

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-SEVENTH LEGISLATURE**      **S.F. No. 2136**

(SENATE AUTHORS: ORTMAN)

DATE	D-PG	OFFICIAL STATUS
02/27/2012	3965	Introduction and first reading Referred to Taxes
04/04/2012	5641a 5751	Comm report: To pass as amended Second reading
04/25/2012	6472	HF substituted on General Orders HF2690 See HF2337, Art. 1, Sec. 13-15; Art. 3, Sec. 10-12; Art. 5-6, 7, 8, Sec. 2, 4, 6 (vetoed) See HF247, Art. 1-7, 9, 11, 13 (vetoed)

A bill for an act

1.1 relating to financing of state and local government; making policy, technical,  
1.2 administrative, and clarifying changes to individual income, corporate franchise,  
1.3 estate, property, sales and use, special, mineral, liquor, aggregate materials,  
1.4 local, and other taxes and tax-related provisions; making technical, minor,  
1.5 and clarifying changes in enterprise zone and economic development powers  
1.6 and eliminating obsolete provisions; making clarifying, technical, and other  
1.7 changes to the issuance of municipal bonds; modifying tax-exempt bonding  
1.8 provisions; authorizing certain local governments to issue public debt; modifying  
1.9 use of revenues and authorizing extension of certain sales and lodging taxes  
1.10 for certain cities; requiring a solicitor nexus study; exempting certain cities  
1.11 from 2011 aid payment penalties; amending Minnesota Statutes 2010, sections  
1.12 13.4965, subdivision 3; 16A.46; 16C.16, subdivision 7; 41A.036, subdivision  
1.13 2; 65B.84, subdivision 1; 117.025, subdivision 10; 126C.48, subdivision 8;  
1.14 270.077; 270.41, subdivision 5; 270B.14, subdivision 3; 270C.38, subdivision 1;  
1.15 270C.42, subdivision 2; 270C.69, subdivision 1; 272.01, subdivision 2; 272.02,  
1.16 subdivision 77; 272.03, subdivision 9; 273.111, by adding a subdivision; 273.124,  
1.17 subdivision 13; 273.13, subdivision 24; 273.1315, subdivisions 1, 2; 273.1398,  
1.18 subdivision 4; 273.19, subdivision 1; 273.372, subdivision 4; 273.39; 275.065,  
1.19 subdivision 3; 276A.01, subdivision 3; 279.06, subdivision 1; 287.20, by adding  
1.20 a subdivision; 287.385, subdivision 7; 289A.02, by adding a subdivision;  
1.21 289A.10, by adding a subdivision; 289A.12, by adding a subdivision; 289A.18,  
1.22 by adding a subdivision; 289A.20, subdivision 3, by adding a subdivision;  
1.23 289A.26, subdivisions 3, 4, 7, 9; 289A.38, subdivisions 7, 8, 9; 289A.42,  
1.24 subdivision 2; 289A.55, subdivision 9; 289A.60, subdivisions 4, 24; 290.01,  
1.25 subdivisions 6b, 19d, 29; 290.067, subdivision 1; 290.0921, subdivision 3;  
1.26 290.095, subdivision 3; 290.17, subdivision 4; 290A.25; 290B.04, subdivision 2;  
1.27 296A.22; 297A.665; 297A.8155; 297A.99, subdivision 4; 297E.14, subdivision  
1.28 7; 297F.01, subdivision 23; 297F.09, subdivision 9; 297F.18, subdivision 7;  
1.29 297G.04, subdivision 2; 297G.09, subdivision 8; 297G.17, subdivision 7;  
1.30 297I.05, subdivision 11; 297I.30, by adding a subdivision; 297I.80, subdivision  
1.31 1; 298.018, subdivision 2; 298.75, by adding a subdivision; 373.40, subdivisions  
1.32 1, 2, 4; 383A.80, subdivision 4; 383B.80, subdivision 4; 469.015, subdivision  
1.33 4; 469.033, subdivision 7; 469.166, subdivisions 3, 5, 6; 469.167, subdivision  
1.34 2; 469.171, subdivisions 1, 4, 6a, 7, 9, 11; 469.172; 469.173, subdivisions 5, 6;  
1.35 469.174, subdivisions 20, 25; 469.176, subdivision 7; 469.1763, subdivision  
1.36 6; 469.1764, subdivision 1; 469.177, subdivision 1; 469.1793; 469.1813,  
1.37 subdivision 6b; 473F.02, subdivision 3; 474A.02, subdivision 23a; 474A.04,  
1.38 subdivision 1a; 474A.062; 474A.091, subdivision 3a; 475.521, subdivisions  
1.39

2.1 2, 4; 475.58, subdivision 3b; 477A.017, subdivision 3; Minnesota Statutes  
2.2 2011 Supplement, sections 270C.34, subdivision 1; 272.02, subdivisions 39,  
2.3 97; 273.114, subdivision 6; 273.13, subdivisions 23, 25; 276.04, subdivision 2;  
2.4 290.01, subdivisions 19b, 19c; 290.06, subdivision 2c; 290.0671, subdivision  
2.5 1; 290.091, subdivision 2; 290.0922, subdivisions 2, 3; 291.03, subdivisions  
2.6 8, 9, 10, 11; 297A.75, subdivision 1; 297I.05, subdivisions 7, 12; 297I.30,  
2.7 subdivisions 1, 2; 298.01, subdivision 3; 373.01, subdivision 1; Laws 1971,  
2.8 chapter 773, section 1, subdivision 2, as amended; Laws 1988, chapter 645,  
2.9 section 3, as amended; Laws 1998, chapter 389, article 8, section 43, subdivision  
2.10 3, as amended; Laws 2002, chapter 377, article 3, section 25, as amended; Laws  
2.11 2003, chapter 127, article 12, section 28; Laws 2005, First Special Session  
2.12 chapter 3, article 5, section 37, subdivisions 2, 4; Laws 2008, chapter 366, article  
2.13 7, section 19, subdivision 3, as amended; Laws 2011, First Special Session  
2.14 chapter 7, article 10, section 7; proposing coding for new law in Minnesota  
2.15 Statutes, chapter 297I; repealing Minnesota Statutes 2010, sections 168A.40,  
2.16 subdivisions 3, 4; 270C.991, subdivision 5; 272.02, subdivision 83; 272.69;  
2.17 273.11, subdivision 22; 290.06, subdivisions 24, 32; 297A.68, subdivision  
2.18 41; 469.042, subdivisions 2, 3, 4; 469.043; 469.059, subdivision 13; 469.129;  
2.19 469.134; 469.162, subdivision 2; 469.1651; 469.166, subdivisions 7, 8, 9, 10, 11,  
2.20 12; 469.167, subdivisions 1, 3; 469.168; 469.169, subdivisions 1, 2, 3, 4, 5, 6, 7,  
2.21 8, 9, 10, 11, 13; 469.170, subdivisions 1, 2, 3, 4, 5, 5a, 5b, 5c, 5d, 5e, 6, 7, 8;  
2.22 469.171, subdivisions 2, 5, 6b; 469.173, subdivisions 1, 3; 469.1765; 469.1791;  
2.23 469.1799, subdivision 2; 469.301, subdivisions 1, 2, 3, 4, 5; 469.302; 469.303;  
2.24 469.304; 469.321; 469.3215; 469.322; 469.323; 469.324; 469.325; 469.326;  
2.25 469.327; 469.328; 469.329; 473.680; Laws 2009, chapter 88, article 4, section  
2.26 23, as amended.

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

2.28 **ARTICLE 1**

2.29 **DEPARTMENT POLICY AND TECHNICAL: INCOME AND**  
2.30 **CORPORATE FRANCHISE TAXES**

2.31 Section 1. Minnesota Statutes 2010, section 289A.02, is amended by adding a  
2.32 subdivision to read:

2.33 Subd. 9. **Field audit.** "Field audit" means the physical presence of examiners  
2.34 in the taxpayer's or taxpayer's representative's office conducting an examination of the  
2.35 taxpayer with the intention of issuing an assessment or notice of change in tax or which  
2.36 results in the issuing of an assessment or notice of change in tax. The examination may  
2.37 include inspecting a taxpayer's place of business, tangible personal property, equipment,  
2.38 computer systems and facilities, pertinent books, records, papers, vouchers, computer  
2.39 printouts, accounts, and documents.

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

2.41 Sec. 2. Minnesota Statutes 2010, section 289A.26, subdivision 3, is amended to read:

2.42 Subd. 3. **Short taxable year.** (a) A corporation or an entity with a short taxable  
2.43 year of less than 12 months, but at least four months, must pay estimated tax in equal

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3.1 installments on or before the 15th day of the third, sixth, ninth, and final month of the  
3.2 short taxable year, to the extent applicable based on the number of months in the short  
3.3 taxable year.

3.4 (b) A corporation or an entity is not required to make estimated tax payments for a  
3.5 short taxable year unless its tax liability before the first day of the last month of the taxable  
3.6 year can reasonably be expected to exceed \$500.

3.7 (c) No payment is required for a short taxable year of less than four months.

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

3.9 Sec. 3. Minnesota Statutes 2010, section 289A.26, subdivision 4, is amended to read:

3.10 Subd. 4. **Underpayment of estimated tax.** If there is an underpayment of estimated  
3.11 tax by a corporation or an entity, there shall be added to the tax for the taxable year an  
3.12 amount determined at the rate in section 270C.40 on the amount of the underpayment,  
3.13 determined under subdivision 5, for the period of the underpayment determined under  
3.14 subdivision 6. This subdivision does not apply in the first taxable year that a corporation is  
3.15 subject to the tax imposed under section 290.02 or an entity is subject to the tax imposed  
3.16 under section 290.05, subdivision 3.

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

3.18 Sec. 4. Minnesota Statutes 2010, section 289A.26, subdivision 7, is amended to read:

3.19 Subd. 7. **Required installments.** (a) Except as otherwise provided in this  
3.20 subdivision, the amount of a required installment is 25 percent of the required annual  
3.21 payment.

3.22 (b) Except as otherwise provided in this subdivision, the term "required annual  
3.23 payment" means the lesser of:

3.24 (1) 100 percent of the tax shown on the return for the taxable year, or, if no return is  
3.25 filed, 100 percent of the tax for that year; or

3.26 (2) 100 percent of the tax shown on the return of the corporation or entity for the  
3.27 preceding taxable year provided the return was for a full 12-month period, showed a  
3.28 liability, and was filed by the corporation or entity.

3.29 (c) Except for determining the first required installment for any taxable year,  
3.30 paragraph (b), clause (2), does not apply in the case of a large corporation. The term  
3.31 "large corporation" means a corporation or any predecessor corporation that had taxable  
3.32 net income of \$1,000,000 or more for any taxable year during the testing period. The  
3.33 term "testing period" means the three taxable years immediately preceding the taxable

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4.1 year involved. A reduction allowed to a large corporation for the first installment that is  
4.2 allowed by applying paragraph (b), clause (2), must be recaptured by increasing the next  
4.3 required installment by the amount of the reduction.

4.4 (d) In the case of a required installment, if the corporation or entity establishes that  
4.5 the annualized income installment is less than the amount determined in paragraph (a), the  
4.6 amount of the required installment is the annualized income installment and the recapture  
4.7 of previous quarters' reductions allowed by this paragraph must be recovered by increasing  
4.8 later required installments to the extent the reductions have not previously been recovered.

4.9 (e) The "annualized income installment" is the excess, if any, of:

4.10 (1) an amount equal to the applicable percentage of the tax for the taxable year  
4.11 computed by placing on an annualized basis the taxable income:

4.12 (i) for the first two months of the taxable year, in the case of the first required  
4.13 installment;

4.14 (ii) for the first two months or for the first five months of the taxable year, in the  
4.15 case of the second required installment;

4.16 (iii) for the first six months or for the first eight months of the taxable year, in the  
4.17 case of the third required installment; and

4.18 (iv) for the first nine months or for the first 11 months of the taxable year, in the  
4.19 case of the fourth required installment, over

4.20 (2) the aggregate amount of any prior required installments for the taxable year.

4.21 (3) For the purpose of this paragraph, the annualized income shall be computed  
4.22 by placing on an annualized basis the taxable income for the year up to the end of the  
4.23 month preceding the due date for the quarterly payment multiplied by 12 and dividing  
4.24 the resulting amount by the number of months in the taxable year (2, 5, 6, 8, 9, or 11 as  
4.25 the case may be) referred to in clause (1).

4.26 (4) The "applicable percentage" used in clause (1) is:

4.27 For the following	
4.28 required	The applicable
4.29 installments:	percentage is:
4.30 1st	25
4.31 2nd	50
4.32 3rd	75
4.33 4th	100

4.34 (f)(1) If this paragraph applies, the amount determined for any installment must  
4.35 be determined in the following manner:

4.36 (i) take the taxable income for the months during the taxable year preceding the  
4.37 filing month;

5.1 (ii) divide that amount by the base period percentage for the months during the  
5.2 taxable year preceding the filing month;

5.3 (iii) determine the tax on the amount determined under item (ii); and

5.4 (iv) multiply the tax computed under item (iii) by the base period percentage for the  
5.5 filing month and the months during the taxable year preceding the filing month.

5.6 (2) For purposes of this paragraph:

5.7 (i) the "base period percentage" for a period of months is the average percent that the  
5.8 taxable income for the corresponding months in each of the three preceding taxable years  
5.9 bears to the taxable income for the three preceding taxable years;

5.10 (ii) the term "filing month" means the month in which the installment is required  
5.11 to be paid;

5.12 (iii) this paragraph only applies if the base period percentage for any six consecutive  
5.13 months of the taxable year equals or exceeds 70 percent; and

5.14 (iv) the commissioner may provide by rule for the determination of the base period  
5.15 percentage in the case of reorganizations, new corporations or entities, and other similar  
5.16 circumstances.

5.17 (3) In the case of a required installment determined under this paragraph, if the  
5.18 corporation or entity determines that the installment is less than the amount determined in  
5.19 paragraph (a), the amount of the required installment is the amount determined under this  
5.20 paragraph and the recapture of previous quarters' reductions allowed by this paragraph  
5.21 must be recovered by increasing later required installments to the extent the reductions  
5.22 have not previously been recovered.

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

5.24 Sec. 5. Minnesota Statutes 2010, section 289A.26, subdivision 9, is amended to read:

5.25 Subd. 9. **Failure to file an estimate.** In the case of a corporation or an entity  
5.26 that fails to file an estimated tax for a taxable year when one is required, the period of  
5.27 the underpayment runs from the four installment dates in subdivision 2 or 3, whichever  
5.28 applies, to the earlier of the periods in subdivision 6, clauses (1) and (2).

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

5.30 Sec. 6. Minnesota Statutes 2010, section 289A.38, subdivision 7, is amended to read:

5.31 Subd. 7. **Federal tax changes.** If the amount of income, items of tax preference,  
5.32 deductions, or credits for any year of a taxpayer, or the wages paid by a taxpayer for  
5.33 any period, as reported to the Internal Revenue Service is changed or corrected by the

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6.1 commissioner of Internal Revenue or other officer of the United States or other competent  
6.2 authority, or where a renegotiation of a contract or subcontract with the United States  
6.3 results in a change in income, items of tax preference, deductions, credits, or withholding  
6.4 tax, or, in the case of estate tax, where there are adjustments to the taxable estate, the  
6.5 taxpayer shall report the change or correction or renegotiation results in writing to the  
6.6 commissioner of revenue. The report must be ~~submitted within 180 days after the~~  
6.7 ~~final determination and must be~~ in the form of either an amended Minnesota estate,  
6.8 withholding tax, corporate franchise tax, or income tax return conceding the accuracy of  
6.9 the federal determination or a letter detailing how the federal determination is incorrect  
6.10 or does not change the Minnesota tax. An amended Minnesota income tax return must  
6.11 be accompanied by an amended property tax refund return, if necessary. A taxpayer  
6.12 filing an amended federal tax return must also file a copy of the amended return with the  
6.13 commissioner of revenue ~~within 180 days~~ after filing the amended return.

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

6.15 Sec. 7. Minnesota Statutes 2010, section 289A.38, subdivision 8, is amended to read:

6.16 Subd. 8. ~~**Failure to report change or correction of federal return**~~ **Time**  
6.17 **requirement to report federal tax changes.** ~~If a taxpayer fails to make a report as~~  
6.18 ~~required by subdivision 7, the commissioner may recompute the tax, including a refund,~~  
6.19 ~~based on information available to the commissioner. The tax may be recomputed within~~  
6.20 ~~six years after the report should have been filed, notwithstanding any period of limitations~~  
6.21 ~~to the contrary.~~ A taxpayer must submit the report or file the amended return required by  
6.22 subdivision 7 within 180 days after the final determination by the commissioner of internal  
6.23 revenue or other officer of the United States or other competent authority of a change or  
6.24 correction of the person's federal tax return or the filing of an amended federal tax return.

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

6.26 Sec. 8. Minnesota Statutes 2010, section 289A.38, subdivision 9, is amended to read:

6.27 Subd. 9. ~~**Report made of change or correction of federal return**~~ **Limitations**  
6.28 **on time for assessment for federal tax changes.** (a) If a taxpayer is required to make a  
6.29 submits the report under or files the amended return as required by subdivision 7, and does  
6.30 report the change or files a copy of the amended return at any time within six years after  
6.31 the time period provided by subdivision 8, the commissioner may recompute and reassess  
6.32 the tax due, including a refund (1) within one year after the report or amended return is  
6.33 filed with the commissioner, notwithstanding any period of limitations to the contrary, or

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7.1 (2) within any other applicable period stated in this section, whichever period is longer.  
7.2 The period provided for the carryback of any amount of loss or credit is also extended as  
7.3 provided in this subdivision, notwithstanding any law to the contrary.

7.4 (b) If a taxpayer fails to submit the report or file the amended return as required by  
7.5 subdivision 7, the commissioner may recompute the tax, including a refund, based on  
7.6 information available to the commissioner. The tax may be recomputed within six years  
7.7 after the time period provided by subdivision 8, notwithstanding any period of limitations  
7.8 to the contrary.

7.9 (c) If the commissioner has completed a field audit of the taxpayer, and, but for this  
7.10 subdivision, the commissioner's time period to adjust the tax has expired, the additional  
7.11 tax due or refund is limited to only those changes that are required to be made to the  
7.12 return which relate to the changes made on the federal return. This subdivision does not  
7.13 apply to sales and use tax.

7.14 ~~For purposes of this subdivision and section 289A.42, subdivision 2, a "field audit"~~  
7.15 ~~is the physical presence of examiners in the taxpayer's or taxpayer's representative's office~~  
7.16 ~~conducting an examination of the taxpayer with the intention of issuing an assessment or~~  
7.17 ~~notice of change in tax or which results in the issuing of an assessment or notice of change~~  
7.18 ~~in tax. The examination may include inspecting a taxpayer's place of business, tangible~~  
7.19 ~~personal property, equipment, computer systems and facilities, pertinent books, records,~~  
7.20 ~~papers, vouchers, computer printouts, accounts, and documents.~~

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

7.22 Sec. 9. Minnesota Statutes 2010, section 289A.42, subdivision 2, is amended to read:

7.23 Subd. 2. **Federal extensions.** When a taxpayer consents to an extension of time  
7.24 for the assessment of federal withholding or income taxes, the period in which the  
7.25 commissioner may recompute the tax is also extended, notwithstanding any period of  
7.26 limitations to the contrary, as follows:

7.27 (1) for the periods provided in section 289A.38, subdivisions 8 and 9;

7.28 (2) for six months following the expiration of the extended federal period of  
7.29 limitations when no change is made by the federal authority. If no change is made by the  
7.30 federal authority, and, but for this subdivision, the commissioner's time period to adjust  
7.31 the tax has expired, and if the commissioner has completed a field audit of the taxpayer, no  
7.32 additional changes resulting in additional tax due or a refund may be made. ~~For purposes~~  
7.33 ~~of this subdivision, "field audit" has the meaning given it in section 289A.38, subdivision 9.~~

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

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8.1 Sec. 10. Minnesota Statutes 2010, section 289A.60, subdivision 24, is amended to read:

8.2 Subd. 24. **Penalty for failure to notify of federal change.** If a person fails to  
8.3 report to the commissioner a change or correction of the person's federal return in the  
8.4 manner prescribed by section 289A.38, subdivision 7, and within the 180-day time period  
8.5 prescribed in section 289A.38, subdivision 7~~8~~, there must be added to the tax an amount  
8.6 equal to ten percent of the amount of any underpayment of Minnesota tax attributable to  
8.7 the federal change.

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

8.9 Sec. 11. Minnesota Statutes 2010, section 290.01, subdivision 6b, is amended to read:

8.10 Subd. 6b. **Foreign operating corporation.** The term "foreign operating  
8.11 corporation," when applied to a corporation, means a domestic corporation with the  
8.12 following characteristics:

8.13 (1) it is part of a unitary business at least one member of which is taxable in this state;

8.14 (2) it is not a foreign sales corporation under section 922 of the Internal Revenue  
8.15 Code, as amended through December 31, 1999, for the taxable year;

8.16 (3) it is not an interest charge domestic international sales corporation under sections  
8.17 992, 993, 994, and 995 of the Internal Revenue Code;

8.18 (4) ~~either (i) it has in effect a valid election under section 936 of the Internal Revenue~~  
8.19 ~~Code; or (ii) at least 80 percent of the gross income from all sources of the corporation in~~  
8.20 ~~the tax year is active foreign business income; and~~

8.21 (5) for purposes of this subdivision, active foreign business income means gross  
8.22 income that is (i) derived from sources without the United States, as defined in subtitle A,  
8.23 chapter 1, subchapter N, part 1, of the Internal Revenue Code; and (ii) attributable to the  
8.24 active conduct of a trade or business in a foreign country.

8.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
8.26 December 31, 2011.

8.27 Sec. 12. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19b,  
8.28 is amended to read:

8.29 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,  
8.30 and trusts, there shall be subtracted from federal taxable income:

8.31 (1) net interest income on obligations of any authority, commission, or  
8.32 instrumentality of the United States to the extent includable in taxable income for federal  
8.33 income tax purposes but exempt from state income tax under the laws of the United States;



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9.1 (2) if included in federal taxable income, the amount of any overpayment of income  
9.2 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
9.3 is received as a refund or as a credit to another taxable year's income tax liability;

9.4 (3) the amount paid to others, less the amount used to claim the credit allowed under  
9.5 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten  
9.6 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and  
9.7 transportation of each qualifying child in attending an elementary or secondary school  
9.8 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a  
9.9 resident of this state may legally fulfill the state's compulsory attendance laws, which  
9.10 is not operated for profit, and which adheres to the provisions of the Civil Rights Act  
9.11 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or  
9.12 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,  
9.13 "textbooks" includes books and other instructional materials and equipment purchased  
9.14 or leased for use in elementary and secondary schools in teaching only those subjects  
9.15 legally and commonly taught in public elementary and secondary schools in this state.  
9.16 Equipment expenses qualifying for deduction includes expenses as defined and limited in  
9.17 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional  
9.18 books and materials used in the teaching of religious tenets, doctrines, or worship, the  
9.19 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books  
9.20 or materials for, or transportation to, extracurricular activities including sporting events,  
9.21 musical or dramatic events, speech activities, driver's education, or similar programs. No  
9.22 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or  
9.23 the qualifying child's vehicle to provide such transportation for a qualifying child. For  
9.24 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
9.25 given in section 32(c)(3) of the Internal Revenue Code;

9.26 (4) income as provided under section 290.0802;

9.27 (5) to the extent included in federal adjusted gross income, income realized on  
9.28 disposition of property exempt from tax under section 290.491;

9.29 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)  
9.30 of the Internal Revenue Code in determining federal taxable income by an individual  
9.31 who does not itemize deductions for federal income tax purposes for the taxable year, an  
9.32 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable  
9.33 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code,  
9.34 under the provisions of Public Law 109-1 and Public Law 111-126;

9.35 (7) for individuals who are allowed a federal foreign tax credit for taxes that do not  
9.36 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover

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10.1 of subnational foreign taxes for the taxable year, but not to exceed the total subnational  
10.2 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,  
10.3 "federal foreign tax credit" means the credit allowed under section 27 of the Internal  
10.4 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed  
10.5 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to  
10.6 the extent they exceed the federal foreign tax credit;

10.7 (8) in each of the five tax years immediately following the tax year in which an  
10.8 addition is required under subdivision 19a, clause (7), or 19c, clause ~~(15)~~ (14), in the case  
10.9 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
10.10 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means  
10.11 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or  
10.12 subdivision 19c, clause ~~(15)~~ (14), in the case of a shareholder of an S corporation, minus  
10.13 the positive value of any net operating loss under section 172 of the Internal Revenue  
10.14 Code generated for the tax year of the addition. The resulting delayed depreciation  
10.15 cannot be less than zero;

10.16 (9) job opportunity building zone income as provided under section 469.316;

10.17 (10) to the extent included in federal taxable income, the amount of compensation  
10.18 paid to members of the Minnesota National Guard or other reserve components of the  
10.19 United States military for active service, excluding compensation for services performed  
10.20 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active  
10.21 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause  
10.22 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision  
10.23 5b, but "active service" excludes service performed in accordance with section 190.08,  
10.24 subdivision 3;

10.25 (11) to the extent included in federal taxable income, the amount of compensation  
10.26 paid to Minnesota residents who are members of the armed forces of the United States  
10.27 or United Nations for active duty performed under United States Code, title 10; or the  
10.28 authority of the United Nations;

10.29 (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
10.30 qualified donor's donation, while living, of one or more of the qualified donor's organs  
10.31 to another person for human organ transplantation. For purposes of this clause, "organ"  
10.32 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
10.33 "human organ transplantation" means the medical procedure by which transfer of a human  
10.34 organ is made from the body of one person to the body of another person; "qualified  
10.35 expenses" means unreimbursed expenses for both the individual and the qualified donor  
10.36 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses

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11.1 may be subtracted under this clause only once; and "qualified donor" means the individual  
11.2 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
11.3 individual may claim the subtraction in this clause for each instance of organ donation for  
11.4 transplantation during the taxable year in which the qualified expenses occur;

11.5 (13) in each of the five tax years immediately following the tax year in which an  
11.6 addition is required under subdivision 19a, clause (8), or 19c, clause ~~(16)~~ (15), in the case  
11.7 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
11.8 of the addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause  
11.9 ~~(16)~~ (15), in the case of a shareholder of a corporation that is an S corporation, minus the  
11.10 positive value of any net operating loss under section 172 of the Internal Revenue Code  
11.11 generated for the tax year of the addition. If the net operating loss exceeds the addition for  
11.12 the tax year, a subtraction is not allowed under this clause;

11.13 (14) to the extent included in the federal taxable income of a nonresident of  
11.14 Minnesota, compensation paid to a service member as defined in United States Code, title  
11.15 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief  
11.16 Act, Public Law 108-189, section 101(2);

11.17 (15) international economic development zone income as provided under section  
11.18 469.325;

11.19 (16) to the extent included in federal taxable income, the amount of national service  
11.20 educational awards received from the National Service Trust under United States Code,  
11.21 title 42, sections 12601 to 12604, for service in an approved Americorps National Service  
11.22 program;

11.23 (17) to the extent included in federal taxable income, discharge of indebtedness  
11.24 income resulting from reacquisition of business indebtedness included in federal taxable  
11.25 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
11.26 to the extent that the income was included in net income in a prior year as a result of the  
11.27 addition under section 290.01, subdivision 19a, clause (16); and

11.28 (18) the amount of the net operating loss allowed under section 290.095, subdivision  
11.29 11, paragraph (c).

11.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
11.31 December 31, 2011.

