USE.**

Subp. 2. **Computer time exception.** The making available of a computer on a time-sharing basis for use by customers securing access by remote facilities shall not be considered granting of a "license to use." It shall be considered to be the providing of a nontaxable service.