11.32 Sec. 13. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19c,  
11.33 is amended to read:

11.34 Subd. 19c. **Corporations; additions to federal taxable income.** For corporations,  
11.35 there shall be added to federal taxable income:

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12.1 (1) the amount of any deduction taken for federal income tax purposes for income,  
12.2 excise, or franchise taxes based on net income or related minimum taxes, including but not  
12.3 limited to the tax imposed under section 290.0922, paid by the corporation to Minnesota,  
12.4 another state, a political subdivision of another state, the District of Columbia, or any  
12.5 foreign country or possession of the United States;

12.6 (2) interest not subject to federal tax upon obligations of: the United States, its  
12.7 possessions, its agencies, or its instrumentalities; the state of Minnesota or any other  
12.8 state, any of its political or governmental subdivisions, any of its municipalities, or any  
12.9 of its governmental agencies or instrumentalities; the District of Columbia; or Indian  
12.10 tribal governments;

12.11 (3) exempt-interest dividends received as defined in section 852(b)(5) of the Internal  
12.12 Revenue Code;

12.13 (4) the amount of any net operating loss deduction taken for federal income tax  
12.14 purposes under section 172 or 832(c)(10) of the Internal Revenue Code or operations loss  
12.15 deduction under section 810 of the Internal Revenue Code;

12.16 (5) the amount of any special deductions taken for federal income tax purposes  
12.17 under sections 241 to 247 and 965 of the Internal Revenue Code;

12.18 (6) losses from the business of mining, as defined in section 290.05, subdivision 1,  
12.19 clause (a), that are not subject to Minnesota income tax;

12.20 (7) the amount of any capital losses deducted for federal income tax purposes under  
12.21 sections 1211 and 1212 of the Internal Revenue Code;

12.22 (8) the exempt foreign trade income of a foreign sales corporation under sections  
12.23 921(a) and 291 of the Internal Revenue Code;

12.24 (9) the amount of percentage depletion deducted under sections 611 through 614 and  
12.25 291 of the Internal Revenue Code;

12.26 (10) for certified pollution control facilities placed in service in a taxable year  
12.27 beginning before December 31, 1986, and for which amortization deductions were elected  
12.28 under section 169 of the Internal Revenue Code of 1954, as amended through December  
12.29 31, 1985, the amount of the amortization deduction allowed in computing federal taxable  
12.30 income for those facilities;

12.31 (11) the amount of any deemed dividend from a foreign operating corporation  
12.32 determined pursuant to section 290.17, subdivision 4, paragraph (g). The deemed dividend  
12.33 shall be reduced by the amount of the addition to income required by clauses (19), (20),  
12.34 (21), and (22), ~~and (23)~~;

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13.1 (12) the amount of a partner's pro rata share of net income which does not flow  
13.2 through to the partner because the partnership elected to pay the tax on the income under  
13.3 section 6242(a)(2) of the Internal Revenue Code;

13.4 ~~(13) the amount of net income excluded under section 114 of the Internal Revenue~~  
13.5 ~~Code;~~

13.6 ~~(14)~~ (13) any increase in subpart F income, as defined in section 952(a) of the  
13.7 Internal Revenue Code, for the taxable year when subpart F income is calculated without  
13.8 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

13.9 ~~(15)~~ (14) 80 percent of the depreciation deduction allowed under section  
13.10 168(k)(1)(A) and (k)(4)(A) of the Internal Revenue Code. For purposes of this clause, if  
13.11 the taxpayer has an activity that in the taxable year generates a deduction for depreciation  
13.12 under section 168(k)(1)(A) and (k)(4)(A) and the activity generates a loss for the taxable  
13.13 year that the taxpayer is not allowed to claim for the taxable year, "the depreciation  
13.14 allowed under section 168(k)(1)(A) and (k)(4)(A)" for the taxable year is limited to excess  
13.15 of the depreciation claimed by the activity under section 168(k)(1)(A) and (k)(4)(A)  
13.16 over the amount of the loss from the activity that is not allowed in the taxable year. In  
13.17 succeeding taxable years when the losses not allowed in the taxable year are allowed, the  
13.18 depreciation under section 168(k)(1)(A) and (k)(4)(A) is allowed;

13.19 ~~(16)~~ (15) 80 percent of the amount by which the deduction allowed by section 179 of  
13.20 the Internal Revenue Code exceeds the deduction allowable by section 179 of the Internal  
13.21 Revenue Code of 1986, as amended through December 31, 2003;

13.22 ~~(17)~~ (16) to the extent deducted in computing federal taxable income, the amount of  
13.23 the deduction allowable under section 199 of the Internal Revenue Code;

13.24 ~~(18)~~ (17) for taxable years beginning before January 1, 2013, the exclusion allowed  
13.25 under section 139A of the Internal Revenue Code for federal subsidies for prescription  
13.26 drug plans;

13.27 ~~(19)~~ (18) the amount of expenses disallowed under section 290.10, subdivision 2;

13.28 ~~(20)~~ (19) an amount equal to the interest and intangible expenses, losses, and  
13.29 costs paid, accrued, or incurred by any member of the taxpayer's unitary group to or for  
13.30 the benefit of a corporation that is a member of the taxpayer's unitary business group  
13.31 that qualifies as a foreign operating corporation. For purposes of this clause, intangible  
13.32 expenses and costs include:

13.33 (i) expenses, losses, and costs for, or related to, the direct or indirect acquisition,  
13.34 use, maintenance or management, ownership, sale, exchange, or any other disposition of  
13.35 intangible property;

14.1 (ii) losses incurred, directly or indirectly, from factoring transactions or discounting  
14.2 transactions;

14.3 (iii) royalty, patent, technical, and copyright fees;

14.4 (iv) licensing fees; and

14.5 (v) other similar expenses and costs.

14.6 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent  
14.7 applications, trade names, trademarks, service marks, copyrights, mask works, trade  
14.8 secrets, and similar types of intangible assets.

14.9 This clause does not apply to any item of interest or intangible expenses or costs paid,  
14.10 accrued, or incurred, directly or indirectly, to a foreign operating corporation with respect  
14.11 to such item of income to the extent that the income to the foreign operating corporation  
14.12 is income from sources without the United States as defined in subtitle A, chapter 1,  
14.13 subchapter N, part 1, of the Internal Revenue Code;

14.14 ~~(21)~~(20) except as already included in the taxpayer's taxable income pursuant to  
14.15 clause ~~(20)~~(19), any interest income and income generated from intangible property  
14.16 received or accrued by a foreign operating corporation that is a member of the taxpayer's  
14.17 unitary group. For purposes of this clause, income generated from intangible property  
14.18 includes:

14.19 (i) income related to the direct or indirect acquisition, use, maintenance or  
14.20 management, ownership, sale, exchange, or any other disposition of intangible property;

14.21 (ii) income from factoring transactions or discounting transactions;

14.22 (iii) royalty, patent, technical, and copyright fees;

14.23 (iv) licensing fees; and

14.24 (v) other similar income.

14.25 For purposes of this clause, "intangible property" includes stocks, bonds, patents, patent  
14.26 applications, trade names, trademarks, service marks, copyrights, mask works, trade  
14.27 secrets, and similar types of intangible assets.

14.28 This clause does not apply to any item of interest or intangible income received or accrued  
14.29 by a foreign operating corporation with respect to such item of income to the extent that  
14.30 the income is income from sources without the United States as defined in subtitle A,  
14.31 chapter 1, subchapter N, part 1, of the Internal Revenue Code;

14.32 ~~(22)~~(21) the dividends attributable to the income of a foreign operating corporation  
14.33 that is a member of the taxpayer's unitary group in an amount that is equal to the dividends  
14.34 paid deduction of a real estate investment trust under section 561(a) of the Internal

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15.1 Revenue Code for amounts paid or accrued by the real estate investment trust to the  
15.2 foreign operating corporation;  
15.3 ~~(23)~~ (22) the income of a foreign operating corporation that is a member of the  
15.4 taxpayer's unitary group in an amount that is equal to gains derived from the sale of real or  
15.5 personal property located in the United States;  
15.6 ~~(24)~~ (23) for taxable years beginning before January 1, 2010, the additional amount  
15.7 allowed as a deduction for donation of computer technology and equipment under section  
15.8 170(e)(6) of the Internal Revenue Code, to the extent deducted from taxable income; and  
15.9 ~~(25)~~ (24) discharge of indebtedness income resulting from reacquisition of business  
15.10 indebtedness and deferred under section 108(i) of the Internal Revenue Code.

15.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
15.12 December 31, 2011.

15.13 Sec. 14. Minnesota Statutes 2010, section 290.01, subdivision 19d, is amended to read:

15.14 Subd. 19d. **Corporations; modifications decreasing federal taxable income.** For  
15.15 corporations, there shall be subtracted from federal taxable income after the increases  
15.16 provided in subdivision 19c:

15.17 (1) the amount of foreign dividend gross-up added to gross income for federal  
15.18 income tax purposes under section 78 of the Internal Revenue Code;

15.19 (2) the amount of salary expense not allowed for federal income tax purposes due to  
15.20 claiming the work opportunity credit under section 51 of the Internal Revenue Code;

15.21 (3) any dividend (not including any distribution in liquidation) paid within the  
15.22 taxable year by a national or state bank to the United States, or to any instrumentality of  
15.23 the United States exempt from federal income taxes, on the preferred stock of the bank  
15.24 owned by the United States or the instrumentality;

15.25 (4) amounts disallowed for intangible drilling costs due to differences between  
15.26 this chapter and the Internal Revenue Code in taxable years beginning before January  
15.27 1, 1987, as follows:

15.28 (i) to the extent the disallowed costs are represented by physical property, an amount  
15.29 equal to the allowance for depreciation under Minnesota Statutes 1986, section 290.09,  
15.30 subdivision 7, subject to the modifications contained in subdivision 19e; and

15.31 (ii) to the extent the disallowed costs are not represented by physical property, an  
15.32 amount equal to the allowance for cost depletion under Minnesota Statutes 1986, section  
15.33 290.09, subdivision 8;

15.34 (5) the deduction for capital losses pursuant to sections 1211 and 1212 of the  
15.35 Internal Revenue Code, except that:

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16.1 (i) for capital losses incurred in taxable years beginning after December 31, 1986,  
16.2 capital loss carrybacks shall not be allowed;

16.3 (ii) for capital losses incurred in taxable years beginning after December 31, 1986,  
16.4 a capital loss carryover to each of the 15 taxable years succeeding the loss year shall be  
16.5 allowed;

16.6 (iii) for capital losses incurred in taxable years beginning before January 1, 1987, a  
16.7 capital loss carryback to each of the three taxable years preceding the loss year, subject to  
16.8 the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed; and

16.9 (iv) for capital losses incurred in taxable years beginning before January 1, 1987,  
16.10 a capital loss carryover to each of the five taxable years succeeding the loss year to the  
16.11 extent such loss was not used in a prior taxable year and subject to the provisions of  
16.12 Minnesota Statutes 1986, section 290.16, shall be allowed;

16.13 (6) an amount for interest and expenses relating to income not taxable for federal  
16.14 income tax purposes, if (i) the income is taxable under this chapter and (ii) the interest and  
16.15 expenses were disallowed as deductions under the provisions of section 171(a)(2), 265 or  
16.16 291 of the Internal Revenue Code in computing federal taxable income;

16.17 (7) in the case of mines, oil and gas wells, other natural deposits, and timber for  
16.18 which percentage depletion was disallowed pursuant to subdivision 19c, clause (9), a  
16.19 reasonable allowance for depletion based on actual cost. In the case of leases the deduction  
16.20 must be apportioned between the lessor and lessee in accordance with rules prescribed  
16.21 by the commissioner. In the case of property held in trust, the allowable deduction must  
16.22 be apportioned between the income beneficiaries and the trustee in accordance with the  
16.23 pertinent provisions of the trust, or if there is no provision in the instrument, on the basis  
16.24 of the trust's income allocable to each;

16.25 (8) for certified pollution control facilities placed in service in a taxable year  
16.26 beginning before December 31, 1986, and for which amortization deductions were elected  
16.27 under section 169 of the Internal Revenue Code of 1954, as amended through December  
16.28 31, 1985, an amount equal to the allowance for depreciation under Minnesota Statutes  
16.29 1986, section 290.09, subdivision 7;

16.30 (9) amounts included in federal taxable income that are due to refunds of income,  
16.31 excise, or franchise taxes based on net income or related minimum taxes paid by the  
16.32 corporation to Minnesota, another state, a political subdivision of another state, the  
16.33 District of Columbia, or a foreign country or possession of the United States to the extent  
16.34 that the taxes were added to federal taxable income under section 290.01, subdivision 19c,  
16.35 clause (1), in a prior taxable year;



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17.1 (10) 80 percent of royalties, fees, or other like income accrued or received from a  
17.2 foreign operating corporation or a foreign corporation which is part of the same unitary  
17.3 business as the receiving corporation, unless the income resulting from such payments or  
17.4 accruals is income from sources within the United States as defined in subtitle A, chapter  
17.5 1, subchapter N, part 1, of the Internal Revenue Code;

17.6 (11) income or gains from the business of mining as defined in section 290.05,  
17.7 subdivision 1, clause (a), that are not subject to Minnesota franchise tax;

17.8 (12) the amount of disability access expenditures in the taxable year which are not  
17.9 allowed to be deducted or capitalized under section 44(d)(7) of the Internal Revenue Code;

17.10 (13) the amount of qualified research expenses not allowed for federal income tax  
17.11 purposes under section 280C(c) of the Internal Revenue Code, but only to the extent that  
17.12 the amount exceeds the amount of the credit allowed under section 290.068;

17.13 (14) the amount of salary expenses not allowed for federal income tax purposes due  
17.14 to claiming the Indian employment credit under section 45A(a) of the Internal Revenue  
17.15 Code;

17.16 ~~(15) for a corporation whose foreign sales corporation, as defined in section 922~~  
17.17 ~~of the Internal Revenue Code, constituted a foreign operating corporation during any~~  
17.18 ~~taxable year ending before January 1, 1995, and a return was filed by August 15, 1996,~~  
17.19 ~~claiming the deduction under section 290.21, subdivision 4, for income received from~~  
17.20 ~~the foreign operating corporation, an amount equal to 1.23 multiplied by the amount of~~  
17.21 ~~income excluded under section 114 of the Internal Revenue Code, provided the income is~~  
17.22 ~~not income of a foreign operating company;~~

17.23 ~~(16)~~ (15) any decrease in subpart F income, as defined in section 952(a) of the  
17.24 Internal Revenue Code, for the taxable year when subpart F income is calculated without  
17.25 regard to the provisions of Division C, title III, section 303(b) of Public Law 110-343;

17.26 ~~(17)~~ (16) in each of the five tax years immediately following the tax year in which an  
17.27 addition is required under subdivision 19c, clause ~~(15)~~ (14), an amount equal to one-fifth  
17.28 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the  
17.29 amount of the addition made by the taxpayer under subdivision 19c, clause ~~(15)~~ (14). The  
17.30 resulting delayed depreciation cannot be less than zero;

17.31 ~~(18)~~ (17) in each of the five tax years immediately following the tax year in which an  
17.32 addition is required under subdivision 19c, clause ~~(16)~~ (15), an amount equal to one-fifth  
17.33 of the amount of the addition; and

17.34 ~~(19)~~ (18) to the extent included in federal taxable income, discharge of indebtedness  
17.35 income resulting from reacquisition of business indebtedness included in federal taxable  
17.36 income under section 108(i) of the Internal Revenue Code. This subtraction applies only

18.1 to the extent that the income was included in net income in a prior year as a result of the  
18.2 addition under section 290.01, subdivision 19c, clause ~~(25)~~ (24).

18.3 **EFFECTIVE DATE.** This section is effective for taxable years beginning after  
18.4 December 31, 2011.

18.5 Sec. 15. Minnesota Statutes 2010, section 290.0921, subdivision 3, is amended to read:

18.6 Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable  
18.7 income" is Minnesota net income as defined in section 290.01, subdivision 19, and  
18.8 includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e),  
18.9 (f), and (h) of the Internal Revenue Code. If a corporation files a separate company  
18.10 Minnesota tax return, the minimum tax must be computed on a separate company basis.  
18.11 If a corporation is part of a tax group filing a unitary return, the minimum tax must be  
18.12 computed on a unitary basis. The following adjustments must be made.

18.13 (1) For purposes of the depreciation adjustments under section 56(a)(1) and  
18.14 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in  
18.15 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal  
18.16 income tax purposes, including any modification made in a taxable year under section  
18.17 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,  
18.18 paragraph (c).

18.19 For taxable years beginning after December 31, 2000, the amount of any remaining  
18.20 modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986,  
18.21 section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation  
18.22 allowance in the first taxable year after December 31, 2000.

18.23 (2) The portion of the depreciation deduction allowed for federal income tax  
18.24 purposes under section 168(k) of the Internal Revenue Code that is required as an addition  
18.25 under section 290.01, subdivision 19c, clause ~~(15)~~ (14), is disallowed in determining  
18.26 alternative minimum taxable income.

18.27 (3) The subtraction for depreciation allowed under section 290.01, subdivision  
18.28 19d, clause ~~(17)~~ (16), is allowed as a depreciation deduction in determining alternative  
18.29 minimum taxable income.

18.30 (4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d)  
18.31 of the Internal Revenue Code does not apply.

18.32 (5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal  
18.33 Revenue Code does not apply.

18.34 ~~(6) The special rule for dividends from section 936 companies under section~~  
18.35 ~~56(g)(4)(C)(iii) does not apply.~~

19.1           ~~(7)~~ (6) The tax preference for depletion under section 57(a)(1) of the Internal  
19.2 Revenue Code does not apply.

19.3           ~~(8)~~ (7) The tax preference for intangible drilling costs under section 57(a)(2) of the  
19.4 Internal Revenue Code must be calculated without regard to subparagraph (E) and the  
19.5 subtraction under section 290.01, subdivision 19d, clause (4).

19.6           ~~(9)~~ (8) The tax preference for tax exempt interest under section 57(a)(5) of the  
19.7 Internal Revenue Code does not apply.

19.8           ~~(10)~~ (9) The tax preference for charitable contributions of appreciated property  
19.9 under section 57(a)(6) of the Internal Revenue Code does not apply.

19.10          ~~(11)~~ (10) For purposes of calculating the tax preference for accelerated depreciation  
19.11 or amortization on certain property placed in service before January 1, 1987, under section  
19.12 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the  
19.13 deduction allowed under section 290.01, subdivision 19e.

19.14           For taxable years beginning after December 31, 2000, the amount of any remaining  
19.15 modification made under section 290.01, subdivision 19e, not previously deducted is a  
19.16 depreciation or amortization allowance in the first taxable year after December 31, 2004.

19.17          ~~(12)~~ (11) For purposes of calculating the adjustment for adjusted current earnings  
19.18 in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable  
19.19 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative  
19.20 minimum taxable income as defined in this subdivision, determined without regard to the  
19.21 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

19.22          ~~(13)~~ (12) For purposes of determining the amount of adjusted current earnings  
19.23 under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under  
19.24 section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign  
19.25 dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1),  
19.26 (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in  
19.27 section 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other  
19.28 like income subtracted as provided in section 290.01, subdivision 19d, clause (10).

19.29          ~~(14)~~ (13) Alternative minimum taxable income excludes the income from operating  
19.30 in a job opportunity building zone as provided under section 469.317.

19.31          ~~(15)~~ (14) Alternative minimum taxable income excludes the income from operating  
19.32 in a biotechnology and health sciences industry zone as provided under section 469.337.

19.33          ~~(16)~~ (15) Alternative minimum taxable income excludes the income from operating  
19.34 in an international economic development zone as provided under section 469.326.

19.35           Items of tax preference must not be reduced below zero as a result of the  
19.36 modifications in this subdivision.

20.1 EFFECTIVE DATE. This section is effective for taxable years beginning after  
20.2 December 31, 2011.

20.3 Sec. 16. Minnesota Statutes 2010, section 290.095, subdivision 3, is amended to read:

20.4 Subd. 3. **Carryover.** (a) A net operating loss incurred in a taxable year: (i)  
20.5 beginning after December 31, 1986, shall be a net operating loss carryover to each of the  
20.6 15 taxable years following the taxable year of such loss; (ii) beginning before January 1,  
20.7 1987, shall be a net operating loss carryover to each of the five taxable years following the  
20.8 taxable year of such loss subject to the provisions of Minnesota Statutes 1986, section  
20.9 290.095; and (iii) beginning before January 1, 1987, shall be a net operating loss carryback  
20.10 to each of the three taxable years preceding the loss year subject to the provisions of  
20.11 Minnesota Statutes 1986, section 290.095.

20.12 (b) The entire amount of the net operating loss for any taxable year shall be carried to  
20.13 the earliest of the taxable years to which such loss may be carried. The portion of such loss  
20.14 which shall be carried to each of the other taxable years shall be the excess, if any, of the  
20.15 amount of such loss over the sum of the taxable net income, adjusted by the modifications  
20.16 specified in subdivision 4, for each of the taxable years to which such loss may be carried.

20.17 (c) Where a corporation apportions its income under the provisions of section  
20.18 290.191, the net operating loss deduction incurred in any taxable year shall be allowed to  
20.19 the extent of the apportionment ratio of the loss year, plus the loss assigned by section  
20.20 290.17, subdivision 2.

20.21 (d) The provisions of sections 381, 382, and 384 of the Internal Revenue Code apply  
20.22 to carryovers in certain corporate acquisitions and special limitations on net operating loss  
20.23 carryovers. The limitation amount determined under section 382 shall be applied to net  
20.24 income, before apportionment, in each post change year to which a loss is carried.

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

20.26 Sec. 17. Minnesota Statutes 2010, section 290.17, subdivision 4, is amended to read:

20.27 Subd. 4. **Unitary business principle.** (a) If a trade or business conducted wholly  
20.28 within this state or partly within and partly without this state is part of a unitary business,  
20.29 the entire income of the unitary business is subject to apportionment pursuant to section  
20.30 290.191. Notwithstanding subdivision 2, paragraph (c), none of the income of a unitary  
20.31 business is considered to be derived from any particular source and none may be allocated  
20.32 to a particular place except as provided by the applicable apportionment formula. The  
20.33 provisions of this subdivision do not apply to business income subject to subdivision 5,

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21.1 income of an insurance company, or income of an investment company determined under  
21.2 section 290.36.

21.3 (b) The term "unitary business" means business activities or operations which  
21.4 result in a flow of value between them. The term may be applied within a single legal  
21.5 entity or between multiple entities and without regard to whether each entity is a sole  
21.6 proprietorship, a corporation, a partnership or a trust.

21.7 (c) Unity is presumed whenever there is unity of ownership, operation, and use,  
21.8 evidenced by centralized management or executive force, centralized purchasing,  
21.9 advertising, accounting, or other controlled interaction, but the absence of these  
21.10 centralized activities will not necessarily evidence a nonunitary business. Unity is also  
21.11 presumed when business activities or operations are of mutual benefit, dependent upon or  
21.12 contributory to one another, either individually or as a group.

21.13 (d) Where a business operation conducted in Minnesota is owned by a business  
21.14 entity that carries on business activity outside the state different in kind from that  
21.15 conducted within this state, and the other business is conducted entirely outside the state, it  
21.16 is presumed that the two business operations are unitary in nature, interrelated, connected,  
21.17 and interdependent unless it can be shown to the contrary.

21.18 (e) Unity of ownership ~~is~~ does not ~~deemed to~~ exist when ~~a corporation is two or~~  
21.19 more corporations are involved unless that corporation is a member of a group of two or  
21.20 ~~more business entities and~~ more than 50 percent of the voting stock of each ~~member of~~  
21.21 the group corporation is directly or indirectly owned by a common owner or by common  
21.22 owners, either corporate or noncorporate, or by one or more of the member corporations  
21.23 of the group. For this purpose, the term "voting stock" shall include membership interests  
21.24 of mutual insurance holding companies formed under section 66A.40.

21.25 (f) The net income and apportionment factors under section 290.191 or 290.20 of  
21.26 foreign corporations and other foreign entities which are part of a unitary business shall  
21.27 not be included in the net income or the apportionment factors of the unitary business.  
21.28 A foreign corporation or other foreign entity which is required to file a return under this  
21.29 chapter shall file on a separate return basis. The net income and apportionment factors  
21.30 under section 290.191 or 290.20 of foreign operating corporations shall not be included in  
21.31 the net income or the apportionment factors of the unitary business except as provided in  
21.32 paragraph (g).

21.33 (g) The adjusted net income of a foreign operating corporation shall be deemed to  
21.34 be paid as a dividend on the last day of its taxable year to each shareholder thereof, in  
21.35 proportion to each shareholder's ownership, with which such corporation is engaged in

22.1 a unitary business. Such deemed dividend shall be treated as a dividend under section  
22.2 290.21, subdivision 4.

22.3 Dividends actually paid by a foreign operating corporation to a corporate shareholder  
22.4 which is a member of the same unitary business as the foreign operating corporation shall  
22.5 be eliminated from the net income of the unitary business in preparing a combined report  
22.6 for the unitary business. The adjusted net income of a foreign operating corporation  
22.7 shall be its net income adjusted as follows:

22.8 (1) any taxes paid or accrued to a foreign country, the commonwealth of Puerto  
22.9 Rico, or a United States possession or political subdivision of any of the foregoing shall  
22.10 be a deduction; and

22.11 (2) the subtraction from federal taxable income for payments received from foreign  
22.12 corporations or foreign operating corporations under section 290.01, subdivision 19d,  
22.13 clause (10), shall not be allowed.

22.14 If a foreign operating corporation incurs a net loss, neither income nor deduction  
22.15 from that corporation shall be included in determining the net income of the unitary  
22.16 business.

22.17 (h) For purposes of determining the net income of a unitary business and the factors  
22.18 to be used in the apportionment of net income pursuant to section 290.191 or 290.20, there  
22.19 must be included only the income and apportionment factors of domestic corporations or  
22.20 other domestic entities other than foreign operating corporations that are determined to  
22.21 be part of the unitary business pursuant to this subdivision, notwithstanding that foreign  
22.22 corporations or other foreign entities might be included in the unitary business.

22.23 (i) Deductions for expenses, interest, or taxes otherwise allowable under this chapter  
22.24 that are connected with or allocable against dividends, deemed dividends described  
22.25 in paragraph (g), or royalties, fees, or other like income described in section 290.01,  
22.26 subdivision 19d, clause (10), shall not be disallowed.

22.27 (j) Each corporation or other entity, except a sole proprietorship, that is part of a  
22.28 unitary business must file combined reports as the commissioner determines. On the  
22.29 reports, all intercompany transactions between entities included pursuant to paragraph  
22.30 (h) must be eliminated and the entire net income of the unitary business determined in  
22.31 accordance with this subdivision is apportioned among the entities by using each entity's  
22.32 Minnesota factors for apportionment purposes in the numerators of the apportionment  
22.33 formula and the total factors for apportionment purposes of all entities included pursuant  
22.34 to paragraph (h) in the denominators of the apportionment formula.

23.1 (k) If a corporation has been divested from a unitary business and is included in a  
23.2 combined report for a fractional part of the common accounting period of the combined  
23.3 report:

23.4 (1) its income includable in the combined report is its income incurred for that part  
23.5 of the year determined by proration or separate accounting; and

23.6 (2) its sales, property, and payroll included in the apportionment formula must  
23.7 be prorated or accounted for separately.

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

## 23.9 ARTICLE 2

### 23.10 DEPARTMENT POLICY AND TECHNICAL: ESTATE TAXES

23.11 Section 1. Minnesota Statutes 2010, section 289A.10, is amended by adding a  
23.12 subdivision to read:

23.13 **Subd. 1a. Recapture tax return required.** If a disposition or cessation as provided  
23.14 by section 291.03, subdivision 11, paragraph (a), has occurred, the qualified heir, as  
23.15 defined under section 291.03, subdivision 8, paragraph (c), or personal representative of  
23.16 the decedent's estate must submit a recapture tax return to the commissioner.

23.17 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
23.18 June 30, 2011.

23.19 Sec. 2. Minnesota Statutes 2010, section 289A.12, is amended by adding a subdivision  
23.20 to read:

23.21 **Subd. 18. Returns by qualified heirs.** Within 24 months and within 36 months  
23.22 after a decedent's death, a qualified heir, as defined under section 291.03, subdivision 8,  
23.23 paragraph (c), must file a return with the commissioner relating to the qualified property  
23.24 received from the decedent.

23.25 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
23.26 June 30, 2011.

23.27 Sec. 3. Minnesota Statutes 2010, section 289A.18, is amended by adding a subdivision  
23.28 to read:

23.29 **Subd. 3a. Recapture tax return.** A recapture tax return is due within six months  
23.30 after the date of the disposition or cessation as provided by section 291.03, subdivision  
23.31 11, paragraph (a).

24.1 EFFECTIVE DATE. This section is effective for estates of decedents dying after  
24.2 June 30, 2011.

24.3 Sec. 4. Minnesota Statutes 2010, section 289A.20, subdivision 3, is amended to read:

24.4 Subd. 3. **Estate tax.** Taxes imposed by ~~chapter 291~~ section 291.03, subdivision 1,  
24.5 take effect at and upon the death of the person whose estate is subject to taxation and are  
24.6 due and payable on or before the expiration of nine months from that death.

24.7 EFFECTIVE DATE. This section is effective for estates of decedents dying after  
24.8 June 30, 2011.

24.9 Sec. 5. Minnesota Statutes 2010, section 289A.20, is amended by adding a subdivision  
24.10 to read:

24.11 Subd. 3a. **Recapture tax.** Taxes imposed by section 291.03, subdivision 11,  
24.12 paragraph (b), are due and payable on or before the expiration of six months from the date  
24.13 of disposition or cessation as provided by section 291.03, subdivision 11, paragraph (a).

24.14 EFFECTIVE DATE. This section is effective for estates of decedents dying after  
24.15 June 30, 2011.

24.16 Sec. 6. Minnesota Statutes 2011 Supplement, section 291.03, subdivision 8, is  
24.17 amended to read:

24.18 Subd. 8. **Definitions.** (a) For purposes of this section, the following terms have the  
24.19 meanings given in this subdivision.

24.20 (b) "Family member" means a family member as defined in section 2032A(e)(2) of  
24.21 the Internal Revenue Code or a trust whose present beneficiaries are all family members as  
24.22 defined in section 2032A(e)(2) of the Internal Revenue Code.

24.23 (c) "Qualified heir" means a family member who acquired qualified property ~~from~~  
24.24 upon the death of the decedent and satisfies the requirement under subdivision 9, clause  
24.25 ~~(6)~~ (8), or subdivision 10, clause ~~(4)~~ (5), for the property.

24.26 (d) "Qualified property" means qualified small business property under subdivision  
24.27 9 and qualified farm property under subdivision 10.

24.28 EFFECTIVE DATE. This section is effective for estates of decedents dying after  
24.29 June 30, 2011.

24.30 Sec. 7. Minnesota Statutes 2011 Supplement, section 291.03, subdivision 9, is  
24.31 amended to read:



25.1 Subd. 9. **Qualified small business property.** Property satisfying all of the following  
25.2 requirements is qualified small business property:

25.3 (1) The value of the property was included in the federal adjusted taxable estate.

25.4 (2) The property consists of the assets of a trade or business or shares of stock or  
25.5 other ownership interests in a corporation or other entity engaged in a trade or business.

25.6 ~~The decedent or the decedent's spouse must have materially participated in the trade or~~

25.7 ~~business within the meaning of section 469 of the Internal Revenue Code during the~~

25.8 ~~taxable year that ended before the date of the decedent's death.~~ Shares of stock in a

25.9 corporation or an ownership interest in another type of entity do not qualify under this

25.10 subdivision if the shares or ownership interests are traded on a public stock exchange at

25.11 any time during the three-year period ending on the decedent's date of death. For purposes

25.12 of this subdivision, an ownership interest includes those interests the decedent is deemed

25.13 to own pursuant to sections 2036, 2037, and 2038 of the Internal Revenue Code.

25.14 (3) During the decedent's taxable year that ended before the decedent's death, the

25.15 trade or business must not have been a passive activity within the meaning of section

25.16 469(c) of the Internal Revenue Code and the decedent or decedent's spouse must have

25.17 materially participated in the trade or business within the meaning of section 469(h) of the

25.18 Internal Revenue Code, excluding section 469(h)(3) of the Internal Revenue Code and

25.19 any other provision provided by Treasury Department regulation that substitutes material

25.20 participation in prior taxable years for material participation in the taxable year that ended

25.21 before the decedent's death.

25.22 ~~(3)~~ (4) The gross annual sales of the trade or business were \$10,000,000 or less for

25.23 the last taxable year that ended before the date of the death of the decedent.

25.24 ~~(4)~~ (5) The property does not consist of cash ~~or~~ cash equivalents, publicly traded

25.25 securities, or assets not used in the operation of the trade or business. For property

25.26 consisting of shares of stock or other ownership interests in an entity, the ~~amount~~ value of

25.27 cash ~~or~~ cash equivalents, publicly traded securities, or assets not used in the operation of

25.28 the trade or business held by the corporation or other entity must be deducted from the

25.29 value of the property qualifying under this subdivision in proportion to the decedent's

25.30 share of ownership of the entity on the date of death.

25.31 (6) The property does not consist of agricultural land as defined by section 500.24,

25.32 subdivision 2, paragraph (g). For property consisting of shares of stock or other ownership

25.33 interests in an entity, the value of agricultural land held by the corporation or other entity

25.34 must be deducted from the value of the property qualifying under this subdivision in

25.35 proportion to the decedent's share of ownership of the entity on the date of death.

26.1 ~~(5)~~ (7) The decedent continuously owned the property, including property the  
26.2 decedent is deemed to own pursuant to sections 2036, 2037, and 2038 of the Internal  
26.3 Revenue Code, for the three-year period ending on the date of death of the decedent. In  
26.4 the case of a sole proprietor, if the property replaced similar property within the three-year  
26.5 period, the replacement property will be treated as having been owned for the three-year  
26.6 period ending on the date of death of the decedent.

26.7 ~~(6)~~ A family member continuously uses the property in the operation of the trade or  
26.8 business for three years following the date of death of the decedent.

26.9 (8) For three years following the date of death of the decedent, the trade or business  
26.10 is not a passive activity within the meaning of section 469(c) of the Internal Revenue  
26.11 Code and a family member materially participates in the operation of the trade or business  
26.12 within the meaning of section 469(h) of the Internal Revenue Code, excluding section  
26.13 469(h)(3) of the Internal Revenue Code and any other provision provided by Treasury  
26.14 Department regulation that substitutes material participation in prior taxable years for  
26.15 material participation in the three years following the date of death of the decedent.

26.16 ~~(7)~~ (9) The estate and the qualified heir elect to treat the property as qualified small  
26.17 business property and agree, in the form prescribed by the commissioner, to pay the  
26.18 recapture tax under subdivision 11, if applicable.

26.19 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
26.20 June 30, 2011.

26.21 Sec. 8. Minnesota Statutes 2011 Supplement, section 291.03, subdivision 10, is  
26.22 amended to read:

26.23 Subd. 10. **Qualified farm property.** Property satisfying all of the following  
26.24 requirements is qualified farm property:

26.25 (1) The value of the property was included in the federal adjusted taxable estate.

26.26 (2) The property consists of agricultural land as defined by section 500.24,  
26.27 subdivision 2, paragraph (g), and owned by a farm meeting the requirements of person  
26.28 or entity that is not excluded from owning agricultural land by section 500.24, and was  
26.29 classified for property tax purposes as the homestead of the decedent or the decedent's  
26.30 spouse or both under section 273.124, and as class 2a property under section 273.13,  
26.31 subdivision 23.

26.32 (3) ~~The decedent continuously owned the~~ For property for taxes payable in the  
26.33 three-year period ending on the date year of the decedent's death of, the decedent property  
26.34 was classified for property tax purposes as the homestead of the decedent or the decedent's

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27.1 spouse or both under section 273.124, and as class 2a property under section 273.13,  
27.2 subdivision 23.

27.3 ~~(4) A family member~~ The decedent continuously uses the property in the operation  
27.4 ~~of the trade or business~~ owned the property, including property the decedent is deemed  
27.5 to own pursuant to sections 2036, 2307, and 2308 of the Internal Revenue Code, for the  
27.6 three-year period ending on the date of death of the decedent, either by ownership of the  
27.7 agricultural land or pursuant to holding an interest in an entity that is not excluded from  
27.8 owning agricultural land by section 500.24.

27.9 (5) The property is classified for property tax purposes as class 2a property under  
27.10 section 273.13, subdivision 23, for three years following the date of death of the decedent.

27.11 ~~(5)~~ (6) The estate and the qualified heir elect to treat the property as qualified farm  
27.12 property and agree, in a form prescribed by the commissioner, to pay the recapture tax  
27.13 under subdivision 11, if applicable.

27.14 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
27.15 June 30, 2011.

27.16 Sec. 9. Minnesota Statutes 2011 Supplement, section 291.03, subdivision 11, is  
27.17 amended to read:

27.18 Subd. 11. **Recapture tax.** (a) If, within three years after the decedent's death and  
27.19 before the death of the qualified heir, the qualified heir disposes of any interest in the  
27.20 qualified property, other than by a disposition to a family member, or a family member  
27.21 ceases to ~~use the qualified property which was acquired or passed from the decedent~~  
27.22 satisfy the requirement under subdivision 9, clause (8); or 10, clause (5), an additional  
27.23 estate tax is imposed on the property. In the case of a sole proprietor, if the qualified heir  
27.24 replaces qualified small business property excluded under subdivision 9 with similar  
27.25 property, then the qualified heir will not be treated as having disposed of an interest in the  
27.26 qualified property.

27.27 (b) The amount of the additional tax equals the amount of the exclusion claimed by  
27.28 the estate under subdivision 8, paragraph (d), multiplied by 16 percent.

27.29 ~~(c) The additional tax under this subdivision is due on the day which is six months~~  
27.30 ~~after the date of the disposition or cessation in paragraph (a).~~

27.31 **EFFECTIVE DATE.** This section is effective for estates of decedents dying after  
27.32 June 30, 2011.

ARTICLE 3

DEPARTMENT POLICY AND TECHNICAL: PROPERTY TAX

Section 1. Minnesota Statutes 2010, section 13.4965, subdivision 3, is amended to read:

Subd. 3. **Homestead and other applications.** The classification and disclosure of certain information collected to determine eligibility of property for a homestead or other classification or benefit under section 273.13 are governed by ~~section~~ sections 273.124, ~~subdivision~~ subdivisions 13, 13a, 13c, and 13d, and 273.1315.

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

Sec. 2. Minnesota Statutes 2010, section 270.077, is amended to read:

**270.077 TAXES CREDITED TO STATE AIRPORTS FUND.**

All taxes levied under sections 270.071 to 270.079 must be collected by the commissioner and credited to the state airports fund created in section 360.017.

**EFFECTIVE DATE.** This section is effective for reports filed on July 1, 2012, and thereafter.

Sec. 3. Minnesota Statutes 2010, section 270.41, subdivision 5, is amended to read:

Subd. 5. **Prohibited activity.** A licensed assessor or other person employed by an assessment jurisdiction or contracting with an assessment jurisdiction for the purpose of valuing or classifying property for property tax purposes is prohibited from making appraisals or analyses, accepting an appraisal assignment, or preparing an appraisal report as defined in section 82B.021, subdivisions 2, 4, 6, and 7, on any property within the assessment jurisdiction where the individual is employed or performing the duties of the assessor under contract. Violation of this prohibition shall result in immediate revocation of the individual's license to assess property for property tax purposes. This prohibition must not be construed to prohibit an individual from carrying out any duties required for the proper assessment of property for property tax purposes or performing duties enumerated in section 273.061, subdivision 7 or 8. If a formal resolution has been adopted by the governing body of a governmental unit, which specifies the purposes for which such work will be done, this prohibition does not apply to appraisal activities undertaken on behalf of and at the request of the governmental unit that has employed or contracted with the individual. The resolution may only allow appraisal activities which are related to condemnations, right-of-way acquisitions, land exchanges, or special assessments.

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

29.2 Sec. 4. Minnesota Statutes 2011 Supplement, section 270C.34, subdivision 1, is  
29.3 amended to read:

29.4 Subdivision 1. **Authority.** (a) The commissioner may abate, reduce, or refund any  
29.5 penalty or interest that is imposed by a law administered by the commissioner, or imposed  
29.6 by section 270.0725, subdivision 1 or 2, or 270.075, as a result of the late payment of tax  
29.7 or late filing of a return, or any part of an additional tax charge under section 289A.25,  
29.8 subdivision 2, or 289A.26, subdivision 4, if the failure to timely pay the tax or failure  
29.9 to timely file the return is due to reasonable cause, or if the taxpayer is located in a  
29.10 presidentially declared disaster or in a presidentially declared state of emergency area or  
29.11 in an area declared to be in a state of emergency by the governor under section 12.31.

29.12 (b) The commissioner shall abate any part of a penalty or additional tax charge  
29.13 under section 289A.25, subdivision 2, or 289A.26, subdivision 4, attributable to erroneous  
29.14 advice given to the taxpayer in writing by an employee of the department acting in  
29.15 an official capacity, if the advice:

29.16 (1) was reasonably relied on and was in response to a specific written request of the  
29.17 taxpayer; and

29.18 (2) was not the result of failure by the taxpayer to provide adequate or accurate  
29.19 information.

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

29.21 Sec. 5. Minnesota Statutes 2010, section 272.01, subdivision 2, is amended to read:

29.22 Subd. 2. **Exempt property used by private entity for profit.** (a) When any real or  
29.23 personal property which is exempt from ad valorem taxes, and taxes in lieu thereof, is  
29.24 leased, loaned, or otherwise made available and used by a private individual, association,  
29.25 or corporation in connection with a business conducted for profit, there shall be imposed a  
29.26 tax, for the privilege of so using or possessing such real or personal property, in the same  
29.27 amount and to the same extent as though the lessee or user was the owner of such property.

29.28 (b) The tax imposed by this subdivision shall not apply to:

29.29 (1) property leased or used as a concession in or relative to the use in whole  
29.30 or part of a public park, market, fairgrounds, port authority, economic development  
29.31 authority established under chapter 469, municipal auditorium, municipal parking facility,  
29.32 municipal museum, or municipal stadium;

29.33 (2) property of an airport owned by a city, town, county, or group thereof which is:

29.34 (i) leased to or used by any person or entity including a fixed base operator; and

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30.1 (ii) used as a hangar for the storage or repair of aircraft or to provide aviation goods,  
30.2 services, or facilities to the airport or general public;

30.3 the exception from taxation provided in this clause does not apply to:

30.4 (i) property located at an airport owned or operated by the Metropolitan Airports  
30.5 Commission or by a city of over 50,000 population according to the most recent federal  
30.6 census or such a city's airport authority; or

30.7 (ii) hangars leased by a private individual, association, or corporation in connection  
30.8 with a business conducted for profit other than an aviation-related business;

30.9 (3) property constituting or used as a public pedestrian ramp or concourse in  
30.10 connection with a public airport;

30.11 (4) property constituting or used as a passenger check-in area or ticket sale counter,  
30.12 boarding area, or luggage claim area in connection with a public airport but not the  
30.13 airports owned or operated by the Metropolitan Airports Commission or cities of over  
30.14 50,000 population or an airport authority therein. Real estate owned by a municipality  
30.15 in connection with the operation of a public airport and leased or used for agricultural  
30.16 purposes is not exempt;

30.17 (5) property leased, loaned, or otherwise made available to a private individual,  
30.18 corporation, or association under a cooperative farming agreement made pursuant to  
30.19 section 97A.135; or

30.20 (6) property leased, loaned, or otherwise made available to a private individual,  
30.21 corporation, or association under section 272.68, subdivision 4.

30.22 (c) Taxes imposed by this subdivision are payable as in the case of personal property  
30.23 taxes and shall be assessed to the lessees or users of real or personal property in the same  
30.24 manner as taxes assessed to owners of real or personal property, except that such taxes  
30.25 shall not become a lien against the property. When due, the taxes shall constitute a debt  
30.26 due from the lessee or user to the state, township, city, county, and school district for  
30.27 which the taxes were assessed and shall be collected in the same manner as personal  
30.28 property taxes. If property subject to the tax imposed by this subdivision is leased or used  
30.29 jointly by two or more persons, each lessee or user shall be jointly and severally liable for  
30.30 payment of the tax.

30.31 (d) The tax on real property of the federal government, the state or any of its political  
30.32 subdivisions that is leased by a private individual, association, or corporation and becomes  
30.33 taxable under this subdivision or other provision of law must be assessed and collected as  
30.34 a personal property assessment. The taxes do not become a lien against the real property.

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

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31.1 Sec. 6. Minnesota Statutes 2010, section 272.03, subdivision 9, is amended to read:

31.2 Subd. 9. **Person.** "Person" ~~includes~~ means an individual, association, estate, trust,  
31.3 partnership, firm, company, or corporation.

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

31.5 Sec. 7. Minnesota Statutes 2011 Supplement, section 273.114, subdivision 6, is  
31.6 amended to read:

31.7 Subd. 6. **Additional taxes.** (a) When real property which is being, or has been  
31.8 valued and assessed under this section is sold, transferred, or no longer qualifies under  
31.9 subdivision 2, the portion sold, transferred, or no longer qualifying shall be subject to  
31.10 additional taxes in the amount equal to the difference between the taxes determined in  
31.11 accordance with subdivision 3 and the amount determined under subdivision 4, provided  
31.12 that the amount determined under subdivision 4 shall not be greater than it would have  
31.13 been had the actual bona fide sale price of the real property at an arm's-length transaction  
31.14 been used in lieu of the market value determined under subdivision 4. The additional taxes  
31.15 shall be extended against the property on the tax list for taxes payable in the current year,  
31.16 provided that no interest or penalties shall be levied on the additional taxes if timely paid  
31.17 and provided that the additional taxes shall only be levied with respect to the current year  
31.18 plus two prior years that the property has been valued and assessed under this section.

31.19 (b) In the case of a sale or transfer, the additional taxes under paragraph (a) shall not  
31.20 be extended against the property if the new owner submits a successful application by the  
31.21 later of May 1 of the current year or 30 days after the sale or transfer.

31.22 (c) For the purposes of this section, the following events do not constitute a sale or  
31.23 transfer for property that qualified under subdivision 2 prior to the event:

31.24 (1) death of a property owner when the surviving owners retain ownership of the  
31.25 property;

31.26 (2) divorce of a married couple when one of the spouses retains ownership of the  
31.27 property;

31.28 (3) marriage of a single property owner when that owner retains ownership of the  
31.29 property in whole or in part;

31.30 (4) the organization or reorganization of a farm ownership entity that is not prohibited  
31.31 from owning agricultural land in this state under section 500.24, if all owners maintain the  
31.32 same beneficial interest both before and after the organization or reorganization; and

31.33 (5) transfer of the property to a trust or trustee, provided that the individual owners  
31.34 of the property are the grantors of the trust and they maintain the same beneficial interest  
31.35 both before and after placement of the property in trust.

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

32.2 Sec. 8. Minnesota Statutes 2010, section 273.124, subdivision 13, is amended to read:

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

32.6 (b) The format and contents of a uniform homestead application shall be prescribed  
32.7 by the commissioner of revenue. The application must clearly inform the taxpayer that  
32.8 this application must be signed by all owners who occupy the property or by the qualifying  
32.9 relative and returned to the county assessor in order for the property to receive homestead  
32.10 treatment.

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

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

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

32.31 The Social Security numbers, state or federal tax returns or tax return information,  
32.32 including the federal income tax schedule F<sub>2</sub> required by this section; or section 273.13,  
32.33 and affidavits or other proofs of the property owners and spouses submitted under this  
32.34 or another section to support a claim for a property tax homestead classification or other  
32.35 classification or benefit under section 273.13, are private data on individuals as defined by



33.1 section 13.02, subdivision 12, or nonpublic data as defined in section 13.02, subdivision 9,  
33.2 but, notwithstanding that section, the private and nonpublic data may be disclosed to the  
33.3 commissioner of revenue, or, for purposes of proceeding under the Revenue Recapture  
33.4 Act to recover personal property taxes owing, to the county treasurer.

33.5 (d) If residential real estate is occupied and used for purposes of a homestead by a  
33.6 relative of the owner and qualifies for a homestead under subdivision 1, paragraph (c), in  
33.7 order for the property to receive homestead status, a homestead application must be filed  
33.8 with the assessor. The Social Security number of each relative and spouse of a relative  
33.9 occupying the property shall be required on the homestead application filed under this  
33.10 subdivision. If a different relative of the owner subsequently occupies the property, the  
33.11 owner of the property must notify the assessor within 30 days of the change in occupancy.  
33.12 The Social Security number of a relative or relative's spouse occupying the property  
33.13 is private data on individuals as defined by section 13.02, subdivision 12, but may be  
33.14 disclosed to the commissioner of revenue, or, for the purposes of proceeding under the  
33.15 Revenue Recapture Act to recover personal property taxes owing, to the county treasurer.

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

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

33.34 Subd. 13a. Occupant list. ~~(g)~~ At the request of the commissioner, each county  
33.35 must give the commissioner a list that includes the name and Social Security number  
33.36 of each occupant of homestead property who is the property owner, property owner's

34.1 spouse, qualifying relative of a property owner, or a spouse of a qualifying relative. The  
34.2 commissioner shall use the information provided on the lists as appropriate under the law,  
34.3 including for the detection of improper claims by owners, or relatives of owners, under  
34.4 chapter 290A.

34.5 Subd. 13b. Improper homestead. ~~(h)~~ (a) If the commissioner finds that a  
34.6 property owner may be claiming a fraudulent homestead, the commissioner shall notify  
34.7 the appropriate counties. Within 90 days of the notification, the county assessor shall  
34.8 investigate to determine if the homestead classification was properly claimed. If the  
34.9 property owner does not qualify, the county assessor shall notify the county auditor who  
34.10 will determine the amount of homestead benefits that had been improperly allowed. For the  
34.11 purpose of this ~~section~~ subdivision, "homestead benefits" means the tax reduction resulting  
34.12 from the classification as a homestead under section 273.13, the taconite homestead credit  
34.13 under section 273.135, the residential homestead and agricultural homestead credits under  
34.14 section 273.1384, and the supplemental homestead credit under section 273.1391.

34.15 The county auditor shall send a notice to the person who owned the affected property  
34.16 at the time the homestead application related to the improper homestead was filed,  
34.17 demanding reimbursement of the homestead benefits plus a penalty equal to 100 percent  
34.18 of the homestead benefits. The person notified may appeal the county's determination  
34.19 by serving copies of a petition for review with county officials as provided in section  
34.20 278.01 and filing proof of service as provided in section 278.01 with the Minnesota Tax  
34.21 Court within 60 days of the date of the notice from the county. Procedurally, the appeal  
34.22 is governed by the provisions in chapter 271 which apply to the appeal of a property tax  
34.23 assessment or levy, but without requiring any prepayment of the amount in controversy. If  
34.24 the amount of homestead benefits and penalty is not paid within 60 days, and if no appeal  
34.25 has been filed, the county auditor shall certify the amount of taxes and penalty to the county  
34.26 treasurer. The county treasurer will add interest to the unpaid homestead benefits and  
34.27 penalty amounts at the rate provided in section 279.03 for real property taxes becoming  
34.28 delinquent in the calendar year during which the amount remains unpaid. Interest may be  
34.29 assessed for the period beginning 60 days after demand for payment was made.

34.30 If the person notified is the current owner of the property, the treasurer may add the  
34.31 total amount of homestead benefits, penalty, interest, and costs to the ad valorem taxes  
34.32 otherwise payable on the property by including the amounts on the property tax statements  
34.33 under section 276.04, subdivision 3. The amounts added under this paragraph to the ad  
34.34 valorem taxes shall include interest accrued through December 31 of the year preceding  
34.35 the taxes payable year for which the amounts are first added. These amounts, when added

35.1 to the property tax statement, become subject to all the laws for the enforcement of real or  
35.2 personal property taxes for that year, and for any subsequent year.

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

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

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

35.28 Subd. 13c. Property lists. ~~(\*)~~ In addition to lists of homestead properties, the  
35.29 commissioner may ask the counties to furnish lists of all properties and the record owners.  
35.30 The Social Security numbers and federal identification numbers that are maintained by  
35.31 a county or city assessor for property tax administration purposes, and that may appear  
35.32 on the lists retain their classification as private or nonpublic data; but may be viewed,  
35.33 accessed, and used by the county auditor or treasurer of the same county for the limited  
35.34 purpose of assisting the commissioner in the preparation of microdata samples under  
35.35 section 270C.12. The commissioner shall use the information provided on the lists as

36.1 appropriate under the law, including for the detection of improper claims by owners, or  
36.2 relatives of owners, under chapter 290A.

36.3 Subd. 13d. Homestead data. ~~(†)~~ On or before April 30 each year beginning in 2007,  
36.4 each county must provide the commissioner with the following data for each parcel of  
36.5 homestead property by electronic means as defined in section 289A.02, subdivision 8:

36.6 ~~(†)~~ (1) the property identification number assigned to the parcel for purposes of  
36.7 taxes payable in the current year;

36.8 ~~(††)~~ (2) the name and Social Security number of each occupant of homestead property  
36.9 who is the property owner, property owner's spouse, qualifying relative of a property  
36.10 owner, or spouse of a qualifying relative;

36.11 ~~(†††)~~ (3) the classification of the property under section 273.13 for taxes payable  
36.12 in the current year and in the prior year;

36.13 ~~(††††)~~ (4) an indication of whether the property was classified as a homestead for  
36.14 taxes payable in the current year because of occupancy by a relative of the owner or  
36.15 by a spouse of a relative;

36.16 ~~(†††††)~~ (5) the property taxes payable as defined in section 290A.03, subdivision 13, for  
36.17 the current year and the prior year;

36.18 ~~(††††††)~~ (6) the market value of improvements to the property first assessed for tax  
36.19 purposes for taxes payable in the current year;

36.20 ~~(†††††††)~~ (7) the assessor's estimated market value assigned to the property for taxes  
36.21 payable in the current year and the prior year;

36.22 ~~(††††††††)~~ (8) the taxable market value assigned to the property for taxes payable in the  
36.23 current year and the prior year;

36.24 ~~(†††††††††)~~ (9) whether there are delinquent property taxes owing on the homestead;

36.25 ~~(††††††††††)~~ (10) the unique taxing district in which the property is located; and

36.26 ~~(†††††††††††)~~ (11) such other information as the commissioner decides is necessary.

36.27 The commissioner shall use the information provided on the lists as appropriate  
36.28 under the law, including for the detection of improper claims by owners, or relatives  
36.29 of owners, under chapter 290A.

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

36.31 Sec. 9. Minnesota Statutes 2011 Supplement, section 273.13, subdivision 23, is  
36.32 amended to read:

36.33 Subd. 23. **Class 2.** (a) An agricultural homestead consists of class 2a agricultural  
36.34 land that is homesteaded, along with any class 2b rural vacant land that is contiguous to  
36.35 the class 2a land under the same ownership. The market value of the house and garage

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37.1 and immediately surrounding one acre of land has the same class rates as class 1a or 1b  
37.2 property under subdivision 22. The value of the remaining land including improvements  
37.3 up to the first tier valuation limit of agricultural homestead property has a net class rate  
37.4 of 0.5 percent of market value. The remaining property over the first tier has a class rate  
37.5 of one percent of market value. For purposes of this subdivision, the "first tier valuation  
37.6 limit of agricultural homestead property" and "first tier" means the limit certified under  
37.7 section 273.11, subdivision 23.

37.8 (b) Class 2a agricultural land consists of parcels of property, or portions thereof, that  
37.9 are agricultural land and buildings. Class 2a property has a net class rate of one percent of  
37.10 market value, unless it is part of an agricultural homestead under paragraph (a). Class  
37.11 2a property must also include any property that would otherwise be classified as 2b,  
37.12 but is interspersed with class 2a property, including but not limited to sloughs, wooded  
37.13 wind shelters, acreage abutting ditches, ravines, rock piles, land subject to a setback  
37.14 requirement, and other similar land that is impractical for the assessor to value separately  
37.15 from the rest of the property or that is unlikely to be able to be sold separately from  
37.16 the rest of the property.

37.17 An assessor may classify the part of a parcel described in this subdivision that is used  
37.18 for agricultural purposes as class 2a and the remainder in the class appropriate to its use.

37.19 (c) Class 2b rural vacant land consists of parcels of property, or portions thereof,  
37.20 that are unplatted real estate, rural in character and not used for agricultural purposes,  
37.21 including land used for growing trees for timber, lumber, and wood and wood products,  
37.22 that is not improved with a structure. The presence of a minor, ancillary nonresidential  
37.23 structure as defined by the commissioner of revenue does not disqualify the property from  
37.24 classification under this paragraph. Any parcel of 20 acres or more improved with a  
37.25 structure that is not a minor, ancillary nonresidential structure must be split-classified, and  
37.26 ten acres must be assigned to the split parcel containing the structure. Class 2b property  
37.27 has a net class rate of one percent of market value unless it is part of an agricultural  
37.28 homestead under paragraph (a), or qualifies as class 2c under paragraph (d).

37.29 (d) Class 2c managed forest land consists of no less than 20 and no more than 1,920  
37.30 acres statewide per taxpayer that is being managed under a forest management plan that  
37.31 meets the requirements of chapter 290C, but is not enrolled in the sustainable forest  
37.32 resource management incentive program. It has a class rate of .65 percent, provided that  
37.33 the owner of the property must apply to the assessor in order for the property to initially  
37.34 qualify for the reduced rate and provide the information required by the assessor to verify  
37.35 that the property qualifies for the reduced rate. If the assessor receives the application  
37.36 and information before May 1 in an assessment year, the property qualifies beginning

38.1 with that assessment year. If the assessor receives the application and information after  
38.2 April 30 in an assessment year, the property may not qualify until the next assessment  
38.3 year. The commissioner of natural resources must concur that the land is qualified. The  
38.4 commissioner of natural resources shall annually provide county assessors verification  
38.5 information on a timely basis. The presence of a minor, ancillary nonresidential structure  
38.6 as defined by the commissioner of revenue does not disqualify the property from  
38.7 classification under this paragraph.

38.8 (e) Agricultural land as used in this section means:

38.9 (1) contiguous acreage of ten acres or more, used during the preceding year for  
38.10 agricultural purposes; or

38.11 (2) contiguous acreage used during the preceding year for an intensive livestock or  
38.12 poultry confinement operation, provided that land used only for pasturing or grazing  
38.13 does not qualify under this clause.

38.14 "Agricultural purposes" as used in this section means the raising, cultivation, drying,  
38.15 or storage of agricultural products for sale, or the storage of machinery or equipment  
38.16 used in support of agricultural production by the same farm entity. For a property to be  
38.17 classified as agricultural based only on the drying or storage of agricultural products,  
38.18 the products being dried or stored must have been produced by the same farm entity as  
38.19 the entity operating the drying or storage facility. "Agricultural purposes" also includes  
38.20 enrollment in the Reinvest in Minnesota program under sections 103F.501 to 103F.535 or  
38.21 the federal Conservation Reserve Program as contained in Public Law 99-198 or a similar  
38.22 state or federal conservation program if the property was classified as agricultural (i)  
38.23 under this subdivision ~~for the assessment year 2002~~ for taxes payable in 2003 because of  
38.24 its enrollment in a qualifying program and the land remains enrolled or (ii) in the year  
38.25 prior to its enrollment. Agricultural classification shall not be based upon the market value  
38.26 of any residential structures on the parcel or contiguous parcels under the same ownership.

38.27 For purposes of this paragraph, "contiguous acreage" means all of, or a contiguous  
38.28 portion of, a tax parcel as defined in section 272.193, or all of, or a contiguous portion of,  
38.29 a set of contiguous tax parcels under section 272.193 that are owned by the same person.

38.30 (f) ~~Real estate of~~ Agricultural land under this section also includes:

38.31 (1) contiguous acreage that is less than ten acres, which is in size and exclusively or  
38.32 intensively used in the preceding year for raising or cultivating agricultural products, shall  
38.33 be considered as agricultural land. To qualify under this paragraph, property that includes  
38.34 a residential structure must be used intensively for one of the following purposes; or

39.1 (2) contiguous acreage that contains a residence and is less than 11 acres in size, if  
39.2 the contiguous acreage was used in the preceding year for one or more of the following  
39.3 three uses:

39.4 (i) for an intensive grain drying or storage of grain operation, or for intensive  
39.5 machinery or equipment storage of machinery or equipment activities used to support  
39.6 agricultural activities conducted on other parcels of property operated by the same ~~farming~~  
39.7 entity person;

39.8 (ii) as a nursery, provided that only those acres used intensively to produce nursery  
39.9 stock are considered agricultural land; or

39.10 ~~(iii) for livestock or poultry confinement, provided that land that is used only for~~  
39.11 ~~pasturing and grazing does not qualify; or~~

39.12 ~~(iv)~~ (iii) for intensive market farming; for purposes of this paragraph, "market  
39.13 farming" means the cultivation of one or more fruits or vegetables or production of animal  
39.14 or other agricultural products for sale to local markets by the farmer or an organization  
39.15 with which the farmer is affiliated.

39.16 For purposes of this paragraph, "contiguous acreage" means all of a tax parcel as defined  
39.17 in section 272.193, or, all of a set of contiguous tax parcels under section 272.193 that  
39.18 are owned by the same person.

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

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

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

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

39.28 (1) livestock, dairy animals, dairy products, poultry and poultry products, fur-bearing  
39.29 animals, horticultural and nursery stock, fruit of all kinds, vegetables, forage, grains,  
39.30 bees, and apiary products by the owner;

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

39.33 (3) the commercial boarding of horses, which may include related horse training and  
39.34 riding instruction, if the boarding is done on property that is also used for raising pasture  
39.35 to graze horses or raising or cultivating other agricultural products as defined in clause (1);

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

40.3 (5) game birds and waterfowl bred and raised (i) on a game farm licensed under  
40.4 section 97A.105, provided that the annual licensing report to the Department of Natural  
40.5 Resources, which must be submitted annually by March 30 to the assessor, indicates  
40.6 that at least 500 birds were raised or used for breeding stock on the property during the  
40.7 preceding year and that the owner provides a copy of the owner's most recent schedule F;  
40.8 or (ii) for use on a shooting preserve licensed under section 97A.115;

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

40.10 (7) trees, grown for sale as a crop, including short rotation woody crops, and not  
40.11 sold for timber, lumber, wood, or wood products; and

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

40.14 (j) If a parcel used for agricultural purposes is also used for commercial or industrial  
40.15 purposes, including but not limited to:

40.16 (1) wholesale and retail sales;

40.17 (2) processing of raw agricultural products or other goods;

40.18 (3) warehousing or storage of processed goods; and

40.19 (4) office facilities for the support of the activities enumerated in clauses (1), (2),  
40.20 and (3),

40.21 the assessor shall classify the part of the parcel used for agricultural purposes as class  
40.22 1b, 2a, or 2b, whichever is appropriate, and the remainder in the class appropriate to its  
40.23 use. The grading, sorting, and packaging of raw agricultural products for first sale is  
40.24 considered an agricultural purpose. A greenhouse or other building where horticultural  
40.25 or nursery products are grown that is also used for the conduct of retail sales must be  
40.26 classified as agricultural if it is primarily used for the growing of horticultural or nursery  
40.27 products from seed, cuttings, or roots and occasionally as a showroom for the retail sale of  
40.28 those products. Use of a greenhouse or building only for the display of already grown  
40.29 horticultural or nursery products does not qualify as an agricultural purpose.

40.30 (k) The assessor shall determine and list separately on the records the market value  
40.31 of the homestead dwelling and the one acre of land on which that dwelling is located. If  
40.32 any farm buildings or structures are located on this homesteaded acre of land, their market  
40.33 value shall not be included in this separate determination.

40.34 (l) Class 2d airport landing area consists of a landing area or public access area of  
40.35 a privately owned public use airport. It has a class rate of one percent of market value.  
40.36 To qualify for classification under this paragraph, a privately owned public use airport



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41.1 must be licensed as a public airport under section 360.018. For purposes of this paragraph,  
41.2 "landing area" means that part of a privately owned public use airport properly cleared,  
41.3 regularly maintained, and made available to the public for use by aircraft and includes  
41.4 runways, taxiways, aprons, and sites upon which are situated landing or navigational aids.  
41.5 A landing area also includes land underlying both the primary surface and the approach  
41.6 surfaces that comply with all of the following:

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

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

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

41.12 The land contained in a landing area under this paragraph must be described and certified  
41.13 by the commissioner of transportation. The certification is effective until it is modified,  
41.14 or until the airport or landing area no longer meets the requirements of this paragraph.

41.15 For purposes of this paragraph, "public access area" means property used as an aircraft  
41.16 parking ramp, apron, or storage hangar, or an arrival and departure building in connection  
41.17 with the airport.

41.18 (m) Class 2e consists of land with a commercial aggregate deposit that is not actively  
41.19 being mined and is not otherwise classified as class 2a or 2b, provided that the land is not  
41.20 located in a county that has elected to opt-out of the aggregate preservation program as  
41.21 provided in section 273.1115, subdivision 6. It has a class rate of one percent of market  
41.22 value. To qualify for classification under this paragraph, the property must be at least  
41.23 ten contiguous acres in size and the owner of the property must record with the county  
41.24 recorder of the county in which the property is located an affidavit containing:

41.25 (1) a legal description of the property;

41.26 (2) a disclosure that the property contains a commercial aggregate deposit that is not  
41.27 actively being mined but is present on the entire parcel enrolled;

41.28 (3) documentation that the conditional use under the county or local zoning  
41.29 ordinance of this property is for mining; and

41.30 (4) documentation that a permit has been issued by the local unit of government  
41.31 or the mining activity is allowed under local ordinance. The disclosure must include a  
41.32 statement from a registered professional geologist, engineer, or soil scientist delineating  
41.33 the deposit and certifying that it is a commercial aggregate deposit.

41.34 For purposes of this section and section 273.1115, "commercial aggregate deposit"  
41.35 means a deposit that will yield crushed stone or sand and gravel that is suitable for use

42.1 as a construction aggregate; and "actively mined" means the removal of top soil and  
42.2 overburden in preparation for excavation or excavation of a commercial deposit.

42.3 (n) When any portion of the property under this subdivision or subdivision 22 begins  
42.4 to be actively mined, the owner must file a supplemental affidavit within 60 days from  
42.5 the day any aggregate is removed stating the number of acres of the property that is  
42.6 actively being mined. The acres actively being mined must be (1) valued and classified  
42.7 under subdivision 24 in the next subsequent assessment year, and (2) removed from the  
42.8 aggregate resource preservation property tax program under section 273.1115, if the  
42.9 land was enrolled in that program. Copies of the original affidavit and all supplemental  
42.10 affidavits must be filed with the county assessor, the local zoning administrator, and the  
42.11 Department of Natural Resources, Division of Land and Minerals. A supplemental  
42.12 affidavit must be filed each time a subsequent portion of the property is actively mined,  
42.13 provided that the minimum acreage change is five acres, even if the actual mining activity  
42.14 constitutes less than five acres.

42.15 (o) The definitions prescribed by the commissioner under paragraphs (c) and (d) are  
42.16 not rules and are exempt from the rulemaking provisions of chapter 14, and the provisions  
42.17 in section 14.386 concerning exempt rules do not apply.

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

42.19 Sec. 10. Minnesota Statutes 2011 Supplement, section 273.13, subdivision 25, is  
42.20 amended to read:

42.21 Subd. 25. **Class 4.** (a) Class 4a is residential real estate containing four or more  
42.22 units and used or held for use by the owner or by the tenants or lessees of the owner  
42.23 as a residence for rental periods of 30 days or more, excluding property qualifying for  
42.24 class 4d. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other  
42.25 than hospitals exempt under section 272.02, and contiguous property used for hospital  
42.26 purposes, without regard to whether the property has been platted or subdivided. The  
42.27 market value of class 4a property has a class rate of 1.25 percent.

42.28 (b) Class 4b includes:

42.29 (1) residential real estate containing less than four units that does not qualify as class  
42.30 4bb, other than seasonal residential recreational property;

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

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

42.34 (4) unimproved property that is classified residential as determined under subdivision  
42.35 33.

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43.1 The market value of class 4b property has a class rate of 1.25 percent.

43.2 (c) Class 4bb includes:

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

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

43.7 Class 4bb property has the same class rates as class 1a property under subdivision 22.

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

43.11 (d) Class 4c property includes:

43.12 (1) except as provided in subdivision 22, paragraph (c), real and personal property  
43.13 devoted to commercial temporary and seasonal residential occupancy for recreation  
43.14 purposes, for not more than 250 days in the year preceding the year of assessment. For  
43.15 purposes of this clause, property is devoted to a commercial purpose on a specific day  
43.16 if any portion of the property is used for residential occupancy, and a fee is charged for  
43.17 residential occupancy. Class 4c property under this clause must contain three or more  
43.18 rental units. A "rental unit" is defined as a cabin, condominium, townhouse, sleeping room,  
43.19 or individual camping site equipped with water and electrical hookups for recreational  
43.20 vehicles. A camping pad offered for rent by a property that otherwise qualifies for class  
43.21 4c under this clause is also class 4c under this clause regardless of the term of the rental  
43.22 agreement, as long as the use of the camping pad does not exceed 250 days. In order for a  
43.23 property to be classified under this clause, either (i) the business located on the property  
43.24 must provide recreational activities, at least 40 percent of the annual gross lodging receipts  
43.25 related to the property must be from business conducted during 90 consecutive days,  
43.26 and either (A) at least 60 percent of all paid bookings by lodging guests during the year  
43.27 must be for periods of at least two consecutive nights; or (B) at least 20 percent of the  
43.28 annual gross receipts must be from charges for providing recreational activities, or (ii) the  
43.29 business must contain 20 or fewer rental units, and must be located in a township or a city  
43.30 with a population of 2,500 or less located outside the metropolitan area, as defined under  
43.31 section 473.121, subdivision 2, that contains a portion of a state trail administered by the  
43.32 Department of Natural Resources. For purposes of item (i)(A), a paid booking of five or  
43.33 more nights shall be counted as two bookings. Class 4c property also includes commercial  
43.34 use real property used exclusively for recreational purposes in conjunction with other class  
43.35 4c property classified under this clause and devoted to temporary and seasonal residential  
43.36 occupancy for recreational purposes, up to a total of two acres, provided the property is

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44.1 not devoted to commercial recreational use for more than 250 days in the year preceding  
44.2 the year of assessment and is located within two miles of the class 4c property with which  
44.3 it is used. In order for a property to qualify for classification under this clause, the owner  
44.4 must submit a declaration to the assessor designating the cabins or units occupied for 250  
44.5 days or less in the year preceding the year of assessment by January 15 of the assessment  
44.6 year. Those cabins or units and a proportionate share of the land on which they are located  
44.7 must be designated class 4c under this clause as otherwise provided. The remainder of the  
44.8 cabins or units and a proportionate share of the land on which they are located will be  
44.9 designated as class 3a. The owner of property desiring designation as class 4c property  
44.10 under this clause must provide guest registers or other records demonstrating that the units  
44.11 for which class 4c designation is sought were not occupied for more than 250 days in the  
44.12 year preceding the assessment if so requested. The portion of a property operated as a  
44.13 (1) restaurant, (2) bar, (3) gift shop, (4) conference center or meeting room, and (5) other  
44.14 nonresidential facility operated on a commercial basis not directly related to temporary and  
44.15 seasonal residential occupancy for recreation purposes does not qualify for class 4c. For  
44.16 the purposes of this paragraph, "recreational activities" means renting ice fishing houses,  
44.17 boats and motors, snowmobiles, downhill or cross-country ski equipment; providing  
44.18 marina services, launch services, or guide services; or selling bait and fishing tackle;

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

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

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

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

44.27 (3) real property up to a maximum of three acres of land owned and used by a  
44.28 nonprofit community service oriented organization and not used for residential purposes  
44.29 on either a temporary or permanent basis, provided that:

44.30 (i) the property is not used for a revenue-producing activity for more than six days  
44.31 in the calendar year preceding the year of assessment; or

44.32 (ii) the organization makes annual charitable contributions and donations at least  
44.33 equal to the property's previous year's property taxes and the property is allowed to be  
44.34 used for public and community meetings or events for no charge, as appropriate to the  
44.35 size of the facility.

44.36 For purposes of this clause:

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45.1 (A) "charitable contributions and donations" has the same meaning as lawful  
45.2 gambling purposes under section 349.12, subdivision 25, excluding those purposes  
45.3 relating to the payment of taxes, assessments, fees, auditing costs, and utility payments;

45.4 (B) "property taxes" excludes the state general tax;

45.5 (C) a "nonprofit community service oriented organization" means any corporation,  
45.6 society, association, foundation, or institution organized and operated exclusively for  
45.7 charitable, religious, fraternal, civic, or educational purposes, and which is exempt from  
45.8 federal income taxation pursuant to section 501(c)(3), (8), (10), or (19) of the Internal  
45.9 Revenue Code; and

45.10 (D) "revenue-producing activities" shall include but not be limited to property or that  
45.11 portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt  
45.12 liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling  
45.13 alley, a retail store, gambling conducted by organizations licensed under chapter 349, an  
45.14 insurance business, or office or other space leased or rented to a lessee who conducts a  
45.15 for-profit enterprise on the premises.

45.16 Any portion of the property not qualifying under either item (i) or (ii) is class 3a. The use  
45.17 of the property for social events open exclusively to members and their guests for periods  
45.18 of less than 24 hours, when an admission is not charged nor any revenues are received by  
45.19 the organization shall not be considered a revenue-producing activity.

45.20 The organization shall maintain records of its charitable contributions and donations  
45.21 and of public meetings and events held on the property and make them available upon  
45.22 request any time to the assessor to ensure eligibility. An organization meeting the  
45.23 requirement under item (ii) must file an application by May 1 with the assessor for  
45.24 eligibility for the current year's assessment. The commissioner shall prescribe a uniform  
45.25 application form and instructions;

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

45.30 (5)(i) manufactured home parks as defined in section 327.14, subdivision 3,  
45.31 excluding manufactured home parks described in section 273.124, subdivision 3a, and (ii)  
45.32 manufactured home parks as defined in section 327.14, subdivision 3, that are described in  
45.33 section 273.124, subdivision 3a;

45.34 (6) real property that is actively and exclusively devoted to indoor fitness, health,  
45.35 social, recreational, and related uses, is owned and operated by a not-for-profit corporation,  
45.36 and is located within the metropolitan area as defined in section 473.121, subdivision 2;

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

46.3 (i) the land is on an airport owned or operated by a city, town, county, Metropolitan  
46.4 Airports Commission, or group thereof; and

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

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

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

46.12 (i) the land abuts a public airport; and

46.13 (ii) the owner of the aircraft storage hangar provides the assessor with a signed  
46.14 agreement restricting the use of the premises, prohibiting commercial use or activity  
46.15 performed at the hangar; and

46.16 (9) residential real estate, a portion of which is used by the owner for homestead  
46.17 purposes, and that is also a place of lodging, if all of the following criteria are met:

46.18 (i) rooms are provided for rent to transient guests that generally stay for periods  
46.19 of 14 or fewer days;

46.20 (ii) meals are provided to persons who rent rooms, the cost of which is incorporated  
46.21 in the basic room rate;

46.22 (iii) meals are not provided to the general public except for special events on fewer  
46.23 than seven days in the calendar year preceding the year of the assessment; and

46.24 (iv) the owner is the operator of the property.

46.25 The market value subject to the 4c classification under this clause is limited to five rental  
46.26 units. Any rental units on the property in excess of five, must be valued and assessed as  
46.27 class 3a. The portion of the property used for purposes of a homestead by the owner must  
46.28 be classified as class 1a property under subdivision 22;

46.29 (10) real property up to a maximum of three acres and operated as a restaurant  
46.30 as defined under section 157.15, subdivision 12, provided it: (A) is located on a lake  
46.31 as defined under section 103G.005, subdivision 15, paragraph (a), clause (3); and (B)  
46.32 is either devoted to commercial purposes for not more than 250 consecutive days, or  
46.33 receives at least 60 percent of its annual gross receipts from business conducted during  
46.34 four consecutive months. Gross receipts from the sale of alcoholic beverages must be  
46.35 included in determining the property's qualification under subitem (B). The property's  
46.36 primary business must be as a restaurant and not as a bar. Gross receipts from gift shop

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47.1 sales located on the premises must be excluded. Owners of real property desiring 4c  
47.2 classification under this clause must submit an annual declaration to the assessor by  
47.3 February 1 of the current assessment year, based on the property's relevant information for  
47.4 the preceding assessment year;

47.5 (11) lakeshore and riparian property and adjacent land, not to exceed six acres, used  
47.6 as a marina, as defined in section 86A.20, subdivision 5, which is made accessible to  
47.7 the public and devoted to recreational use for marina services. The marina owner must  
47.8 annually provide evidence to the assessor that it provides services, including lake or river  
47.9 access to the public by means of an access ramp or other facility that is either located on  
47.10 the property of the marina or at a publicly owned site that abuts the property of the marina.  
47.11 No more than 800 feet of lakeshore may be included in this classification. Buildings used  
47.12 in conjunction with a marina for marina services, including but not limited to buildings  
47.13 used to provide food and beverage services, fuel, boat repairs, or the sale of bait or fishing  
47.14 tackle, are classified as class 3a property; and

47.15 (12) real and personal property devoted to noncommercial temporary and seasonal  
47.16 residential occupancy for recreation purposes.

47.17 Class 4c property has a class rate of 1.5 percent of market value, except that (i) each  
47.18 parcel of noncommercial seasonal residential recreational property under clause (12)  
47.19 has the same class rates as class 4bb property, (ii) manufactured home parks assessed  
47.20 under clause (5), item (i), have the same class rate as class 4b property, and the market  
47.21 value of manufactured home parks assessed under clause (5), item (ii), has the same class  
47.22 rate as class 4d property if more than 50 percent of the lots in the park are occupied by  
47.23 shareholders in the cooperative corporation or association and a class rate of one percent if  
47.24 50 percent or less of the lots are so occupied, (iii) commercial-use seasonal residential  
47.25 recreational property and marina recreational land as described in clause (11), has a  
47.26 class rate of one percent for the first \$500,000 of market value, and 1.25 percent for the  
47.27 remaining market value, (iv) the market value of property described in clause (4) has a  
47.28 class rate of one percent, (v) the market value of property described in clauses (2), (6), and  
47.29 (10) has a class rate of 1.25 percent, and (vi) that portion of the market value of property  
47.30 in clause (9) qualifying for class 4c property has a class rate of 1.25 percent.

47.31 (e) Class 4d property is qualifying low-income rental housing certified to the assessor  
47.32 by the Housing Finance Agency under section 273.128, subdivision 3. If only a portion  
47.33 of the units in the building qualify as low-income rental housing units as certified under  
47.34 section 273.128, subdivision 3, only the proportion of qualifying units to the total number  
47.35 of units in the building qualify for class 4d. The remaining portion of the building shall be  
47.36 classified by the assessor based upon its use. Class 4d also includes the same proportion of

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48.1 land as the qualifying low-income rental housing units are to the total units in the building.  
48.2 For all properties qualifying as class 4d, the market value determined by the assessor must  
48.3 be based on the normal approach to value using normal unrestricted rents.

48.4 Class 4d property has a class rate of 0.75 percent.

48.5 **EFFECTIVE DATE.** This section is effective for taxes payable in 2013 and  
48.6 thereafter.

48.7 Sec. 11. Minnesota Statutes 2010, section 273.1315, subdivision 1, is amended to read:

48.8 Subdivision 1. **Class 1b homestead declaration before 2009.** Any property owner  
48.9 seeking classification and assessment of the owner's homestead as class 1b property  
48.10 pursuant to section 273.13, subdivision 22, paragraph (b), on or before October 1, 2008,  
48.11 shall file with the commissioner of revenue a 1b homestead declaration, on a form  
48.12 prescribed by the commissioner. The declaration shall contain the following information:

48.13 ~~(a)~~ (1) the information necessary to verify that on or before June 30 of the filing year,  
48.14 the property owner or the owner's spouse satisfies the requirements of section 273.13,  
48.15 subdivision 22, paragraph (b), for 1b classification; and

48.16 ~~(b)~~ (2) any additional information prescribed by the commissioner.

48.17 The declaration must be filed on or before October 1 to be effective for property  
48.18 taxes payable during the succeeding calendar year. The declaration and any supplementary  
48.19 information received from the property owner pursuant to this subdivision shall be subject  
48.20 to chapter 270B. If approved by the commissioner, the declaration remains in effect until  
48.21 the property no longer qualifies under section 273.13, subdivision 22, paragraph (b).  
48.22 Failure to notify the commissioner within 30 days that the property no longer qualifies  
48.23 under that paragraph because of a sale, change in occupancy, or change in the status  
48.24 or condition of an occupant shall result in the penalty provided in section 273.124,  
48.25 subdivision ~~13~~ 13b, computed on the basis of the class 1b benefits for the property, and  
48.26 the property shall lose its current class 1b classification.

48.27 The commissioner shall provide to the assessor on or before November 1 a listing  
48.28 of the parcels of property qualifying for 1b classification.

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

48.30 Sec. 12. Minnesota Statutes 2010, section 273.1315, subdivision 2, is amended to read:

48.31 Subd. 2. **Class 1b homestead declaration 2009 and thereafter.** (a) Any property  
48.32 owner seeking classification and assessment of the owner's homestead as class 1b property  
48.33 pursuant to section 273.13, subdivision 22, paragraph (b), after October 1, 2008, shall file



49.1 with the county assessor a class 1b homestead declaration, on a form prescribed by the  
49.2 commissioner of revenue. The declaration must contain the following information:

49.3 (1) the information necessary to verify that, on or before June 30 of the filing year,  
49.4 the property owner or the owner's spouse satisfies the requirements of section 273.13,  
49.5 subdivision 22, paragraph (b), for class 1b classification; and

49.6 (2) any additional information prescribed by the commissioner.

49.7 (b) The declaration must be filed on or before October 1 to be effective for property  
49.8 taxes payable during the succeeding calendar year. The Social Security numbers and  
49.9 income and medical information received from the property owner pursuant to this  
49.10 subdivision are private data on individuals as defined in section 13.02. If approved by  
49.11 the assessor, the declaration remains in effect until the property no longer qualifies under  
49.12 section 273.13, subdivision 22, paragraph (b). Failure to notify the assessor within 30  
49.13 days that the property no longer qualifies under that paragraph because of a sale, change in  
49.14 occupancy, or change in the status or condition of an occupant shall result in the penalty  
49.15 provided in section 273.124, subdivision ~~13~~ 13b, computed on the basis of the class 1b  
49.16 benefits for the property, and the property shall lose its current class 1b classification.

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

49.18 Sec. 13. Minnesota Statutes 2010, section 273.19, subdivision 1, is amended to read:

49.19 Subdivision 1. **Tax-exempt property; lease.** Except as provided in subdivision 3 or  
49.20 4, tax-exempt property held under a lease for a term of at least one year, and not taxable  
49.21 under section 272.01, subdivision 2, or under a contract for the purchase thereof, shall  
49.22 be considered, for all purposes of taxation, as the property of the person holding it. In  
49.23 this subdivision, "tax-exempt property" means property owned by the United States, the  
49.24 state or any of its political subdivisions, a school, or any religious, scientific, or benevolent  
49.25 society or institution, incorporated or unincorporated, or any corporation whose property  
49.26 is not taxed in the same manner as other property. This subdivision does not apply to  
49.27 property exempt from taxation under section 272.01, subdivision 2, paragraph (b), clauses  
49.28 (2), (3), and (4), or to property exempt from taxation under section 272.0213.

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

49.30 Sec. 14. Minnesota Statutes 2010, section 273.372, subdivision 4, is amended to read:

49.31 Subd. 4. **Administrative appeals.** (a) Companies that submit the reports under  
49.32 section 270.82 or 273.371 by the date specified in that section, or by the date specified by

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50.1 the commissioner in an extension, may appeal administratively to the commissioner prior  
50.2 to bringing an action in court ~~by submitting.~~

50.3 (b) Companies that must submit reports under section 270.82 must submit a written  
50.4 request with to the commissioner for a conference within ten days after the date of the  
50.5 commissioner's valuation certification or notice to the company, or by ~~May~~ June 15,  
50.6 whichever is earlier.

50.7 (c) Companies that submit reports under section 273.371 must submit a written  
50.8 request to the commissioner for a conference within ten days after the date of the  
50.9 commissioner's valuation certification or notice to the company, or by July 1, whichever  
50.10 is earlier.

50.11 (d) The commissioner shall conduct the conference upon the commissioner's entire  
50.12 files and records and such further information as may be offered. The conference must  
50.13 be held no later than 20 days after the date of the commissioner's valuation certification  
50.14 or notice to the company, or by the date specified by the commissioner in an extension.  
50.15 Within 60 days after the conference the commissioner shall make a final determination of  
50.16 the matter and shall notify the company promptly of the determination. The conference  
50.17 is not a contested case hearing.

50.18 ~~(b)~~ (e) In addition to the opportunity for a conference under paragraph (a), the  
50.19 commissioner shall also provide the railroad and utility companies the opportunity to  
50.20 discuss any questions or concerns relating to the values established by the commissioner  
50.21 through certification or notice in a less formal manner. This does not change or modify  
50.22 the deadline for requesting a conference under paragraph (a), the deadline in section  
50.23 271.06 for appealing an order of the commissioner, or the deadline in section 278.01 for  
50.24 appealing property taxes in court.

50.25 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2013.

50.26 Sec. 15. Minnesota Statutes 2010, section 273.39, is amended to read:

50.27 **273.39 RURAL AREA.**

50.28 As used in sections 273.39 to 273.41, the term "rural area" shall be deemed to mean  
50.29 any area of the state not included within the boundaries of any ~~incorporated~~ statutory  
50.30 city or home rule charter city, and such term shall be deemed to include both farm and  
50.31 nonfarm population thereof.

50.32 **EFFECTIVE DATE.** This section is effective beginning with assessment year 2012.

50.33 Sec. 16. Minnesota Statutes 2010, section 279.06, subdivision 1, is amended to read:

51.1 Subdivision 1. **List and notice.** Within five days after the filing of such list, the  
51.2 court administrator shall return a copy thereof to the county auditor, with a notice prepared  
51.3 and signed by the court administrator, and attached thereto, which may be substantially in  
51.4 the following form:

51.5 State of Minnesota )  
51.6 ) ss.  
51.7 County of ..... )  
51.8 District Court  
51.9 ..... Judicial District.

51.10 The state of Minnesota, to all persons, companies, or corporations who have or claim  
51.11 any estate, right, title, or interest in, claim to, or lien upon, any of the several parcels of  
51.12 land described in the list hereto attached:

51.13 The list of taxes and penalties on real property for the county of .....  
51.14 remaining delinquent on the first Monday in January, ....., has been filed in the office of  
51.15 the court administrator of the district court of said county, of which that hereto attached is a  
51.16 copy. Therefore, you, and each of you, are hereby required to file in the office of said court  
51.17 administrator, on or before the 20th day after the publication of this notice and list, your  
51.18 answer, in writing, setting forth any objection or defense you may have to the taxes, or any  
51.19 part thereof, upon any parcel of land described in the list, in, to, or on which you have or  
51.20 claim any estate, right, title, interest, claim, or lien, and, in default thereof, judgment will  
51.21 be entered against such parcel of land for the taxes on such list appearing against it, and  
51.22 for all penalties, interest, and costs. Based upon said judgment, the land shall be sold to  
51.23 the state of Minnesota on the second Monday in May, ..... ~~The period of redemption for~~  
51.24 ~~all lands sold to the state at a tax judgment sale shall be three years from the date of sale to~~  
51.25 ~~the state of Minnesota if the land is within an incorporated area unless it is:~~

- 51.26 ~~(a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22;~~
- 51.27 ~~(b) homesteaded agricultural land as defined in section 273.13, subdivision 23,~~  
51.28 ~~paragraph (a);~~
- 51.29 ~~(c) seasonal residential recreational land as defined in section 273.13, subdivisions~~  
51.30 ~~22, paragraph (c), and 25, paragraph (d), clause (1), in which event the period of~~  
51.31 ~~redemption is five years from the date of sale to the state of Minnesota;~~
- 51.32 ~~(d) abandoned property and pursuant to section 281.173 a court order has been~~  
51.33 ~~entered shortening the redemption period to five weeks; or~~
- 51.34 ~~(e) vacant property as described under section 281.174, subdivision 2, and for which~~  
51.35 ~~a court order is entered shortening the redemption period under section 281.174.~~

51.36 ~~The period of redemption for all other lands sold to the state at a tax judgment sale~~  
51.37 ~~shall be five years from the date of sale.~~

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52.1 Inquiries as to the proceedings set forth above can be made to the county auditor of  
 52.2 ..... county whose address is .....

52.3 (Signed) ..... ,  
 52.4 Court Administrator of the District Court of the  
 52.5 County of .....  
 52.6 (Here insert list.)

52.7 The notice must contain a narrative description of the various periods to redeem  
 52.8 specified in sections 281.17, 281.173, and 281.174, in the manner prescribed by the  
 52.9 commissioner of revenue under subdivision 2.

52.10 The list referred to in the notice shall be substantially in the following form:

52.11 List of real property for the county of ....., on which taxes remain  
 52.12 delinquent on the first Monday in January, .....

52.13 Town of (Fairfield),  
 52.14 Township (40), Range (20),

52.15 Names (and Current  
 52.16 Filed Addresses) for  
 52.17 the Taxpayers and Fee  
 52.18 Owners and in Addition  
 52.19 Those Parties Who Have  
 52.20 Filed Their Addresses

52.21 Pursuant to section	Subdivision of	Section	Tax Parcel	Total Tax
52.22 276.041	Section		Number	and Penalty
52.23				\$ cts.

52.24 John Jones (825 Fremont 52.25 Fairfield, MN 55000)	S.E. 1/4 of S.W. 1/4	10	23101	2.20
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52.26 Bruce Smith (2059 Hand 52.27 Fairfield, MN 55000) 52.28 and Fairfield State 52.29 Bank (100 Main Street 52.30 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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52.45 As to platted property, the form of heading shall conform to circumstances and be  
 52.46 substantially in the following form:

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53.1		City of (Smithtown)			
53.2		Brown's Addition, or Subdivision			
53.3	Names (and Current				
53.4	Filed Addresses) for				
53.5	the Taxpayers and Fee				
53.6	Owners and in Addition				
53.7	Those Parties Who Have				
53.8	Filed Their Addresses				
53.9	Pursuant to section			Tax Parcel	Total Tax
53.10	276.041	Lot	Block	Number	and Penalty
53.11					\$ cts.
53.12	John Jones (825 Fremont	15	9	58243	2.20
53.13	Fairfield, MN 55000)				
53.14	Bruce Smith (2059 Hand	16	9	58244	3.15
53.15	Fairfield, MN 55000)				
53.16	and Fairfield State				
53.17	Bank (100 Main Street				
53.18	Fairfield, MN 55000)				

53.19           The names, descriptions, and figures employed in parentheses in the above forms are  
53.20 merely for purposes of illustration.

53.21           The name of the town, township, range or city, and addition or subdivision, as the  
53.22 case may be, shall be repeated at the head of each column of the printed lists as brought  
53.23 forward from the preceding column.

53.24           Errors in the list shall not be deemed to be a material defect to affect the validity  
53.25 of the judgment and sale.

53.26           **EFFECTIVE DATE.** This section is effective for lists and notices required after  
53.27 December 31, 2012.

53.28           Sec. 17. Minnesota Statutes 2010, section 290A.25, is amended to read:

53.29           **290A.25 VERIFICATION OF SOCIAL SECURITY NUMBERS.**

53.30           Annually, the commissioner of revenue shall furnish a list to the county assessor  
53.31 containing the names and Social Security numbers of persons who have applied for both  
53.32 homestead classification under section 273.13 and a property tax refund as a renter  
53.33 under this chapter.

53.34           Within 90 days of the notification, the county assessor shall investigate to determine  
53.35 if the homestead classification was improperly claimed. If the property owner does  
53.36 not qualify, the county assessor shall notify the county auditor who will determine the  
53.37 amount of homestead benefits that has been improperly allowed. For the purpose of this  
53.38 section, "homestead benefits" has the meaning given in section 273.124, subdivision  
53.39 ~~13, paragraph (h)~~ 13b. The county auditor shall send a notice to persons who owned the

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54.1 affected property at the time the homestead application related to the improper homestead  
54.2 was filed, demanding reimbursement of the homestead benefits plus a penalty equal to  
54.3 100 percent of the homestead benefits. The person notified may appeal the county's  
54.4 determination with the Minnesota Tax Court within 60 days of the date of the notice from  
54.5 the county as provided in section 273.124, subdivision 13, ~~paragraph (h)~~ 13b.

54.6 If the amount of homestead benefits and penalty is not paid within 60 days, and if  
54.7 no appeal has been filed, the county auditor shall certify the amount of taxes and penalty  
54.8 to the county treasurer. The county treasurer will add interest to the unpaid homestead  
54.9 benefits and penalty amounts at the rate provided for delinquent personal property taxes  
54.10 for the period beginning 60 days after demand for payment was made until payment. If  
54.11 the person notified is the current owner of the property, the treasurer may add the total  
54.12 amount of benefits, penalty, interest, and costs to the real estate taxes otherwise payable on  
54.13 the property in the following year. If the person notified is not the current owner of the  
54.14 property, the treasurer may collect the amounts due under the Revenue Recapture Act in  
54.15 chapter 270A, or use any of the powers granted in sections 277.20 and 277.21 without  
54.16 exclusion, to enforce payment of the benefits, penalty, interest, and costs, as if those  
54.17 amounts were delinquent tax obligations of the person who owned the property at the time  
54.18 the application related to the improperly allowed homestead was filed. The treasurer may  
54.19 relieve a prior owner of personal liability for the benefits, penalty, interest, and costs, and  
54.20 instead extend those amounts on the tax lists against the property for taxes payable in the  
54.21 following year to the extent that the current owner agrees in writing.

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

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

54.32 Sec. 18. Minnesota Statutes 2010, section 290B.04, subdivision 2, is amended to read:

54.33 Subd. 2. **Approval; recording.** The commissioner shall approve all initial  
54.34 applications that qualify under this chapter and shall notify qualifying homeowners on or  
54.35 before December 1. The commissioner may investigate the facts or require confirmation

55.1 in regard to an application. The commissioner shall record or file a notice of qualification  
55.2 for deferral, including the names of the qualifying homeowners and a legal description  
55.3 of the property, in the office of the county recorder, or registrar of titles, whichever is  
55.4 applicable, in the county where the qualifying property is located. The notice must state  
55.5 that it serves as a notice of lien and that it includes deferrals under this section for future  
55.6 years. The commissioner shall prescribe the form of the notice. Execution of the notice  
55.7 by the original or facsimile signature of the commissioner or a delegate entitles them to  
55.8 be recorded, and no other attestation, certification, or acknowledgment is necessary. The  
55.9 homeowner shall pay the recording or filing fees for the notice, which, notwithstanding  
55.10 section 357.18, shall be paid by the homeowner at the time of satisfaction of the lien.

55.11 **EFFECTIVE DATE.** This section is effective for notices that are both executed  
55.12 and recorded after June 30, 2012.

55.13 Sec. 19. Minnesota Statutes 2011 Supplement, section 373.01, subdivision 1, is  
55.14 amended to read:

55.15 Subdivision 1. **Public corporation; listed powers.** (a) Each county is a body politic  
55.16 and corporate and may:

55.17 (1) Sue and be sued.

55.18 (2) Acquire and hold real and personal property for the use of the county, and lands  
55.19 sold for taxes as provided by law.

55.20 (3) Purchase and hold for the benefit of the county real estate sold by virtue of  
55.21 judicial proceedings, to which the county is a party.

55.22 (4) Sell, lease, and convey real or personal estate owned by the county, and give  
55.23 contracts or options to sell, lease, or convey it, and make orders respecting it as deemed  
55.24 conducive to the interests of the county's inhabitants.

55.25 (5) Make all contracts and do all other acts in relation to the property and concerns  
55.26 of the county necessary to the exercise of its corporate powers.

55.27 (b) No sale, lease, or conveyance of real estate owned by the county, except the lease  
55.28 of a residence acquired for the furtherance of an approved capital improvement project, nor  
55.29 any contract or option for it, shall be valid, without first advertising for bids or proposals in  
55.30 the official newspaper of the county for three consecutive weeks and once in a newspaper  
55.31 of general circulation in the area where the property is located. The notice shall state the  
55.32 time and place of considering the proposals, contain a legal description of any real estate,  
55.33 and a brief description of any personal property. Leases that do not exceed \$15,000 for any  
55.34 one year may be negotiated and are not subject to the competitive bid procedures of this  
55.35 section. All proposals estimated to exceed \$15,000 in any one year shall be considered at

56.1 the time set for the bid opening, and the one most favorable to the county accepted, but the  
56.2 county board may, in the interest of the county, reject any or all proposals.

56.3 (c) Sales of personal property the value of which is estimated to be \$15,000 or  
56.4 more shall be made only after advertising for bids or proposals in the county's official  
56.5 newspaper, on the county's Web site, or in a recognized industry trade journal. At the same  
56.6 time it posts on its Web site or publishes in a trade journal, the county must publish in the  
56.7 official newspaper, either as part of the minutes of a regular meeting of the county board  
56.8 or in a separate notice, a summary of all requests for bids or proposals that the county  
56.9 advertises on its Web site or in a trade journal. After publication in the official newspaper,  
56.10 on the Web site, or in a trade journal, bids or proposals may be solicited and accepted by  
56.11 the electronic selling process authorized in section 471.345, subdivision 17. Sales of  
56.12 personal property the value of which is estimated to be less than \$15,000 may be made  
56.13 either on competitive bids or in the open market, in the discretion of the county board.  
56.14 "Web site" means a specific, addressable location provided on a server connected to the  
56.15 Internet and hosting World Wide Web pages and other files that are generally accessible  
56.16 on the Internet all or most of a day.

56.17 (d) Notwithstanding anything to the contrary herein, the county may, when acquiring  
56.18 real property for county highway right-of-way, exchange parcels of real property of  
56.19 substantially similar or equal value without advertising for bids. The estimated values for  
56.20 these parcels shall be determined by the county assessor.

56.21 (e) Notwithstanding anything in this section to the contrary, the county may, when  
56.22 acquiring real property for purposes other than county highway right-of-way, exchange  
56.23 parcels of real property of substantially similar or equal value without advertising for bids.  
56.24 The estimated values for these parcels must be determined by the county assessor or a  
56.25 private appraisal performed by a licensed Minnesota real estate appraiser. For the purpose  
56.26 of making these estimates, the county assessor need not be licensed under chapter 82B.  
56.27 Before giving final approval to any exchange of land, the county board shall hold a public  
56.28 hearing on the exchange. At least two weeks before the hearing, the county auditor shall  
56.29 post a notice in the auditor's office and the official newspaper of the county of the hearing  
56.30 that contains a description of the lands affected.

56.31 (f) If real estate or personal property remains unsold after advertising for and  
56.32 consideration of bids or proposals the county may employ a broker to sell the property.  
56.33 The broker may sell the property for not less than 90 percent of its appraised market value  
56.34 as determined by the county. The broker's fee shall be set by agreement with the county but  
56.35 may not exceed ten percent of the sale price and must be paid from the proceeds of the sale.



57.1 (g) A county or its agent may rent a county-owned residence acquired for the  
57.2 furtherance of an approved capital improvement project subject to the conditions set  
57.3 by the county board and not subject to the conditions for lease otherwise provided by  
57.4 paragraph (a), clause (4), and paragraphs (b), (c), (d), (f), and (h).

57.5 (h) In no case shall lands be disposed of without there being reserved to the county  
57.6 all iron ore and other valuable minerals in and upon the lands, with right to explore for,  
57.7 mine and remove the iron ore and other valuable minerals, nor shall the minerals and  
57.8 mineral rights be disposed of, either before or after disposition of the surface rights,  
57.9 otherwise than by mining lease, in similar general form to that provided by section 93.20  
57.10 for mining leases affecting state lands. The lease shall be for a term not exceeding 50  
57.11 years, and be issued on a royalty basis, the royalty to be not less than 25 cents per ton of  
57.12 2,240 pounds, and fix a minimum amount of royalty payable during each year, whether  
57.13 mineral is removed or not. Prospecting options for mining leases may be granted for  
57.14 periods not exceeding one year. The options shall require, among other things, periodical  
57.15 showings to the county board of the results of exploration work done.

57.16 (i) Notwithstanding anything in this subdivision to the contrary, the county may,  
57.17 when selling real property owned in fee simple that cannot be improved because of  
57.18 noncompliance with local ordinances regarding minimum area, shape, frontage, or access,  
57.19 proceed to sell the nonconforming parcel without advertising for bid. At the county's  
57.20 discretion, the real property may be restricted to sale to adjoining landowners or may be  
57.21 sold to any other interested party. The property shall be sold to the highest bidder, but  
57.22 in no case shall the property be sold for less than 90 percent of its fair market value as  
57.23 determined by the county assessor. All owners of land adjoining the land to be sold shall  
57.24 be given a written notice at least 30 days before the sale. This paragraph shall be liberally  
57.25 construed to encourage the sale of nonconforming real property and promote its return to  
57.26 the tax rolls.

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

57.28 **Sec. 20. REPEALER.**

57.29 (a) Minnesota Statutes 2010, section 272.69, is repealed.

57.30 (b) Minnesota Statutes 2010, section 273.11, subdivision 22, is repealed.

57.31 **EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment.

57.32 Paragraph (b) is effective for taxes payable in 2013 and thereafter.

ARTICLE 4

DEPARTMENT POLICY AND TECHNICAL: SALES AND USE  
TAXES; SPECIAL TAXES

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Section 1. Minnesota Statutes 2010, section 65B.84, subdivision 1, is amended to read:

Subdivision 1. **Program described; commissioner's duties; appropriation.** (a)

The commissioner of commerce shall:

(1) develop and sponsor the implementation of statewide plans, programs, and strategies to combat automobile theft, improve the administration of the automobile theft laws, and provide a forum for identification of critical problems for those persons dealing with automobile theft;

(2) coordinate the development, adoption, and implementation of plans, programs, and strategies relating to interagency and intergovernmental cooperation with respect to automobile theft enforcement;

(3) annually audit the plans and programs that have been funded in whole or in part to evaluate the effectiveness of the plans and programs and withdraw funding should the commissioner determine that a plan or program is ineffective or is no longer in need of further financial support from the fund;

(4) develop a plan of operation including:

(i) an assessment of the scope of the problem of automobile theft, including areas of the state where the problem is greatest;

(ii) an analysis of various methods of combating the problem of automobile theft;

(iii) a plan for providing financial support to combat automobile theft;

(iv) a plan for eliminating car hijacking; and

(v) an estimate of the funds required to implement the plan; and

(5) distribute money, in consultation with the commissioner of public safety, pursuant to subdivision 3 from the automobile theft prevention special revenue account for automobile theft prevention activities, including:

(i) paying the administrative costs of the program;

(ii) providing financial support to the State Patrol and local law enforcement agencies for automobile theft enforcement teams;

(iii) providing financial support to state or local law enforcement agencies for programs designed to reduce the incidence of automobile theft and for improved equipment and techniques for responding to automobile thefts;

(iv) providing financial support to local prosecutors for programs designed to reduce the incidence of automobile theft;

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59.1 (v) providing financial support to judicial agencies for programs designed to reduce  
59.2 the incidence of automobile theft;

59.3 (vi) providing financial support for neighborhood or community organizations or  
59.4 business organizations for programs designed to reduce the incidence of automobile  
59.5 theft and to educate people about the common methods of automobile theft, the models  
59.6 of automobiles most likely to be stolen, and the times and places automobile theft is  
59.7 most likely to occur; and

59.8 (vii) providing financial support for automobile theft educational and training  
59.9 programs for state and local law enforcement officials, driver and vehicle services exam  
59.10 and inspections staff, and members of the judiciary.

59.11 (b) The commissioner may not spend in any fiscal year more than ten percent of the  
59.12 money in the fund for the program's administrative and operating costs. The commissioner  
59.13 is annually appropriated and must distribute the amount of the proceeds credited to  
59.14 the automobile theft prevention special revenue account each year, less the transfer  
59.15 of \$1,300,000 each year to the general fund described in section ~~168A.40, subdivision~~  
59.16 ~~4~~ 297L.11, subdivision 2.

59.17 **EFFECTIVE DATE.** This section is effective for premiums collected after June  
59.18 30, 2012.

59.19 Sec. 2. Minnesota Statutes 2010, section 287.20, is amended by adding a subdivision  
59.20 to read:

59.21 Subd. 11. **Partition.** "Partition" means the division by conveyance of real property  
59.22 that is held jointly or in common by two or more persons into individually owned interests.  
59.23 If one of the co-owners gives consideration for all or a part of the individually owned  
59.24 interest conveyed to them, that portion of the conveyance is not a part of the partition.

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

59.26 Sec. 3. Minnesota Statutes 2010, section 297A.665, is amended to read:

59.27 **297A.665 PRESUMPTION OF TAX; BURDEN OF PROOF.**

59.28 (a) For the purpose of the proper administration of this chapter and to prevent  
59.29 evasion of the tax, until the contrary is established, it is presumed that:

59.30 (1) all gross receipts are subject to the tax; and

59.31 (2) all retail sales for delivery in Minnesota are for storage, use, or other consumption  
59.32 in Minnesota.

60.1 (b) The burden of proving that a sale is not a taxable retail sale is on the seller.

60.2 However, a seller is relieved of liability if:

60.3 (1) the seller obtains a fully completed exemption certificate or all the relevant  
60.4 information required by section 297A.72, subdivision 2, at the time of the sale or within  
60.5 90 days after the date of the sale; or

60.6 (2) if the seller has not obtained a fully completed exemption certificate or all the  
60.7 relevant information required by section 297A.72, subdivision 2, within the time provided  
60.8 in clause (1), within 120 days after a request for substantiation by the commissioner,  
60.9 the seller either:

60.10 (i) obtains ~~in good faith~~ from the purchaser a fully completed exemption certificate  
60.11 or all the relevant information required by section 297A.72, subdivision 2, ~~from the~~  
60.12 purchaser taken in good faith which means that the exemption certificate claims an  
60.13 exemption that (A) was statutorily available on the date of the transaction, (B) could be  
60.14 applicable to the item for which the exemption is claimed, and (C) is reasonable for the  
60.15 purchaser's type of business; or

60.16 (ii) proves by other means that the transaction was not subject to tax.

60.17 (c) Notwithstanding paragraph (b), relief from liability does not apply to a seller who:

60.18 (1) fraudulently fails to collect the tax; or

60.19 (2) solicits purchasers to participate in the unlawful claim of an exemption.

60.20 (d) Notwithstanding paragraph (b), relief from liability does not apply to a seller  
60.21 who has obtained information under paragraph (b), clause (2), if through the audit process  
60.22 the commissioner finds the following:

60.23 (1) that at the time the information was provided the seller had knowledge or had  
60.24 reason to know that the information relating to the exemption was materially false; or

60.25 (2) that the seller knowingly participated in activity intended to purposefully evade  
60.26 the sales tax due on the transaction.

60.27 ~~(d)~~ (e) A certified service provider, as defined in section 297A.995, subdivision 2, is  
60.28 relieved of liability under this section to the extent a seller who is its client is relieved of  
60.29 liability.

60.30 ~~(e)~~ (f) A purchaser of tangible personal property or any items listed in section  
60.31 297A.63 that are shipped or brought to Minnesota by the purchaser has the burden  
60.32 of proving that the property was not purchased from a retailer for storage, use, or  
60.33 consumption in Minnesota.

60.34 ~~(f)~~ (g) If a seller claims that certain sales are exempt and does not provide the  
60.35 certificate, information, or proof required by paragraph (b), clause (2), within 120 days

61.1 after the date of the commissioner's request for substantiation, then the exemptions  
61.2 claimed by the seller that required substantiation are disallowed.

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

61.4 Sec. 4. Minnesota Statutes 2010, section 297F.01, subdivision 23, is amended to read:

61.5 Subd. 23. **Wholesale sales price.** "Wholesale sales price" means the price ~~stated on~~  
61.6 ~~the price list in effect at the time of sale for which a manufacturer or person sells a tobacco~~  
61.7 ~~product to a distributor, exclusive of any discount, promotional offer, or other reduction.~~  
61.8 ~~For purposes of this subdivision, "price list" means the manufacturer's price at which~~  
61.9 ~~tobacco products are made available for sale to all distributors on an ongoing basis at which~~  
61.10 a distributor purchases a tobacco product without any reduction for federal excise taxes,  
61.11 freight charges, discounts, packaging, or other reductions. Wholesale sales price includes  
61.12 the applicable federal excise tax regardless of whether it is included in the purchase price.

61.13 **EFFECTIVE DATE.** This section is effective for purchases made after December  
61.14 31, 2012.

61.15 Sec. 5. Minnesota Statutes 2010, section 297G.04, subdivision 2, is amended to read:

61.16 Subd. 2. **Tax credit.** A qualified brewer producing fermented malt beverages  
61.17 is entitled to a tax credit of \$4.60 per barrel on 25,000 barrels sold in any fiscal year  
61.18 beginning July 1, regardless of the alcohol content of the product. Qualified brewers may  
61.19 take the credit on the 18th day of each month, but the total credit allowed may not exceed  
61.20 in any fiscal year the lesser of:

- 61.21 (1) the liability for tax; or  
61.22 (2) \$115,000.

61.23 For purposes of this subdivision, a "qualified brewer" means a brewer, whether  
61.24 or not located in this state, manufacturing less than 100,000 barrels of fermented malt  
61.25 beverages in the calendar year immediately preceding the ~~calendar~~ fiscal year for which  
61.26 the credit under this subdivision is claimed. In determining the number of barrels, all  
61.27 brands or labels of a brewer must be combined. All facilities for the manufacture of  
61.28 fermented malt beverages owned or controlled by the same person, corporation, or other  
61.29 entity must be treated as a single brewer. A brewer is owned or controlled when more than  
61.30 50 percent of the voting stock of each member of the group is directly or indirectly owned  
61.31 by a common owner or by common owners, whether they are corporate or noncorporate.

61.32 **EFFECTIVE DATE.** This section is effective for claims filed after December  
61.33 31, 2012.

62.1 Sec. 6. Minnesota Statutes 2011 Supplement, section 297I.05, subdivision 7, is  
62.2 amended to read:

62.3 Subd. 7. **Nonadmitted insurance premium tax.** (a) A tax is imposed on surplus  
62.4 lines brokers. The rate of tax is equal to three percent of the gross premiums less return  
62.5 premiums paid by an insured whose home state is Minnesota.

62.6 (b) A tax is imposed on ~~persons, firms, or corporations~~ a person, firm, corporation,  
62.7 or purchasing group as defined in section 60E.02, or any member of a purchasing group,  
62.8 that procure insurance directly from a nonadmitted insurer. The rate of tax is equal to two  
62.9 percent of the gross premiums less return premiums paid by an insured whose home  
62.10 state is Minnesota.

62.11 (c) No state other than the home state of an insured may require any premium tax  
62.12 payment for nonadmitted insurance. When Minnesota is the home state of the insured,  
62.13 as provided under section 297I.01, 100 percent of the gross premiums are taxable in  
62.14 Minnesota with no allocation of the tax to other states.

62.15 **EFFECTIVE DATE.** This section is effective for premiums received after  
62.16 December 31, 2012.

62.17 Sec. 7. Minnesota Statutes 2010, section 297I.05, subdivision 11, is amended to read:

62.18 Subd. 11. **Retaliatory provisions.** (a) If any other state or country imposes any  
62.19 taxes, fines, deposits, penalties, licenses, or fees upon any insurance companies of this  
62.20 state and their agents doing business in another state or country that are in addition to or in  
62.21 excess of those imposed by the laws of this state upon foreign insurance companies and  
62.22 their agents doing business in this state, the same taxes, fines, deposits, penalties, licenses,  
62.23 and fees are imposed upon every similar insurance company of that state or country and  
62.24 their agents doing or applying to do business in this state.

62.25 (b) If any conditions precedent to the right to do business in any other state or  
62.26 country are imposed by the laws of that state or country, beyond those imposed upon  
62.27 foreign companies by the laws of this state, the same conditions precedent are imposed  
62.28 upon every similar insurance company of that state or country and their agents doing or  
62.29 applying to do business in that state.

62.30 (c) For purposes of this subdivision, "taxes, fines, deposits, penalties, licenses, or  
62.31 fees" means an amount of money that is deposited in the general revenue fund of the state  
62.32 or other similar fund in another state or country and is not dedicated to a special purpose  
62.33 or use or money deposited in the general revenue fund of the state or other similar fund in  
62.34 another state or country and appropriated to the commissioner of commerce or insurance

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63.1 for the operation of the Department of Commerce or other similar agency with jurisdiction  
63.2 over insurance. Taxes, fines, deposits, penalties, licenses, or fees do not include:

63.3 (1) special purpose obligations or assessments imposed in connection with particular  
63.4 kinds of insurance, including but not limited to assessments imposed in connection with  
63.5 residual market mechanisms; or

63.6 (2) assessments made by the insurance guaranty association, life and health  
63.7 guarantee association, or similar association.

63.8 (d) This subdivision applies to taxes imposed under subdivisions 1~~;~~ 3~~;~~ 4~~;~~ 6, and 12,  
63.9 paragraph (a), clauses (1) and (2); and 14.

63.10 (e) This subdivision does not apply to insurance companies organized or domiciled  
63.11 in a state or country, the laws of which do not impose retaliatory taxes, fines, deposits,  
63.12 penalties, licenses, or fees or which grant, on a reciprocal basis, exemptions from  
63.13 retaliatory taxes, fines, deposits, penalties, licenses, or fees to insurance companies  
63.14 domiciled in this state.

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

63.16 Sec. 8. Minnesota Statutes 2011 Supplement, section 297I.05, subdivision 12, is  
63.17 amended to read:

63.18 Subd. 12. **Other entities.** (a) A tax is imposed equal to two percent of:

63.19 (1) gross premiums less return premiums written for risks resident or located in  
63.20 Minnesota by a risk retention group;

63.21 (2) gross premiums less return premiums received by an attorney in fact acting  
63.22 in accordance with chapter 71A;

63.23 (3) gross premiums less return premiums received pursuant to assigned risk policies  
63.24 and contracts of coverage under chapter 79; and

63.25 (4) the direct funded premium received by the reinsurance association under section  
63.26 79.34 from self-insurers approved under section 176.181 and political subdivisions that  
63.27 self-insure; and

63.28 ~~(5) gross premiums less return premiums paid to an insurer other than a licensed~~  
63.29 ~~insurance company or a surplus lines broker for coverage of risks resident or located in~~  
63.30 ~~Minnesota by a purchasing group or any members of the purchasing group to a broker or~~  
63.31 ~~agent for the purchasing group.~~

63.32 (b) A tax is imposed on a joint self-insurance plan operating under chapter 60F. The  
63.33 rate of tax is equal to two percent of the total amount of claims paid during the fund year,  
63.34 with no deduction for claims wholly or partially reimbursed through stop-loss insurance.

64.1 (c) A tax is imposed on a joint self-insurance plan operating under chapter 62H.  
64.2 The rate of tax is equal to two percent of the total amount of claims paid during the  
64.3 fund's fiscal year, with no deduction for claims wholly or partially reimbursed through  
64.4 stop-loss insurance.

64.5 (d) A tax is imposed equal to the tax imposed under section 297I.05, subdivision 5,  
64.6 on the gross premiums less return premiums on all coverages received by an accountable  
64.7 provider network or agents of an accountable provider network in Minnesota, in cash or  
64.8 otherwise, during the year.

64.9 **EFFECTIVE DATE.** This section is effective for premiums received after  
64.10 December 31, 2012.

64.11 Sec. 9. **[297I.11] AUTOMOBILE THEFT PREVENTION SURCHARGE.**

64.12 **Subdivision 1. Surcharge.** Each insurer engaged in the writing of policies of  
64.13 automobile insurance shall collect a surcharge, at the rate of 50 cents per vehicle  
64.14 for every six months of coverage, on each policy of automobile insurance providing  
64.15 comprehensive insurance coverage issued or renewed in this state. The surcharge may not  
64.16 be considered premium for any purpose, including the computation of premium tax or  
64.17 agents' commissions. The amount of the surcharge must be separately stated on either a  
64.18 billing or policy declaration sent to an insured. Insurers shall remit the revenue derived  
64.19 from this surcharge to the commissioner of revenue for purposes of the automobile theft  
64.20 prevention program described in section 65B.84. For purposes of this subdivision, "policy  
64.21 of automobile insurance" has the meaning given it in section 65B.14, covering only the  
64.22 following types of vehicles as defined in section 168.002:

64.23 (1) a passenger automobile;

64.24 (2) a pickup truck;

64.25 (3) a van but not commuter vans as defined in section 168.126; or

64.26 (4) a motorcycle,

64.27 except that no vehicle with a gross vehicle weight in excess of 10,000 pounds is included  
64.28 within this definition.

64.29 **Subd. 2. Automobile theft prevention account.** A special revenue account in  
64.30 the state treasury shall be credited with the proceeds of the surcharge imposed under  
64.31 subdivision 1. Of the revenue in the account, \$1,300,000 each year must be transferred to  
64.32 the general fund. Revenues in excess of \$1,300,000 each year may be used only for the  
64.33 automobile theft prevention program described in section 65B.84.



65.1            Subd. 3. **Collection and administration.** The commissioner shall collect and  
65.2 administer the surcharge imposed by this section in the same manner as the taxes imposed  
65.3 by this chapter. The commissioner is appropriated annually, from the automobile theft  
65.4 prevention special revenue account, an amount to reimburse the Department of Revenue  
65.5 for the costs incurred in administering and collecting the surcharge imposed under  
65.6 subdivision 1.

65.7            **EFFECTIVE DATE.** This section is effective for premiums collected after June  
65.8 30, 2012.

65.9            Sec. 10. Minnesota Statutes 2011 Supplement, section 297I.30, subdivision 1, is  
65.10 amended to read:

65.11            Subdivision 1. **General rule.** On or before March 1, every taxpayer subject to  
65.12 taxation under section 297I.05, subdivisions 1 to 5<sub>2</sub>; 7, paragraph (b)<sub>2</sub>; 12, paragraphs (a),  
65.13 ~~clauses (1) to (4), (b), (c), and (d)<sub>2</sub>~~; and 14, shall file an annual return for the preceding  
65.14 calendar year in the form prescribed by the commissioner.

65.15            **EFFECTIVE DATE.** This section is effective for premiums received after  
65.16 December 31, 2012.

65.17            Sec. 11. Minnesota Statutes 2011 Supplement, section 297I.30, subdivision 2, is  
65.18 amended to read:

65.19            Subd. 2. ~~**Surplus lines brokers and purchasing groups.**~~ On or before February  
65.20 15 and August 15 of each year, every surplus lines broker subject to taxation under  
65.21 section 297I.05, subdivision 7, paragraph (a), ~~and every purchasing group or member of~~  
65.22 ~~a purchasing group subject to tax under section 297I.05, subdivision 12, paragraph (a),~~  
65.23 ~~clause (5)~~; shall file a return with the commissioner for the preceding six-month period  
65.24 ending December 31, or June 30, in the form prescribed by the commissioner.

65.25            **EFFECTIVE DATE.** This section is effective for premiums received after  
65.26 December 31, 2012.

65.27            Sec. 12. Minnesota Statutes 2010, section 297I.30, is amended by adding a subdivision  
65.28 to read:

65.29            Subd. 10. **Automobile theft prevention surcharge.** On or before May 1, August  
65.30 1, November 1, and February 1 of each year, every insurer required to pay the surcharge  
65.31 under section 297I.11 shall file a return with the commissioner for the preceding

66.1 three-month period ending March 31, June 30, September 30, and December 31, in the  
66.2 form prescribed by the commissioner.

66.3 **EFFECTIVE DATE.** This section is effective for premiums collected after June  
66.4 30, 2012.

66.5 Sec. 13. Minnesota Statutes 2010, section 383A.80, subdivision 4, is amended to read:

66.6 Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
66.7 January 1, ~~2013~~ 2015.

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

66.9 Sec. 14. Minnesota Statutes 2010, section 383B.80, subdivision 4, is amended to read:

66.10 Subd. 4. **Expiration.** The authority to impose the tax under this section expires  
66.11 January 1, ~~2013~~ 2015.

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

66.13 Sec. 15. Laws 2011, First Special Session chapter 7, article 10, section 7, is amended to  
66.14 read:

66.15 Sec. 7. **PURPOSE STATEMENTS; TAX EXPENDITURES.**

66.16 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under  
66.17 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax  
66.18 expenditure provide a purpose for the tax expenditure and a standard or goal against  
66.19 which its effectiveness may be measured.

66.20 Subd. 2. **Estate tax exclusion for qualified farm and small business property.**

66.21 The provisions of article 1, sections 3 through 8, providing an estate tax subtraction of  
66.22 the combined value of qualified farm property and qualified small business property up  
66.23 to \$4,000,000 from the federal adjusted taxable estate, are intended to provide estate tax  
66.24 reductions to owner-operators of family farms and small businesses to allow retention and  
66.25 continued operation of those farms and businesses by the families.

66.26 Subd. 3. **Federal update.** The provisions of article 2, conforming Minnesota  
66.27 individual income, corporate franchise, and estate taxes to changes in federal law, are  
66.28 intended to simplify compliance with and administration of those taxes.

66.29 Subd. 4. **Sales tax exemption for ring tones.** The provisions of article 3, section 1,  
66.30 exempting ring tones from sales taxation are intended (1) to bring the state of Minnesota  
66.31 into compliance with the requirements of the streamlined sales tax agreement and (2) to  
66.32 simplify the tax and to make compliance with the sales tax by remote sellers easier to

67.1 encourage congress to enact federal legislation allowing state and local governments to  
67.2 require remote sellers to collect use tax on behalf of the state and its local governments.

67.3 Subd. 5. **Materials used in minerals processing equipment.** The provisions of  
67.4 article 3, section 6, extending the sales tax exemption for certain ~~equipment~~ milling and  
67.5 grinding materials used in processing ~~of~~ minerals is intended to provide sales tax treatment  
67.6 for the nonferrous mining industry equivalent to that provided to the taconite mining  
67.7 industry. Because these purchases are intermediate inputs to production, the legislature  
67.8 does not consider this allowance to be a tax expenditure.

67.9 Subd. 6. **Sales tax exemption for on resold admission tickets.** The provisions  
67.10 of article 3, section 8, ~~providing an exemption for resold admission tickets by~~ allowing  
67.11 resale ticket sellers (ticket resellers) to claim a refund or provide a credit to the purchaser  
67.12 of resold tickets for the value of sales tax paid on the original ticket, is intended to reduce  
67.13 the competitive advantage of ticket resellers that do not have nexus in Minnesota ~~requiring~~  
67.14 ~~them to collect Minnesota sales tax and to ensure~~ while ensuring that resold the overall  
67.15 sales tax remitted on admission tickets that are subject to sold to individuals or ticket  
67.16 resellers, and then finally resold by ticket resellers, equals or exceeds sales tax only on the  
67.17 ~~full~~, sales price on the final retail price sale of the tickets. As a result, the legislature does  
67.18 not consider this to be a tax expenditure.

67.19 Subd. 7. **Sales tax exemption for sales to townships.** The provisions of article 3,  
67.20 sections 10 and 11, exempting goods and services purchased by townships, is intended  
67.21 to provide state assistance for the functions of Minnesota townships not exempted under  
67.22 current law.

67.23 Subd. 8. **Sales tax exemption; water purchases.** The provisions of article 3,  
67.24 section 11, exempting water purchases by fire departments, fire protection districts, and  
67.25 fire companies is intended to provide state assistance for this public safety function  
67.26 of Minnesota local governments.

67.27 Subd. 9. **Emergency vehicles.** The provisions of article 3, section 12, extending  
67.28 the sales tax exemption for lease of ambulances to other emergency vehicles are intended  
67.29 to clarify the exemption and to provide consistent treatment of emergency vehicles. The  
67.30 underlying purpose of the exemption is to provide state assistance to local governments  
67.31 and other organizations that provide emergency response services.

67.32 **EFFECTIVE DATE.** This section is effective retroactively from July 21, 2011.

67.33 Sec. 16. **REPEALER.**

67.34 Minnesota Statutes 2010, section 168A.40, subdivisions 3 and 4, are repealed.

68.1 EFFECTIVE DATE. This section is effective for premiums collected after June  
68.2 30, 2012.

68.3 **ARTICLE 5**

68.4 **DEPARTMENT POLICY AND TECHNICAL: MINERALS**

68.5 Section 1. Minnesota Statutes 2011 Supplement, section 272.02, subdivision 97,  
68.6 is amended to read:

68.7 Subd. 97. **Property used in business of mining subject to net proceeds tax.** The  
68.8 following property used in the business of mining that is subject to the net proceeds tax  
68.9 under section 298.015 is exempt:

68.10 (1) deposits of ores, metals, and minerals and the lands in which they are contained;

68.11 (2) all real and personal property used in mining, quarrying, producing, or refining  
68.12 ores, minerals, or metals, including lands occupied by or used in connection with the  
68.13 mining, quarrying, production, or ore refining facilities; and

68.14 (3) concentrate ~~or direct reduced ore.~~

68.15 This exemption applies for each year that a person subject to tax under section  
68.16 298.015 uses the property for mining, quarrying, producing, or refining ores, metals, or  
68.17 minerals.

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

68.19 Sec. 2. Minnesota Statutes 2011 Supplement, section 298.01, subdivision 3, is  
68.20 amended to read:

68.21 Subd. 3. **Occupation tax; other ores.** Every person engaged in the business of  
68.22 mining, refining, or producing ores, metals, or minerals in this state, except iron ore or  
68.23 taconite concentrates, shall pay an occupation tax to the state of Minnesota as provided  
68.24 in this subdivision. For purposes of this subdivision, mining includes the application of  
68.25 hydrometallurgical processes. Hydrometallurgical processes are processes that extract  
68.26 the ores, metals, or minerals, by use of aqueous solutions that leach, concentrate, and  
68.27 recover the ore, metal, or mineral. The tax is determined in the same manner as the tax  
68.28 imposed by section 290.02, except that sections 290.05, subdivision 1, clause (a), 290.17,  
68.29 subdivision 4, and 290.191, subdivision 2, do not apply, and the occupation tax must  
68.30 be computed by applying to taxable income the rate of 2.45 percent. A person subject  
68.31 to occupation tax under this section shall apportion its net income on the basis of the  
68.32 percentage obtained by taking the sum of:

69.1 (1) 75 percent of the percentage which the sales made within this state in connection  
69.2 with the trade or business during the tax period are of the total sales wherever made in  
69.3 connection with the trade or business during the tax period;

69.4 (2) 12.5 percent of the percentage which the total tangible property used by the  
69.5 taxpayer in this state in connection with the trade or business during the tax period is of  
69.6 the total tangible property, wherever located, used by the taxpayer in connection with the  
69.7 trade or business during the tax period; and

69.8 (3) 12.5 percent of the percentage which the taxpayer's total payrolls paid or incurred  
69.9 in this state or paid in respect to labor performed in this state in connection with the trade  
69.10 or business during the tax period are of the taxpayer's total payrolls paid or incurred in  
69.11 connection with the trade or business during the tax period.

69.12 The tax is in addition to all other taxes.

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

69.14 Sec. 3. Minnesota Statutes 2010, section 298.018, subdivision 2, is amended to read:

69.15 Subd. 2. **Outside taconite assistance area.** The proceeds of the tax paid under  
69.16 sections 298.015 to 298.017 on ores, metals, or minerals ~~and energy resources~~ mined  
69.17 or extracted outside of the taconite assistance area defined in section 273.1341, shall  
69.18 be deposited in the general fund.

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

## 69.20 **ARTICLE 6**

### 69.21 **DEPARTMENT POLICY AND TECHNICAL: MISCELLANEOUS**

69.22 Section 1. Minnesota Statutes 2010, section 16A.46, is amended to read:

#### 69.23 **16A.46 LOST OR DESTROYED WARRANT DUPLICATE; INDEMNITY.**

69.24 Subdivision 1. **Duplicate warrant.** The commissioner may issue a duplicate  
69.25 of an unpaid warrant to an owner if the owner certifies that the original was lost or  
69.26 destroyed. The commissioner may require certification be documented by affidavit.  
69.27 The commissioner may refuse to issue a duplicate of an unpaid state warrant. If the  
69.28 commissioner acts in good faith the commissioner is not liable, whether the application is  
69.29 granted or denied.

69.30 Subd. 2. **Original warrant is void.** When the duplicate is issued, the original is  
69.31 void. The commissioner may require an indemnity bond from the applicant to the state for  
69.32 double the amount of the warrant for anyone damaged by the issuance of the duplicate.

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70.1 The commissioner ~~may refuse to issue a duplicate of an unpaid state warrant. If the~~  
70.2 ~~commissioner acts in good faith the commissioner is not liable, whether the application is~~  
70.3 ~~granted or denied~~ is not liable to any holder who took the void original warrant for value,  
70.4 whether the commissioner required an indemnity bond from the applicant or not.

70.5 Subd. 3. Unpaid refund or rebate. For an unpaid refund or rebate issued under a  
70.6 tax law administered by the commissioner of revenue that has been lost or destroyed, an  
70.7 affidavit is not required for the commissioner to issue a duplicate if the duplicate is issued  
70.8 to the same name and Social Security number as the original warrant and that information  
70.9 is verified on a tax return filed by the recipient.

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

70.11 Sec. 2. Minnesota Statutes 2010, section 270C.38, subdivision 1, is amended to read:

70.12 Subdivision 1. **Sufficient notice.** (a) If no method of notification of a written  
70.13 determination or action of the commissioner is otherwise specifically provided for by  
70.14 law, notice of the determination or action sent postage prepaid by United States mail to  
70.15 the taxpayer or other person affected by the determination or action at the taxpayer's  
70.16 or person's last known address, is sufficient. If the taxpayer or person being notified is  
70.17 deceased or is under a legal disability, or, in the case of a corporation being notified that  
70.18 has terminated its existence, notice to the last known address of the taxpayer, person, or  
70.19 corporation is sufficient, unless the department has been provided with a new address by a  
70.20 party authorized to receive notices from the commissioner.

70.21 (b) If a taxpayer or other person agrees to accept notification by electronic means,  
70.22 notice of a determination or action of the commissioner sent by electronic mail to the  
70.23 taxpayer's or person's last known electronic mailing address as provided for in section  
70.24 325L.08 is sufficient.

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

70.26 Sec. 3. Minnesota Statutes 2010, section 270C.42, subdivision 2, is amended to read:

70.27 Subd. 2. **Penalty for failure to pay electronically.** In addition to other applicable  
70.28 penalties imposed by law, after notification from the commissioner to the taxpayer that  
70.29 payments for a tax payable to the commissioner are required to be made by electronic  
70.30 means, and the payments are remitted by some other means, there is a penalty in the  
70.31 amount of five percent of each payment that should have been remitted electronically.  
70.32 After the commissioner's initial notification to the taxpayer that payments are required to  
70.33 be made by electronic means, the commissioner is not required to notify the taxpayer in

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71.1 subsequent periods if the initial notification specified the amount of tax liability at which a  
71.2 taxpayer is required to remit payments by electronic means. The penalty can be abated  
71.3 under the abatement procedures prescribed in section 270C.34 if the failure to remit the  
71.4 payment electronically is due to reasonable cause. The penalty bears interest at the rate  
71.5 specified in section 270C.40 from the ~~due date of the payment of the tax~~ provided in  
71.6 section 270C.40, subdivision 3, to the date of payment of the penalty.

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

71.8 Sec. 4. Minnesota Statutes 2010, section 270C.69, subdivision 1, is amended to read:

71.9 Subdivision 1. **Notice and procedures.** (a) The commissioner may, within five years  
71.10 after the date of assessment of the tax, or if a lien has been filed under section 270C.63,  
71.11 within the statutory period for enforcement of the lien, give notice to any employer  
71.12 deriving income which has a taxable situs in this state regardless of whether the income is  
71.13 exempt from taxation, that an employee of that employer is delinquent in a certain amount  
71.14 with respect to any taxes, including penalties, interest, and costs. The commissioner can  
71.15 proceed under this section only if the tax is uncontested or if the time for appeal of the tax  
71.16 has expired. The commissioner shall not proceed under this section until the expiration of  
71.17 30 days after mailing to the taxpayer, at the taxpayer's last known address, a written notice  
71.18 of (1) the amount of taxes, interest, and penalties due from the taxpayer and demand for  
71.19 their payment, and (2) the commissioner's intention to require additional withholding by  
71.20 the taxpayer's employer pursuant to this section. The effect of the notice shall expire one  
71.21 year after it has been mailed to the taxpayer provided that the notice may be renewed by  
71.22 mailing a new notice which is in accordance with this section. The renewed notice shall  
71.23 have the effect of reinstating the priority of the original claim. The notice to the taxpayer  
71.24 shall be in substantially the same form as that provided in section 571.72. The notice  
71.25 shall further inform the taxpayer of the wage exemptions contained in section 550.37,  
71.26 subdivision 14. If no statement of exemption is received by the commissioner within 30  
71.27 days from the mailing of the notice, the commissioner may proceed under this section.  
71.28 The notice to the taxpayer's employer may be served by mail or by delivery by an agent of  
71.29 the department and shall be in substantially the same form as provided in section 571.75.  
71.30 Upon receipt of notice, the employer shall withhold from compensation due or to become  
71.31 due to the employee, the total amount shown by the notice, subject to the provisions of  
71.32 section 571.922. The employer shall continue to withhold each pay period until the notice  
71.33 is released by the commissioner under section 270C.7109. Upon receipt of notice by the  
71.34 employer, the claim of the state of Minnesota shall have priority over any subsequent  
71.35 garnishments or wage assignments. The commissioner may arrange between the employer

72.1 and the employee for withholding a portion of the total amount due the employee each pay  
72.2 period, until the total amount shown by the notice plus accrued interest has been withheld.

72.3 (b) The "compensation due" any employee is defined in accordance with the  
72.4 provisions of section 571.921. The maximum withholding allowed under this section for  
72.5 any one pay period shall be decreased by any amounts payable pursuant to a garnishment  
72.6 action with respect to which the employer was served prior to being served with the notice  
72.7 of delinquency and any amounts covered by any irrevocable and previously effective  
72.8 assignment of wages; the employer shall give notice to the commissioner of the amounts  
72.9 and the facts relating to such assignments within ten days after the service of the notice of  
72.10 delinquency on the form provided by the commissioner as noted in this section.

72.11 (c) Within ten days after the expiration of such pay period, the employer shall remit  
72.12 to the commissioner, on a form and in the manner prescribed by the commissioner, the  
72.13 amount withheld during each pay period under this section. The employer must file all  
72.14 wage levy disclosure forms and remit all wage levy payments by electronic means. The  
72.15 requirement in this section to use electronic means may be waived by the commissioner  
72.16 if the commissioner determines that the requirement causes an undue hardship. The  
72.17 employer must request the waiver in the form and manner prescribed by the commissioner  
72.18 before making their payment or submitting their disclosure form by mail. In determining  
72.19 whether the electronic means requirement causes an undue hardship the commissioner  
72.20 may consider unusual circumstances which may prevent the employer from using  
72.21 electronic means and any other factor that the commissioner determines is pertinent.  
72.22 "Unusual circumstances" includes not having access to a telephone or a computer, being  
72.23 physically unable to use a telephone or a computer, or the telephone or computer system  
72.24 available to the employer is incompatible with the department's system used for electronic  
72.25 filing or payments.

72.26 **EFFECTIVE DATE.** This section is effective for wage levy disclosures or wage  
72.27 levy payments filed or made after December 31, 2012.

72.28 Sec. 5. Minnesota Statutes 2010, section 287.385, subdivision 7, is amended to read:

72.29 Subd. 7. **Interest on penalties.** A penalty imposed under this chapter bears interest  
72.30 from the date ~~payment was required to be paid, including any extensions,~~ provided in  
72.31 section 270C.40, subdivision 3, to the date of payment of the penalty.

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

72.33 Sec. 6. Minnesota Statutes 2010, section 289A.55, subdivision 9, is amended to read:



73.1 Subd. 9. **Interest on penalties.** (a) A penalty imposed under section 289A.60,  
73.2 subdivision 1, 2, 2a, 4, 5, 6, or 21 bears interest from the date ~~the return or payment~~  
73.3 ~~was required to be filed or paid, including any extensions~~ provided in section 270C.40,  
73.4 subdivision 3, to the date of payment of the penalty.

73.5 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
73.6 60 days from the date of notice. In that case interest is imposed from the date of notice  
73.7 to the date of payment.

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

73.9 Sec. 7. Minnesota Statutes 2010, section 289A.60, subdivision 4, is amended to read:

73.10 Subd. 4. **Substantial understatement of liability; penalty.** (a) The commissioner  
73.11 of revenue shall impose a penalty for substantial understatement of any tax payable to the  
73.12 commissioner, except a tax imposed under chapter 297A.

73.13 (b) There must be added to the tax an amount equal to 20 percent of the amount of any  
73.14 underpayment attributable to the understatement. There is a substantial understatement of  
73.15 tax for the period if the amount of the understatement for the period exceeds the greater of:

73.16 (1) ten percent of the tax required to be shown on the return for the period; or

73.17 (2)(i) \$10,000 in the case of a mining company or a corporation, other than an S  
73.18 corporation as defined in section 290.9725, when the tax is imposed by chapter 290 or  
73.19 section 298.01 or 298.015, or

73.20 (ii) \$5,000 in the case of any other taxpayer, and in the case of a mining company or  
73.21 a corporation any tax not imposed by chapter 290 or section 298.01 or 298.015.

73.22 (c) For a corporation, other than an S corporation, there is also a substantial  
73.23 understatement of tax for any taxable year if the amount of the understatement for the  
73.24 taxable year exceeds the lesser of:

73.25 (1) ten percent of the tax required to be shown on the return for the taxable year  
73.26 (or, if greater, \$10,000); or

73.27 (2) \$10,000,000.

73.28 (d) The term "understatement" means the excess of the amount of the tax required  
73.29 to be shown on the return for the period, over the amount of the tax imposed that is  
73.30 shown on the return. The excess must be determined without regard to items to which  
73.31 subdivision 27 applies. The amount of the understatement shall be reduced by that part of  
73.32 the understatement that is attributable to the tax treatment of any item by the taxpayer if  
73.33 (1) there is or was substantial authority for the treatment, or (2)(i) any item with respect to  
73.34 which the relevant facts affecting the item's tax treatment are adequately disclosed in the  
73.35 return or in a statement attached to the return and (ii) there is a reasonable basis for the tax

74.1 treatment of the item. The exception for substantial authority under clause (1) does not  
74.2 apply to positions listed by the Secretary of the Treasury under section 6662(d)(3) of the  
74.3 Internal Revenue Code. A corporation does not have a reasonable basis for its tax treatment  
74.4 of an item attributable to a multiple-party financing transaction if the treatment does not  
74.5 clearly reflect the income of the corporation within the meaning of section 6662(d)(2)(B)  
74.6 of the Internal Revenue Code. The special rules in cases involving tax shelters provided in  
74.7 section 6662(d)(2)(C) of the Internal Revenue Code shall apply and shall apply to a tax  
74.8 shelter the principal purpose of which is the avoidance or evasion of state taxes.

74.9 (e) The commissioner may abate all or any part of the addition to the tax provided  
74.10 by this section on a showing by the taxpayer that there was reasonable cause for the  
74.11 understatement, or part of it, and that the taxpayer acted in good faith. The additional tax  
74.12 and penalty shall bear interest ~~at the rate~~ as specified in section 270C.40 ~~from the time~~  
74.13 ~~the tax should have been paid~~ until paid.

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

74.15 Sec. 8. Minnesota Statutes 2010, section 296A.22, is amended to read:

74.16 **296A.22 NONPAYMENT OF TAX; CIVIL PENALTIES.**

74.17 Subdivision 1. **Penalty for failure to pay tax, general rule.** Upon the failure of  
74.18 any person to pay any tax or fee when due, a penalty of one percent per day for the first  
74.19 ten days of delinquency shall accrue, and thereafter the tax, fees, and penalty shall bear  
74.20 interest at the rate specified in section 270C.40 until paid.

74.21 Subd. 2. **Collection authority.** Upon such a failure to pay any tax or fees within the  
74.22 time provided by this chapter, all taxes and fees imposed by this chapter shall become  
74.23 immediately due and payable, and may be collected as provided in chapter 270C.

74.24 Subd. 3. **Operating without license.** If any person operates as a distributor, special  
74.25 fuel dealer, bulk purchaser, or motor carrier without first securing the license required  
74.26 under this chapter, any tax or fee imposed by this chapter shall become immediately due  
74.27 and payable. A penalty of 25 percent is imposed upon the tax and fee due. The tax, and  
74.28 ~~fees, and penalty~~ shall bear interest at the rate specified in section 270C.40. The penalty  
74.29 imposed in this subdivision shall bear interest from the date provided in section 270C.40,  
74.30 subdivision 3, to the date of payment of the penalty.

74.31 Subd. 4. **Unlawful use of dyed fuel.** (a) If any dyed fuel is sold or held for sale by a  
74.32 person for any use which the person knows or has reason to know is not a nontaxable use  
74.33 of the fuel; or if any dyed fuel is held for use or used in a licensed motor vehicle or for any  
74.34 other use by a person for a use other than a nontaxable use and the person knew, or had

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75.1 reason to know, that the fuel was so dyed; or if a person willfully alters, or attempts to  
75.2 alter, the strength or composition of any dye or marking in any dyed fuel, then the person  
75.3 shall pay a penalty in addition to the tax, if any.

75.4 (b) Except as provided in paragraph (c), the amount of penalty under paragraph (a)  
75.5 for each act is the greater of \$1,000, or \$10 for each gallon of dyed fuel involved.

75.6 (c) With regard to a multiple violation under paragraph (a), the penalty shall be  
75.7 applied by increasing the amount in paragraph (b) by the product of (1) such amount, and  
75.8 (2) the number of prior penalties, if any, imposed by this section on the person, or a related  
75.9 person, or any predecessor of the person or related person.

75.10 (d) If a penalty is imposed under this subdivision on a business entity, each officer,  
75.11 employee, or agent of the entity who willfully participated in any act giving rise to the  
75.12 penalty is jointly and severally liable with the entity for the penalty.

75.13 Subd. 5. **Receiver appointed.** In the event a suit is instituted as provided in  
75.14 subdivision 2, the court shall, upon application, appoint a receiver of the property and  
75.15 business of the delinquent defendant for the purpose of impounding the same as security  
75.16 for any judgment which has been or may be recovered.

75.17 Subd. 6. **Sale prohibited under certain conditions.** No petroleum product shall  
75.18 be unloaded or sold by any person or distributor whose tax and fees are the basis for  
75.19 collection action under subdivision 2.

75.20 Subd. 7. **Payment of penalties.** The penalties imposed by this section are collected  
75.21 and paid in the same manner as taxes.

75.22 Subd. 8. **Penalties are additional.** The civil penalties imposed by this section are in  
75.23 addition to the criminal penalties imposed by this chapter.

75.24 Subd. 9. **Abatement of penalty.** (a) The commissioner may by written order  
75.25 abate any penalty imposed under this section, if in the commissioner's opinion there is  
75.26 reasonable cause to do so.

75.27 (b) A request for abatement of penalty must be filed with the commissioner within  
75.28 60 days of the date the notice stating that a penalty has been imposed was mailed to  
75.29 the taxpayer's last known address.

75.30 (c) If the commissioner issues an order denying a request for abatement of penalty,  
75.31 the taxpayer may file an administrative appeal as provided in section 270C.35 or appeal to  
75.32 Tax Court as provided in section 271.06. If the commissioner does not issue an order on  
75.33 the abatement request within 60 days from the date the request is received, the taxpayer  
75.34 may appeal to Tax Court as provided in section 271.06.

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

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76.1 Sec. 9. Minnesota Statutes 2010, section 297E.14, subdivision 7, is amended to read:

76.2 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297E.12,  
76.3 subdivision 1, 2, 3, 4, or 5, bears interest from the date ~~the return or payment was required~~  
76.4 ~~to be filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to  
76.5 the date of payment of the penalty.

76.6 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
76.7 ten days from the date of notice. In that case interest is imposed from the date of notice  
76.8 to the date of payment.

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

76.10 Sec. 10. Minnesota Statutes 2010, section 297F.09, subdivision 9, is amended to read:

76.11 Subd. 9. **Interest.** The amount of tax not timely paid, ~~together with any penalty~~  
76.12 ~~imposed in this section,~~ bears interest at the rate specified in section 270C.40 from the  
76.13 time such tax should have been paid until paid. The penalty imposed in this section bears  
76.14 interest from the date provided in section 270C.40, subdivision 3, to the date of payment  
76.15 of the penalty. Any interest and penalty is added to the tax and collected as a part of it.

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

76.17 Sec. 11. Minnesota Statutes 2010, section 297F.18, subdivision 7, is amended to read:

76.18 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297F.19,  
76.19 subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be~~  
76.20 ~~filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the  
76.21 date of payment of the penalty.

76.22 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
76.23 ten days from the date of the notice. In that case interest is imposed from the date of notice  
76.24 to the date of payment.

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

76.26 Sec. 12. Minnesota Statutes 2010, section 297G.09, subdivision 8, is amended to read:

76.27 Subd. 8. **Interest.** The amount of tax not timely paid, ~~together with any penalty~~  
76.28 ~~imposed by this chapter,~~ bears interest at the rate specified in section 270C.40 from the  
76.29 time the tax should have been paid until paid. Any penalty imposed by this chapter bears  
76.30 interest from the date provided in section 270C.40, subdivision 3, to the date of payment  
76.31 of the penalty. Any interest and penalty is added to the tax and collected as a part of it.

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

77.2 Sec. 13. Minnesota Statutes 2010, section 297G.17, subdivision 7, is amended to read:

77.3 Subd. 7. **Interest on penalties.** (a) A penalty imposed under section 297G.18,  
77.4 subdivisions 2 to 7, bears interest from the date ~~the return or payment was required to be~~  
77.5 ~~filed or paid, including any extensions~~ provided in section 270C.40, subdivision 3, to the  
77.6 date of payment of the penalty.

77.7 (b) A penalty not included in paragraph (a) bears interest only if it is not paid within  
77.8 ten days from the date of the notice. In that case interest is imposed from the date of notice  
77.9 to the date of payment.

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

77.11 Sec. 14. Minnesota Statutes 2010, section 297I.80, subdivision 1, is amended to read:

77.12 Subdivision 1. **Payable to commissioner.** (a) When interest is required under this  
77.13 section, interest is computed at the rate specified in section 270C.40.

77.14 (b) If a tax or surcharge is not paid within the time named by law for payment, the  
77.15 unpaid tax or surcharge bears interest from the date the tax or surcharge should have been  
77.16 paid until the date the tax or surcharge is paid.

77.17 (c) Whenever a taxpayer is liable for additional tax or surcharge because of a  
77.18 redetermination by the commissioner or other reason, the additional tax or surcharge  
77.19 bears interest from the time the tax or surcharge should have been paid until the date the  
77.20 tax or surcharge is paid.

77.21 (d) A penalty bears interest from the date ~~the return or payment was required to be~~  
77.22 ~~filed or paid~~ provided in section 270C.40, subdivision 3, to the date of payment of the  
77.23 penalty.

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

## 77.25 **ARTICLE 7**

### 77.26 **ECONOMIC DEVELOPMENT PROVISIONS CLEANUP**

77.27 Section 1. Minnesota Statutes 2010, section 16C.16, subdivision 7, is amended to read:

77.28 Subd. 7. **Economically disadvantaged areas.** (a) Except as otherwise provided in  
77.29 paragraph (b), the commissioner may award up to a six percent preference in the amount  
77.30 bid on state procurement to small businesses located in an economically disadvantaged  
77.31 area.

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78.1 (b) The commissioner may award up to a four percent preference in the amount bid  
78.2 on state construction to small businesses located in an economically disadvantaged area.

78.3 (c) A business is located in an economically disadvantaged area if:

78.4 (1) the owner resides in or the business is located in a county in which the median  
78.5 income for married couples is less than 70 percent of the state median income for married  
78.6 couples;

78.7 (2) the owner resides in or the business is located in an area designated a labor  
78.8 surplus area by the United States Department of Labor; or

78.9 (3) the business is a certified rehabilitation facility or extended employment provider  
78.10 as described in chapter 268A.

78.11 (d) The commissioner may designate one or more areas designated as targeted  
78.12 neighborhoods under section 469.202 or as border city enterprise zones under section  
78.13 ~~469.167~~ 469.166 as economically disadvantaged areas for purposes of this subdivision  
78.14 if the commissioner determines that this designation would further the purposes of this  
78.15 section. If the owner of a small business resides or is employed in a designated area, the  
78.16 small business is eligible for any preference provided under this subdivision.

78.17 (e) The Department of Revenue shall gather data necessary to make the  
78.18 determinations required by paragraph (c), clause (1), and shall annually certify counties  
78.19 that qualify under paragraph (c), clause (1). An area designated a labor surplus area  
78.20 retains that status for 120 days after certified small businesses in the area are notified of  
78.21 the termination of the designation by the United States Department of Labor.

78.22 Sec. 2. Minnesota Statutes 2010, section 41A.036, subdivision 2, is amended to read:

78.23 Subd. 2. **Small business development loans; preferences.** The following eligible  
78.24 small businesses have preference among all business applicants for small business  
78.25 development loans:

78.26 (1) businesses located in rural areas of the state that are experiencing the most  
78.27 severe unemployment rates in the state;

78.28 (2) businesses that are likely to expand and provide additional permanent  
78.29 employment in rural areas of the state, or enhance the quality of existing jobs in those  
78.30 areas;

78.31 (3) businesses located in border communities that experience a competitive  
78.32 disadvantage due to location;

78.33 (4) businesses that have been unable to obtain traditional financial assistance due to  
78.34 a disadvantageous location, minority ownership, or other factors rather than due to the  
78.35 business having been considered a poor financial risk;

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79.1 (5) businesses that utilize state resources and reduce state dependence on outside  
79.2 resources, and that produce products or services consistent with the long-term social and  
79.3 economic needs of the state; and

79.4 (6) businesses located in ~~designated~~ border city enterprise zones, as described in  
79.5 section ~~469.168~~ 469.166.

79.6 Sec. 3. Minnesota Statutes 2010, section 117.025, subdivision 10, is amended to read:

79.7 Subd. 10. **Public service corporation.** "Public service corporation" means a  
79.8 utility, as defined by section 216E.01, subdivision 10; gas, electric, telephone, or cable  
79.9 communications company; cooperative association; natural gas pipeline company;  
79.10 crude oil or petroleum products pipeline company; municipal utility; municipality when  
79.11 operating its municipally owned utilities; joint venture created pursuant to section 452.25  
79.12 or 452.26; or municipal power or gas agency. Public service corporation also means a  
79.13 municipality or public corporation when operating an airport under chapter 360 or 473, a  
79.14 common carrier, a watershed district, or a drainage authority. ~~Public service corporation~~  
79.15 ~~also means an entity operating a regional distribution center within an international~~  
79.16 ~~economic development zone designated under section 469.322.~~

79.17 Sec. 4. Minnesota Statutes 2010, section 270B.14, subdivision 3, is amended to read:

79.18 Subd. 3. **Administration of enterprise, job opportunity, and biotechnology**  
79.19 **and health sciences industry zone programs.** The commissioner may disclose return  
79.20 information relating to the taxes imposed by chapters 290 and 297A to the Department of  
79.21 Employment and Economic Development or a municipality ~~receiving an~~ with a border  
79.22 city enterprise zone ~~designation as defined~~ under section ~~469.169~~ 469.166, but only as  
79.23 necessary to administer the funding limitations under section ~~469.169, subdivision 7,~~ or  
79.24 to the Department of Employment and Economic Development and appropriate officials  
79.25 from the local government units in which a qualified business is located but only as  
79.26 necessary to enforce the job opportunity building zone benefits under section 469.315, or  
79.27 biotechnology and health sciences industry zone benefits under section 469.336.

79.28 Sec. 5. Minnesota Statutes 2010, section 272.02, subdivision 77, is amended to read:

79.29 Subd. 77. **Property of housing and redevelopment authorities.** Property of  
79.30 projects of housing and redevelopment authorities are exempt to the extent permitted by  
79.31 ~~sections~~ section 469.042, subdivision 1, ~~and 469.043, subdivisions 2 and 5.~~

79.32 Sec. 6. Minnesota Statutes 2010, section 273.13, subdivision 24, is amended to read:

80.1 Subd. 24. **Class 3.** ~~(a)~~ Commercial and industrial property and utility real and  
80.2 personal property is class 3a.

80.3 (1) Except as otherwise provided, each parcel of commercial, industrial, or utility  
80.4 real property has a class rate of 1.5 percent of the first tier of market value, and 2.0 percent  
80.5 of the remaining market value. In the case of contiguous parcels of property owned by the  
80.6 same person or entity, only the value equal to the first-tier value of the contiguous parcels  
80.7 qualifies for the reduced class rate, except that contiguous parcels owned by the same  
80.8 person or entity shall be eligible for the first-tier value class rate on each separate business  
80.9 operated by the owner of the property, provided the business is housed in a separate  
80.10 structure. For the purposes of this subdivision, the first tier means the first \$150,000 of  
80.11 market value. Real property owned in fee by a utility for transmission line right-of-way  
80.12 shall be classified at the class rate for the higher tier.

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

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

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

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

80.34 Sec. 7. Minnesota Statutes 2010, section 273.1398, subdivision 4, is amended to read:



81.1 Subd. 4. **Disparity reduction credit.** (a) Beginning with taxes payable in 1989,  
81.2 class 4a, ~~and class 3a, and class 3b~~ property qualifies for a disparity reduction credit if: (1)  
81.3 the property is located in a border city that has an enterprise zone ~~designated pursuant to~~  
81.4 ~~section 469.168, subdivision 4,~~ as defined in section 469.166; (2) the property is located  
81.5 in a city with a population greater than 2,500 and less than 35,000 according to the  
81.6 1980 decennial census; (3) the city is adjacent to a city in another state or immediately  
81.7 adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the  
81.8 other state has a population of greater than 5,000 and less than 75,000 according to the  
81.9 1980 decennial census.

81.10 (b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a  
81.11 property to 2.3 percent of the property's market value and (ii) the tax on class 3a ~~and class~~  
81.12 ~~3b~~ property to 2.3 percent of market value.

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

81.16 Sec. 8. Minnesota Statutes 2010, section 276A.01, subdivision 3, is amended to read:

81.17 Subd. 3. **Commercial-industrial property.** "Commercial-industrial property"  
81.18 means the following categories of property, as defined in section 273.13, excluding that  
81.19 portion of the property (i) that may, by law, constitute the tax base for a tax increment  
81.20 pledged pursuant to ~~section 469.042 or 469.162 or~~ sections 469.174 to 469.178,  
81.21 certification of which was requested prior to May 1, 1996, to the extent and while the tax  
81.22 increment is so pledged; or (ii) that is exempt from taxation under section 272.02:

81.23 (1) that portion of class 5 property consisting of unmined iron ore and low-grade  
81.24 iron-bearing formations as defined in section 273.14, tools, implements, and machinery,  
81.25 except the portion of high voltage transmission lines, the value of which is deducted from  
81.26 net tax capacity under section 273.425; and

81.27 (2) that portion of class 3 and class 5 property which is either used or zoned for  
81.28 use for any commercial or industrial purpose, including property that becomes taxable  
81.29 under section 298.25, except for such property which is, or, in the case of property under  
81.30 construction, will when completed be used exclusively for residential occupancy and  
81.31 the provision of services to residential occupants thereof. Property must be considered  
81.32 as used exclusively for residential occupancy only if each of not less than 80 percent  
81.33 of its occupied residential units is, or, in the case of property under construction, will  
81.34 when completed be occupied under an oral or written agreement for occupancy over a  
81.35 continuous period of not less than 30 days.

82.1 If the classification of property prescribed by section 273.13 is modified by  
82.2 legislative amendment, the references in this subdivision are to the successor class or  
82.3 classes of property, or portions thereof, that include the kinds of property designated  
82.4 in this subdivision.

82.5 Sec. 9. Minnesota Statutes 2011 Supplement, section 290.01, subdivision 19b, is  
82.6 amended to read:

82.7 Subd. 19b. **Subtractions from federal taxable income.** For individuals, estates,  
82.8 and trusts, there shall be subtracted from federal taxable income:

82.9 (1) net interest income on obligations of any authority, commission, or  
82.10 instrumentality of the United States to the extent includable in taxable income for federal  
82.11 income tax purposes but exempt from state income tax under the laws of the United States;

82.12 (2) if included in federal taxable income, the amount of any overpayment of income  
82.13 tax to Minnesota or to any other state, for any previous taxable year, whether the amount  
82.14 is received as a refund or as a credit to another taxable year's income tax liability;

82.15 (3) the amount paid to others, less the amount used to claim the credit allowed under  
82.16 section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten  
82.17 to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and  
82.18 transportation of each qualifying child in attending an elementary or secondary school  
82.19 situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a  
82.20 resident of this state may legally fulfill the state's compulsory attendance laws, which  
82.21 is not operated for profit, and which adheres to the provisions of the Civil Rights Act  
82.22 of 1964 and chapter 363A. For the purposes of this clause, "tuition" includes fees or  
82.23 tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause,  
82.24 "textbooks" includes books and other instructional materials and equipment purchased  
82.25 or leased for use in elementary and secondary schools in teaching only those subjects  
82.26 legally and commonly taught in public elementary and secondary schools in this state.  
82.27 Equipment expenses qualifying for deduction includes expenses as defined and limited in  
82.28 section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional  
82.29 books and materials used in the teaching of religious tenets, doctrines, or worship, the  
82.30 purpose of which is to instill such tenets, doctrines, or worship, nor does it include books  
82.31 or materials for, or transportation to, extracurricular activities including sporting events,  
82.32 musical or dramatic events, speech activities, driver's education, or similar programs. No  
82.33 deduction is permitted for any expense the taxpayer incurred in using the taxpayer's or  
82.34 the qualifying child's vehicle to provide such transportation for a qualifying child. For

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83.1 purposes of the subtraction provided by this clause, "qualifying child" has the meaning  
83.2 given in section 32(c)(3) of the Internal Revenue Code;

83.3 (4) income as provided under section 290.0802;

83.4 (5) to the extent included in federal adjusted gross income, income realized on  
83.5 disposition of property exempt from tax under section 290.491;

83.6 (6) to the extent not deducted or not deductible pursuant to section 408(d)(8)(E)  
83.7 of the Internal Revenue Code in determining federal taxable income by an individual  
83.8 who does not itemize deductions for federal income tax purposes for the taxable year, an  
83.9 amount equal to 50 percent of the excess of charitable contributions over \$500 allowable  
83.10 as a deduction for the taxable year under section 170(a) of the Internal Revenue Code,  
83.11 under the provisions of Public Law 109-1 and Public Law 111-126;

83.12 (7) for individuals who are allowed a federal foreign tax credit for taxes that do not  
83.13 qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover  
83.14 of subnational foreign taxes for the taxable year, but not to exceed the total subnational  
83.15 foreign taxes reported in claiming the foreign tax credit. For purposes of this clause,  
83.16 "federal foreign tax credit" means the credit allowed under section 27 of the Internal  
83.17 Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed  
83.18 under section 904(c) of the Internal Revenue Code minus national level foreign taxes to  
83.19 the extent they exceed the federal foreign tax credit;

83.20 (8) in each of the five tax years immediately following the tax year in which an  
83.21 addition is required under subdivision 19a, clause (7), or 19c, clause (15), in the case  
83.22 of a shareholder of a corporation that is an S corporation, an amount equal to one-fifth  
83.23 of the delayed depreciation. For purposes of this clause, "delayed depreciation" means  
83.24 the amount of the addition made by the taxpayer under subdivision 19a, clause (7), or  
83.25 subdivision 19c, clause (15), in the case of a shareholder of an S corporation, minus the  
83.26 positive value of any net operating loss under section 172 of the Internal Revenue Code  
83.27 generated for the tax year of the addition. The resulting delayed depreciation cannot be  
83.28 less than zero;

83.29 (9) job opportunity building zone income as provided under section 469.316;

83.30 (10) to the extent included in federal taxable income, the amount of compensation  
83.31 paid to members of the Minnesota National Guard or other reserve components of the  
83.32 United States military for active service, excluding compensation for services performed  
83.33 under the Active Guard Reserve (AGR) program. For purposes of this clause, "active  
83.34 service" means (i) state active service as defined in section 190.05, subdivision 5a, clause  
83.35 (1); or (ii) federally funded state active service as defined in section 190.05, subdivision

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84.1 5b, but "active service" excludes service performed in accordance with section 190.08,  
84.2 subdivision 3;

84.3 (11) to the extent included in federal taxable income, the amount of compensation  
84.4 paid to Minnesota residents who are members of the armed forces of the United States  
84.5 or United Nations for active duty performed under United States Code, title 10; or the  
84.6 authority of the United Nations;

84.7 (12) an amount, not to exceed \$10,000, equal to qualified expenses related to a  
84.8 qualified donor's donation, while living, of one or more of the qualified donor's organs  
84.9 to another person for human organ transplantation. For purposes of this clause, "organ"  
84.10 means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow;  
84.11 "human organ transplantation" means the medical procedure by which transfer of a human  
84.12 organ is made from the body of one person to the body of another person; "qualified  
84.13 expenses" means unreimbursed expenses for both the individual and the qualified donor  
84.14 for (i) travel, (ii) lodging, and (iii) lost wages net of sick pay, except that such expenses  
84.15 may be subtracted under this clause only once; and "qualified donor" means the individual  
84.16 or the individual's dependent, as defined in section 152 of the Internal Revenue Code. An  
84.17 individual may claim the subtraction in this clause for each instance of organ donation for  
84.18 transplantation during the taxable year in which the qualified expenses occur;

84.19 (13) in each of the five tax years immediately following the tax year in which an  
84.20 addition is required under subdivision 19a, clause (8), or 19c, clause (16), in the case of a  
84.21 shareholder of a corporation that is an S corporation, an amount equal to one-fifth of the  
84.22 addition made by the taxpayer under subdivision 19a, clause (8), or 19c, clause (16), in the  
84.23 case of a shareholder of a corporation that is an S corporation, minus the positive value of  
84.24 any net operating loss under section 172 of the Internal Revenue Code generated for the  
84.25 tax year of the addition. If the net operating loss exceeds the addition for the tax year, a  
84.26 subtraction is not allowed under this clause;

84.27 (14) to the extent included in the federal taxable income of a nonresident of  
84.28 Minnesota, compensation paid to a service member as defined in United States Code, title  
84.29 10, section 101(a)(5), for military service as defined in the Servicemembers Civil Relief  
84.30 Act, Public Law 108-189, section 101(2);

84.31 (15) ~~international economic development zone income as provided under section~~  
84.32 ~~469.325;~~

84.33 (16) to the extent included in federal taxable income, the amount of national service  
84.34 educational awards received from the National Service Trust under United States Code,  
84.35 title 42, sections 12601 to 12604, for service in an approved Americorps National Service  
84.36 program;

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85.1 ~~(17)~~ (16) to the extent included in federal taxable income, discharge of indebtedness  
85.2 income resulting from reacquisition of business indebtedness included in federal taxable  
85.3 income under section 108(i) of the Internal Revenue Code. This subtraction applies only  
85.4 to the extent that the income was included in net income in a prior year as a result of the  
85.5 addition under section 290.01, subdivision 19a, clause (16); and

85.6 ~~(18)~~ (17) the amount of the net operating loss allowed under section 290.095,  
85.7 subdivision 11, paragraph (c).

85.8 Sec. 10. Minnesota Statutes 2010, section 290.01, subdivision 29, is amended to read:

85.9 Subd. 29. **Taxable income.** The term "taxable income" means:

85.10 (1) for individuals, estates, and trusts, the same as taxable net income;

85.11 (2) for corporations, the taxable net income less

85.12 (i) the net operating loss deduction under section 290.095;

85.13 (ii) the dividends received deduction under section 290.21, subdivision 4;

85.14 (iii) the exemption for operating in a job opportunity building zone under section  
85.15 469.317; and

85.16 (iv) the exemption for operating in a biotechnology and health sciences industry  
85.17 zone under section 469.337; ~~and~~

85.18 ~~(v) the exemption for operating in an international economic development zone~~  
85.19 ~~under section 469.326.~~

85.20 Sec. 11. Minnesota Statutes 2011 Supplement, section 290.06, subdivision 2c, is  
85.21 amended to read:

85.22 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income  
85.23 taxes imposed by this chapter upon married individuals filing joint returns and surviving  
85.24 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by  
85.25 applying to their taxable net income the following schedule of rates:

85.26 (1) On the first \$25,680, 5.35 percent;

85.27 (2) On all over \$25,680, but not over \$102,030, 7.05 percent;

85.28 (3) On all over \$102,030, 7.85 percent.

85.29 Married individuals filing separate returns, estates, and trusts must compute their  
85.30 income tax by applying the above rates to their taxable income, except that the income  
85.31 brackets will be one-half of the above amounts.

85.32 (b) The income taxes imposed by this chapter upon unmarried individuals must be  
85.33 computed by applying to taxable net income the following schedule of rates:

85.34 (1) On the first \$17,570, 5.35 percent;

86.1 (2) On all over \$17,570, but not over \$57,710, 7.05 percent;

86.2 (3) On all over \$57,710, 7.85 percent.

86.3 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying  
86.4 as a head of household as defined in section 2(b) of the Internal Revenue Code must be  
86.5 computed by applying to taxable net income the following schedule of rates:

86.6 (1) On the first \$21,630, 5.35 percent;

86.7 (2) On all over \$21,630, but not over \$86,910, 7.05 percent;

86.8 (3) On all over \$86,910, 7.85 percent.

86.9 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the  
86.10 tax of any individual taxpayer whose taxable net income for the taxable year is less than  
86.11 an amount determined by the commissioner must be computed in accordance with tables  
86.12 prepared and issued by the commissioner of revenue based on income brackets of not  
86.13 more than \$100. The amount of tax for each bracket shall be computed at the rates set  
86.14 forth in this subdivision, provided that the commissioner may disregard a fractional part of  
86.15 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

86.16 (e) An individual who is not a Minnesota resident for the entire year must compute  
86.17 the individual's Minnesota income tax as provided in this subdivision. After the  
86.18 application of the nonrefundable credits provided in this chapter, the tax liability must  
86.19 then be multiplied by a fraction in which:

86.20 (1) the numerator is the individual's Minnesota source federal adjusted gross income  
86.21 as defined in section 62 of the Internal Revenue Code and increased by the additions  
86.22 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12),  
86.23 (13), and (16) to (18), and reduced by the Minnesota assignable portion of the subtraction  
86.24 for United States government interest under section 290.01, subdivision 19b, clause (1),  
86.25 and the subtractions under section 290.01, subdivision 19b, clauses (8), (9), (13), (14),  
86.26 ~~(15), (17), (16)~~, and ~~(18)~~ (17), after applying the allocation and assignability provisions of  
86.27 section 290.081, clause (a), or 290.17; and

86.28 (2) the denominator is the individual's federal adjusted gross income as defined in  
86.29 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in  
86.30 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), and (16) to  
86.31 (18), and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1),  
86.32 (8), (9), (13), (14), ~~(15), (17)~~ (16), and ~~(18)~~ (17).

86.33 Sec. 12. Minnesota Statutes 2010, section 290.067, subdivision 1, is amended to read:

86.34 Subdivision 1. **Amount of credit.** (a) A taxpayer may take as a credit against the  
86.35 tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the

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87.1 dependent care credit for which the taxpayer is eligible pursuant to the provisions of  
87.2 section 21 of the Internal Revenue Code subject to the limitations provided in subdivision  
87.3 2 except that in determining whether the child qualified as a dependent, income received  
87.4 as a Minnesota family investment program grant or allowance to or on behalf of the child  
87.5 must not be taken into account in determining whether the child received more than half  
87.6 of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of  
87.7 the Internal Revenue Code do not apply.

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

87.17 (c) If a married couple:

87.18 (1) has a child who has not attained the age of one year at the close of the taxable  
87.19 year;

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

87.21 (3) does not participate in a dependent care assistance program as defined in section  
87.22 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid  
87.23 for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of  
87.24 (i) the combined earned income of the couple or (ii) the amount of the maximum limit for  
87.25 one qualified individual under section 21(c) and (d) of the Internal Revenue Code will  
87.26 be deemed to be the employment related expense paid for that child. The earned income  
87.27 limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed  
87.28 amount. These deemed amounts apply regardless of whether any employment-related  
87.29 expenses have been paid.

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

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

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

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

88.4 In the case of a nonresident, part-year resident, or a person who has earned income  
88.5 not subject to tax under this chapter including earned income excluded pursuant to section  
88.6 290.01, subdivision 19b, clause (9) ~~or (15)~~, the credit determined under section 21 of the  
88.7 Internal Revenue Code must be allocated based on the ratio by which the earned income  
88.8 of the claimant and the claimant's spouse from Minnesota sources bears to the total earned  
88.9 income of the claimant and the claimant's spouse.

88.10 For residents of Minnesota, the subtractions for military pay under section 290.01,  
88.11 subdivision 19b, clauses (10) and (11), are not considered "earned income not subject to  
88.12 tax under this chapter."

88.13 For residents of Minnesota, the exclusion of combat pay under section 112 of the  
88.14 Internal Revenue Code is not considered "earned income not subject to tax under this  
88.15 chapter."

88.16 Sec. 13. Minnesota Statutes 2011 Supplement, section 290.0671, subdivision 1,  
88.17 is amended to read:

88.18 Subdivision 1. **Credit allowed.** (a) An individual is allowed a credit against the tax  
88.19 imposed by this chapter equal to a percentage of earned income. To receive a credit, a  
88.20 taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

88.21 (b) For individuals with no qualifying children, the credit equals 1.9125 percent of  
88.22 the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned  
88.23 income or adjusted gross income, whichever is greater, in excess of \$5,770, but in no  
88.24 case is the credit less than zero.

88.25 (c) For individuals with one qualifying child, the credit equals 8.5 percent of the first  
88.26 \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than  
88.27 \$13,450. The credit is reduced by 5.73 percent of earned income or adjusted gross income,  
88.28 whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

88.29 (d) For individuals with two or more qualifying children, the credit equals ten  
88.30 percent of the first \$9,720 of earned income and 20 percent of earned income over  
88.31 \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income  
88.32 or adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is  
88.33 the credit less than zero.

88.34 (e) For a nonresident or part-year resident, the credit must be allocated based on the  
88.35 percentage calculated under section 290.06, subdivision 2c, paragraph (e).



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89.1 (f) For a person who was a resident for the entire tax year and has earned income  
89.2 not subject to tax under this chapter, including income excluded under section 290.01,  
89.3 subdivision 19b, clause (9) ~~or (15)~~, the credit must be allocated based on the ratio of  
89.4 federal adjusted gross income reduced by the earned income not subject to tax under  
89.5 this chapter over federal adjusted gross income. For purposes of this paragraph, the  
89.6 subtractions for military pay under section 290.01, subdivision 19b, clauses (10) and (11),  
89.7 are not considered "earned income not subject to tax under this chapter."

89.8 For the purposes of this paragraph, the exclusion of combat pay under section 112  
89.9 of the Internal Revenue Code is not considered "earned income not subject to tax under  
89.10 this chapter."

89.11 (g) For tax years beginning after December 31, 2007, and before December 31,  
89.12 2010, the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in  
89.13 paragraph (d), after being adjusted for inflation under subdivision 7, are each increased by  
89.14 \$3,000 for married taxpayers filing joint returns. For tax years beginning after December  
89.15 31, 2008, the commissioner shall annually adjust the \$3,000 by the percentage determined  
89.16 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in  
89.17 section 1(f)(3)(B), the word "2007" shall be substituted for the word "1992." For 2009,  
89.18 the commissioner shall then determine the percent change from the 12 months ending on  
89.19 August 31, 2007, to the 12 months ending on August 31, 2008, and in each subsequent  
89.20 year, from the 12 months ending on August 31, 2007, to the 12 months ending on August  
89.21 31 of the year preceding the taxable year. The earned income thresholds as adjusted  
89.22 for inflation must be rounded to the nearest \$10. If the amount ends in \$5, the amount  
89.23 is rounded up to the nearest \$10. The determination of the commissioner under this  
89.24 subdivision is not a rule under the Administrative Procedure Act.

89.25 (h) For tax years beginning after December 31, 2010, and before January 1, 2012,  
89.26 the \$5,770 in paragraph (b), the \$15,080 in paragraph (c), and the \$17,890 in paragraph  
89.27 (d), after being adjusted for inflation under subdivision 7, are each increased by \$5,000  
89.28 for married taxpayers filing joint returns. For tax years beginning after December 31,  
89.29 2010, and before January 1, 2012, the commissioner shall annually adjust the \$5,000  
89.30 by the percentage determined pursuant to the provisions of section 1(f) of the Internal  
89.31 Revenue Code, except that in section 1(f)(3)(B), the word "2008" shall be substituted for  
89.32 the word "1992." For 2011, the commissioner shall then determine the percent change  
89.33 from the 12 months ending on August 31, 2008, to the 12 months ending on August  
89.34 31, 2010. The earned income thresholds as adjusted for inflation must be rounded to  
89.35 the nearest \$10. If the amount ends in \$5, the amount is rounded up to the nearest \$10.

90.1 The determination of the commissioner under this subdivision is not a rule under the  
90.2 Administrative Procedure Act.

90.3 (i) The commissioner shall construct tables showing the amount of the credit at  
90.4 various income levels and make them available to taxpayers. The tables shall follow  
90.5 the schedule contained in this subdivision, except that the commissioner may graduate  
90.6 the transition between income brackets.

90.7 Sec. 14. Minnesota Statutes 2011 Supplement, section 290.091, subdivision 2, is  
90.8 amended to read:

90.9 Subd. 2. **Definitions.** For purposes of the tax imposed by this section, the following  
90.10 terms have the meanings given:

90.11 (a) "Alternative minimum taxable income" means the sum of the following for  
90.12 the taxable year:

90.13 (1) the taxpayer's federal alternative minimum taxable income as defined in section  
90.14 55(b)(2) of the Internal Revenue Code;

90.15 (2) the taxpayer's itemized deductions allowed in computing federal alternative  
90.16 minimum taxable income, but excluding:

90.17 (i) the charitable contribution deduction under section 170 of the Internal Revenue  
90.18 Code;

90.19 (ii) the medical expense deduction;

90.20 (iii) the casualty, theft, and disaster loss deduction; and

90.21 (iv) the impairment-related work expenses of a disabled person;

90.22 (3) for depletion allowances computed under section 613A(c) of the Internal  
90.23 Revenue Code, with respect to each property (as defined in section 614 of the Internal  
90.24 Revenue Code), to the extent not included in federal alternative minimum taxable income,  
90.25 the excess of the deduction for depletion allowable under section 611 of the Internal  
90.26 Revenue Code for the taxable year over the adjusted basis of the property at the end of the  
90.27 taxable year (determined without regard to the depletion deduction for the taxable year);

90.28 (4) to the extent not included in federal alternative minimum taxable income, the  
90.29 amount of the tax preference for intangible drilling cost under section 57(a)(2) of the  
90.30 Internal Revenue Code determined without regard to subparagraph (E);

90.31 (5) to the extent not included in federal alternative minimum taxable income, the  
90.32 amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

90.33 (6) the amount of addition required by section 290.01, subdivision 19a, clauses (7)  
90.34 to (9), (12), (13), and (16) to (18);

90.35 less the sum of the amounts determined under the following:

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- 91.1 (1) interest income as defined in section 290.01, subdivision 19b, clause (1);
- 91.2 (2) an overpayment of state income tax as provided by section 290.01, subdivision
- 91.3 19b, clause (2), to the extent included in federal alternative minimum taxable income;
- 91.4 (3) the amount of investment interest paid or accrued within the taxable year on
- 91.5 indebtedness to the extent that the amount does not exceed net investment income, as
- 91.6 defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include
- 91.7 amounts deducted in computing federal adjusted gross income;
- 91.8 (4) amounts subtracted from federal taxable income as provided by section 290.01,
- 91.9 subdivision 19b, clauses (6), (8) to ~~(15)~~ (14), and ~~(17)~~ (16); and
- 91.10 (5) the amount of the net operating loss allowed under section 290.095, subdivision
- 91.11 11, paragraph (c).

91.12 In the case of an estate or trust, alternative minimum taxable income must be

91.13 computed as provided in section 59(c) of the Internal Revenue Code.

91.14 (b) "Investment interest" means investment interest as defined in section 163(d)(3)

91.15 of the Internal Revenue Code.

91.16 (c) "Net minimum tax" means the minimum tax imposed by this section.

91.17 (d) "Regular tax" means the tax that would be imposed under this chapter (without

91.18 regard to this section and section 290.032), reduced by the sum of the nonrefundable

91.19 credits allowed under this chapter.

91.20 (e) "Tentative minimum tax" equals 6.4 percent of alternative minimum taxable

91.21 income after subtracting the exemption amount determined under subdivision 3.

91.22 Sec. 15. Minnesota Statutes 2010, section 290.0921, subdivision 3, is amended to read:

91.23 Subd. 3. **Alternative minimum taxable income.** "Alternative minimum taxable

91.24 income" is Minnesota net income as defined in section 290.01, subdivision 19, and

91.25 includes the adjustments and tax preference items in sections 56, 57, 58, and 59(d), (e),

91.26 (f), and (h) of the Internal Revenue Code. If a corporation files a separate company

91.27 Minnesota tax return, the minimum tax must be computed on a separate company basis.

91.28 If a corporation is part of a tax group filing a unitary return, the minimum tax must be

91.29 computed on a unitary basis. The following adjustments must be made.

91.30 (1) For purposes of the depreciation adjustments under section 56(a)(1) and

91.31 56(g)(4)(A) of the Internal Revenue Code, the basis for depreciable property placed in

91.32 service in a taxable year beginning before January 1, 1990, is the adjusted basis for federal

91.33 income tax purposes, including any modification made in a taxable year under section

91.34 290.01, subdivision 19e, or Minnesota Statutes 1986, section 290.09, subdivision 7,

91.35 paragraph (c).

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92.1 For taxable years beginning after December 31, 2000, the amount of any remaining  
92.2 modification made under section 290.01, subdivision 19e, or Minnesota Statutes 1986,  
92.3 section 290.09, subdivision 7, paragraph (c), not previously deducted is a depreciation  
92.4 allowance in the first taxable year after December 31, 2000.

92.5 (2) The portion of the depreciation deduction allowed for federal income tax  
92.6 purposes under section 168(k) of the Internal Revenue Code that is required as an  
92.7 addition under section 290.01, subdivision 19c, clause (15), is disallowed in determining  
92.8 alternative minimum taxable income.

92.9 (3) The subtraction for depreciation allowed under section 290.01, subdivision 19d,  
92.10 clause (17), is allowed as a depreciation deduction in determining alternative minimum  
92.11 taxable income.

92.12 (4) The alternative tax net operating loss deduction under sections 56(a)(4) and 56(d)  
92.13 of the Internal Revenue Code does not apply.

92.14 (5) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal  
92.15 Revenue Code does not apply.

92.16 (6) The special rule for dividends from section 936 companies under section  
92.17 56(g)(4)(C)(iii) does not apply.

92.18 (7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue  
92.19 Code does not apply.

92.20 (8) The tax preference for intangible drilling costs under section 57(a)(2) of the  
92.21 Internal Revenue Code must be calculated without regard to subparagraph (E) and the  
92.22 subtraction under section 290.01, subdivision 19d, clause (4).

92.23 (9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal  
92.24 Revenue Code does not apply.

92.25 (10) The tax preference for charitable contributions of appreciated property under  
92.26 section 57(a)(6) of the Internal Revenue Code does not apply.

92.27 (11) For purposes of calculating the tax preference for accelerated depreciation or  
92.28 amortization on certain property placed in service before January 1, 1987, under section  
92.29 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the  
92.30 deduction allowed under section 290.01, subdivision 19e.

92.31 For taxable years beginning after December 31, 2000, the amount of any remaining  
92.32 modification made under section 290.01, subdivision 19e, not previously deducted is a  
92.33 depreciation or amortization allowance in the first taxable year after December 31, 2004.

92.34 (12) For purposes of calculating the adjustment for adjusted current earnings in  
92.35 section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable  
92.36 income" as it is used in section 56(g) of the Internal Revenue Code, means alternative

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93.1 minimum taxable income as defined in this subdivision, determined without regard to the  
93.2 adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

93.3 (13) For purposes of determining the amount of adjusted current earnings under  
93.4 section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section  
93.5 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend  
93.6 gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the  
93.7 amount of refunds of income, excise, or franchise taxes subtracted as provided in section  
93.8 290.01, subdivision 19d, clause (9), or (iii) the amount of royalties, fees or other like  
93.9 income subtracted as provided in section 290.01, subdivision 19d, clause (10).

93.10 (14) Alternative minimum taxable income excludes the income from operating in a  
93.11 job opportunity building zone as provided under section 469.317.

93.12 (15) Alternative minimum taxable income excludes the income from operating in a  
93.13 biotechnology and health sciences industry zone as provided under section 469.337.

93.14 ~~(16) Alternative minimum taxable income excludes the income from operating in an~~  
93.15 ~~international economic development zone as provided under section 469.326.~~

93.16 Items of tax preference must not be reduced below zero as a result of the  
93.17 modifications in this subdivision.

93.18 Sec. 16. Minnesota Statutes 2011 Supplement, section 290.0922, subdivision 2,  
93.19 is amended to read:

93.20 Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed  
93.21 by this section:

93.22 (1) corporations exempt from tax under section 290.05;

93.23 (2) real estate investment trusts;

93.24 (3) regulated investment companies or a fund thereof; and

93.25 (4) entities having a valid election in effect under section 860D(b) of the Internal  
93.26 Revenue Code;

93.27 (5) town and farmers' mutual insurance companies;

93.28 (6) cooperatives organized under chapter 308A or 308B that provide housing  
93.29 exclusively to persons age 55 and over and are classified as homesteads under section  
93.30 273.124, subdivision 3; and

93.31 (7) a qualified business as defined under section 469.310, subdivision 11, if for the  
93.32 taxable year all of its property is located in a job opportunity building zone designated  
93.33 under section 469.314 and all of its payroll is a job opportunity building zone payroll  
93.34 under section 469.310; and

94.1 ~~(8) an entity, if for the taxable year all of its property is located in an international~~  
94.2 ~~economic development zone designated under section 469.322, and all of its payroll is~~  
94.3 ~~international economic development zone payroll under section 469.321. The exemption~~  
94.4 ~~under this clause applies to taxable years beginning during the duration of the international~~  
94.5 ~~economic development zone.~~

94.6 Entities not specifically exempted by this subdivision are subject to tax under this  
94.7 section, notwithstanding section 290.05.

94.8 Sec. 17. Minnesota Statutes 2011 Supplement, section 290.0922, subdivision 3,  
94.9 is amended to read:

94.10 Subd. 3. **Definitions.** (a) "Minnesota sales or receipts" means the total sales  
94.11 apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts  
94.12 attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the  
94.13 total sales or receipts apportioned or attributed to Minnesota pursuant to any other  
94.14 apportionment formula applicable to the taxpayer.

94.15 (b) "Minnesota property" means total Minnesota tangible property as provided in  
94.16 section 290.191, subdivisions 9 to 11, any other tangible property located in Minnesota,  
94.17 but does not include: (1) the property of a qualified business as defined under section  
94.18 469.310, subdivision 11, that is located in a job opportunity building zone designated under  
94.19 section 469.314; and (2) property of a qualified business located in a biotechnology and  
94.20 health sciences industry zone designated under section 469.334; ~~or (3) for taxable years~~  
94.21 ~~beginning during the duration of the zone, property of a qualified business located in the~~  
94.22 ~~international economic development zone designated under section 469.322. Intangible~~  
94.23 ~~property shall not be included in Minnesota property for purposes of this section.~~  
94.24 Taxpayers who do not utilize tangible property to apportion income shall nevertheless  
94.25 include Minnesota property for purposes of this section. On a return for a short taxable  
94.26 year, the amount of Minnesota property owned, as determined under section 290.191,  
94.27 shall be included in Minnesota property based on a fraction in which the numerator is the  
94.28 number of days in the short taxable year and the denominator is 365.

94.29 (c) "Minnesota payrolls" means total Minnesota payrolls as provided in section  
94.30 290.191, subdivision 12, but does not include: (1) the job opportunity building zone  
94.31 payroll under section 469.310, subdivision 8, of a qualified business as defined under  
94.32 section 469.310, subdivision 11, and (2) biotechnology and health sciences industry zone  
94.33 payrolls under section 469.330, subdivision 8; ~~or (3) for taxable years beginning during~~  
94.34 ~~the duration of the zone, international economic development zone payrolls under section~~

95.1 ~~469.321, subdivision 9.~~ Taxpayers who do not utilize payrolls to apportion income shall  
95.2 nevertheless include Minnesota payrolls for purposes of this section.

95.3 Sec. 18. Minnesota Statutes 2011 Supplement, section 297A.75, subdivision 1, is  
95.4 amended to read:

95.5 Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the  
95.6 following exempt items must be imposed and collected as if the sale were taxable and the  
95.7 rate under section 297A.62, subdivision 1, applied. The exempt items include:

95.8 (1) capital equipment exempt under section 297A.68, subdivision 5;

95.9 (2) building materials for an agricultural processing facility exempt under section  
95.10 297A.71, subdivision 13;

95.11 (3) building materials for mineral production facilities exempt under section  
95.12 297A.71, subdivision 14;

95.13 (4) building materials for correctional facilities under section 297A.71, subdivision  
95.14 3;

95.15 (5) building materials used in a residence for disabled veterans exempt under section  
95.16 297A.71, subdivision 11;

95.17 (6) elevators and building materials exempt under section 297A.71, subdivision 12;

95.18 (7) building materials for the Long Lake Conservation Center exempt under section  
95.19 297A.71, subdivision 17;

95.20 (8) materials and supplies for qualified low-income housing under section 297A.71,  
95.21 subdivision 23;

95.22 (9) materials, supplies, and equipment for municipal electric utility facilities under  
95.23 section 297A.71, subdivision 35;

95.24 (10) equipment and materials used for the generation, transmission, and distribution  
95.25 of electrical energy and an aerial camera package exempt under section 297A.68,  
95.26 subdivision 37;

95.27 ~~(11) tangible personal property and taxable services and construction materials,~~  
95.28 ~~supplies, and equipment exempt under section 297A.68, subdivision 41;~~

95.29 ~~(12)~~ commuter rail vehicle and repair parts under section 297A.70, subdivision  
95.30 3, clause (11);

95.31 ~~(13)~~ (12) materials, supplies, and equipment for construction or improvement of  
95.32 projects and facilities under section 297A.71, subdivision 40;

95.33 ~~(14)~~ (13) materials, supplies, and equipment for construction or improvement of a  
95.34 meat processing facility exempt under section 297A.71, subdivision 41;

96.1 ~~(15)~~ (14) materials, supplies, and equipment for construction, improvement, or  
96.2 expansion of an aerospace defense manufacturing facility exempt under section 297A.71,  
96.3 subdivision 42; and

96.4 ~~(16)~~ (15) enterprise information technology equipment and computer software for  
96.5 use in a qualified data center exempt under section 297A.68, subdivision 42.

96.6 Sec. 19. Minnesota Statutes 2010, section 469.015, subdivision 4, is amended to read:

96.7 Subd. 4. **Exceptions.** (a) An authority need not require competitive bidding in the  
96.8 following circumstances:

96.9 (1) in the case of a contract for the acquisition of a low-rent housing project:

96.10 (i) for which financial assistance is provided by the federal government;

96.11 (ii) which does not require any direct loan or grant of money from the municipality  
96.12 as a condition of the federal financial assistance; and

96.13 (iii) for which the contract provides for the construction of the project upon land that  
96.14 is either owned by the authority for redevelopment purposes or not owned by the authority  
96.15 at the time of the contract but the contract provides for the conveyance or lease to the  
96.16 authority of the project or improvements upon completion of construction;

96.17 (2) with respect to a structured parking facility:

96.18 (i) constructed in conjunction with, and directly above or below, a development; and

96.19 (ii) financed with the proceeds of tax increment or parking ramp general obligation  
96.20 or revenue bonds; and

96.21 ~~(3) until August 1, 2009, with respect to a facility built for the purpose of facilitating~~  
96.22 ~~the operation of public transit or encouraging its use:~~

96.23 ~~(i) constructed in conjunction with, and directly above or below, a development; and~~

96.24 ~~(ii) financed with the proceeds of parking ramp general obligation or revenue bonds~~

96.25 ~~or with at least 60 percent of the construction cost being financed with funding provided~~  
96.26 ~~by the federal government; and~~

96.27 ~~(4)~~ in the case of any building in which at least 75 percent of the usable square  
96.28 footage constitutes a housing development project if:

96.29 (i) the project is financed with the proceeds of bonds issued under section 469.034 or  
96.30 from nongovernmental sources;

96.31 (ii) the project is either located on land that is owned or is being acquired by the  
96.32 authority only for development purposes, or is not owned by the authority at the time the  
96.33 contract is entered into but the contract provides for conveyance or lease to the authority  
96.34 of the project or improvements upon completion of construction; and



97.1 (iii) the authority finds and determines that elimination of the public bidding  
97.2 requirements is necessary in order for the housing development project to be economical  
97.3 and feasible.

97.4 (b) An authority need not require a performance bond for the following projects:

97.5 (1) a contract described in paragraph (a), clause (1);

97.6 (2) a construction change order for a housing project in which 30 percent of the  
97.7 construction has been completed;

97.8 (3) a construction contract for a single-family housing project in which the authority  
97.9 acts as the general construction contractor; or

97.10 (4) a services or materials contract for a housing project.

97.11 For purposes of this paragraph, "services or materials contract" does not include  
97.12 construction contracts.

97.13 Sec. 20. Minnesota Statutes 2010, section 469.033, subdivision 7, is amended to read:

97.14 Subd. 7. **Inactive authorities; transfer of funds; dissolution.** The authority may  
97.15 transfer to the city in and for which it was created all property, assets, cash or other  
97.16 funds held or used by the authority ~~which were derived from the special benefit tax~~  
97.17 ~~for redevelopment levied pursuant to subdivision 6 prior to March 6, 1953, whenever~~  
97.18 ~~collected.~~ Upon any such transfer, an authority shall not thereafter levy the tax or exercise  
97.19 the redevelopment powers of sections 469.001 to 469.047. All cash or other funds  
97.20 transferred to the city shall be used exclusively for permanent improvements in the city  
97.21 or the retirement of debts or bonds incurred for permanent improvements in the city.  
97.22 An authority which transfers its property, assets, cash, or other funds ~~derived from the~~  
97.23 ~~special benefit tax for redevelopment and which has not entered into a contract with~~  
97.24 ~~the federal government with respect to any low-rent public housing project prior to~~  
97.25 ~~March 6, 1953,~~ shall be dissolved as ~~herein~~ provided in this subdivision. After a public  
97.26 hearing after ten days' published notice thereof in a newspaper of general circulation in  
97.27 the city, the governing body of a city in and for which an authority has been created  
97.28 may dissolve the authority if the authority has not entered into any contract with the  
97.29 federal government or any agency or instrumentality thereof for a loan or a grant with  
97.30 respect to any urban redevelopment or low-rent public housing project that remains in  
97.31 effect. The resolution or ordinance dissolving the authority shall be published in the  
97.32 same manner in which ordinances are published in the city and the authority shall be  
97.33 dissolved when the resolution or ordinance becomes finally effective. The clerk of the  
97.34 governing body of the municipality shall furnish to the commissioner of employment and  
97.35 economic development a certified copy of the resolution or ordinance of the governing

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98.1 body dissolving the authority. All property, records, assets, cash, or other funds held or  
98.2 used by an authority shall be transferred to and become the property of the municipality  
98.3 and cash or other funds shall be used as herein provided. Upon dissolution of an authority,  
98.4 all rights of an authority against any person, firm, or corporation shall accrue to and  
98.5 be enforced by the municipality.

98.6 Sec. 21. Minnesota Statutes 2010, section 469.166, subdivision 3, is amended to read:

98.7 Subd. 3. **Border city enterprise zone.** "Border city enterprise zone" means an area  
98.8 in the state designated as ~~such an enterprise zone~~ by the commissioner in the cities of  
98.9 Breckenridge, Dilworth, East Grand Forks, Moorhead, or Ortonville.

98.10 Sec. 22. Minnesota Statutes 2010, section 469.166, subdivision 5, is amended to read:

98.11 Subd. 5. **Municipality.** "Municipality" means a city, ~~or a county for an area located~~  
98.12 ~~outside the boundaries of a city. If an area lies in two or more cities or in both incorporated~~  
98.13 ~~and unincorporated areas, "municipality" shall include an entity formed pursuant to~~  
98.14 ~~section 471.59 by the governing bodies of the cities with jurisdiction over the incorporated~~  
98.15 ~~area and the counties with jurisdiction over the unincorporated area.~~

98.16 Sec. 23. Minnesota Statutes 2010, section 469.166, subdivision 6, is amended to read:

98.17 Subd. 6. **Governing body.** "Governing body" means ~~the county board in the case~~  
98.18 ~~of a county,~~ the city council or other body designated by its ~~the~~ charter ~~in the case of a~~  
98.19 ~~of the city, or the tribal or federal agency recognized as the governing body of an Indian~~  
98.20 ~~reservation by the United States Secretary of the Interior.~~

98.21 Sec. 24. Minnesota Statutes 2010, section 469.167, subdivision 2, is amended to read:

98.22 Subd. 2. **Duration.** The designation of ~~an area as an a border city~~ enterprise zone  
98.23 ~~shall be effective for seven years after the date of designation, except that enterprise zones~~  
98.24 ~~in border cities eligible to receive allocations for tax reductions under section 469.169,~~  
98.25 ~~subdivisions 7 and 8, and under section 469.171, subdivision 6a or 6b, shall be~~ is effective  
98.26 until terminated by resolution adopted by the city in which the border city enterprise  
98.27 zone is located.

98.28 Sec. 25. Minnesota Statutes 2010, section 469.171, subdivision 1, is amended to read:

98.29 Subdivision 1. **Authorized types.** (a) The following types of tax reductions may  
98.30 be approved by the commissioner for businesses located in ~~an a border city~~ enterprise  
98.31 zone, after the governing body of the border city has designated an area or areas, each

99.1 consisting of at least 100 acres, of the city not in excess of a total of 400 acres in which the  
99.2 tax reductions may be provided:

99.3 (1) an exemption from the general sales tax imposed by chapter 297A for purchases  
99.4 of construction materials or equipment for use in the zone if the purchase was made  
99.5 after the date of application for the zone;

99.6 (2) a credit against the income tax of an employer for additional workers employed  
99.7 in the zone, other than workers employed in construction, up to a maximum of \$3,000  
99.8 per employee per year;

99.9 (3) an income tax credit for a percentage of the cost of debt financing to construct  
99.10 new or expanded facilities in the zone; and

99.11 (4) a state paid property tax credit for a portion of the property taxes paid by a new  
99.12 commercial or industrial facility or the additional property taxes paid by an expansion of  
99.13 an existing commercial or industrial facility in the zone.

99.14 (b) An application for a tax reduction under this subdivision may not be approved  
99.15 unless the governing body finds that the construction or improvement of the facility is  
99.16 not likely to have the effect of transferring existing employment from a location outside  
99.17 of the municipality but within the state.

99.18 Sec. 26. Minnesota Statutes 2010, section 469.171, subdivision 4, is amended to read:

99.19 Subd. 4. **Restriction.** The tax reductions provided by this section shall not  
99.20 apply to (1) a facility the primary purpose of which is one of the following: retail food  
99.21 and beverage services, automobile sales or service, or the provision of recreation or  
99.22 entertainment, or a private or commercial golf course, country club, massage parlor, tennis  
99.23 club, skating facility including roller skating, skateboard, and ice skating, racquet sports  
99.24 facility, including any handball or racquetball court, hot tub facility, suntan facility, or  
99.25 racetrack; (2) property of a public utility; (3) property used in the operation of a financial  
99.26 institution; (4) property owned by a fraternal or veterans' organization; or (5) property of a  
99.27 business operating under a franchise agreement that requires the business to be located in  
99.28 the state; ~~except that, in an enterprise zone designated under section 469.168, subdivision~~  
99.29 ~~4, paragraph (c), that is not in a city of the first class, tax reductions may be provided to~~  
99.30 a retail food or beverage facility or an automobile sales or service facility, or a business  
99.31 operating under a franchise agreement that requires the business to be located in this state  
99.32 except for such a franchised retail food or beverage facility.

99.33 Sec. 27. Minnesota Statutes 2010, section 469.171, subdivision 6a, is amended to read:

100.1 Subd. 6a. **Additional border city allocations.** ~~In addition to tax reductions~~  
100.2 ~~authorized in section 469.169, subdivisions 7 and 8,~~ The commissioner may allocate  
100.3 \$2,000,000 for tax reductions pursuant to subdivision 9 to border city enterprise zones  
100.4 ~~designated under section 469.168, subdivision 4, paragraph (c), except for zones located~~  
100.5 ~~in cities of the first class.~~ This money shall be allocated among the zones on a per  
100.6 capita basis. ~~Limits on the maximum allocation to a zone imposed by section 469.169,~~  
100.7 ~~subdivision 7, do not apply to allocations made under this subdivision.~~ Tax reductions  
100.8 authorized by this subdivision may not be allocated to any property which is:

- 100.9 (1) a facility the primary purpose of which is one of the following: the provision  
100.10 of recreation or entertainment, or a private or commercial golf course, country club,  
100.11 massage parlor, tennis club, skating facility including roller skating, skateboard, and  
100.12 ice skating, racquet sports facility, including any handball or racquetball court, hot tub  
100.13 facility, suntan facility, or racetrack;
- 100.14 (2) property of a public utility;
- 100.15 (3) property used in the operation of a financial institution;
- 100.16 (4) property owned by a fraternal or veterans' organization;
- 100.17 (5) property of a retail food or beverage service business operating under a franchise  
100.18 agreement that requires the business to be located in the state.

100.19 Sec. 28. Minnesota Statutes 2010, section 469.171, subdivision 7, is amended to read:

100.20 Subd. 7. **Duration.** ~~Each tax reduction provided to a business pursuant to this~~  
100.21 ~~subdivision shall terminate not longer than five years after the effective date of the tax~~  
100.22 ~~reduction for the business unless the business is located in a border city enterprise zone~~  
100.23 ~~designated under section 469.168, subdivision 4, paragraph (c), that is not a city of the~~  
100.24 ~~first class.~~ Each tax reduction provided to a business that is located in a border city  
100.25 enterprise zone ~~designated under section 469.168, subdivision 4, paragraph (c), that is not~~  
100.26 ~~located in a city of the first class,~~ may be provided until the allocations provided under  
100.27 subdivision 6a, and under section 469.169, ~~subdivisions 7 and 8,~~ have been expended.  
100.28 Subject to the limitation in this subdivision, the tax reductions may be provided after  
100.29 expiration of the zone's designation.

100.30 Sec. 29. Minnesota Statutes 2010, section 469.171, subdivision 9, is amended to read:

100.31 Subd. 9. **Recapture.** Any business that (1) receives tax reductions authorized by  
100.32 subdivisions 1 to 8, ~~classification as employment property pursuant to section 469.170, or~~  
100.33 ~~an alternative local contribution under section 469.169, subdivision 5;~~ and (2) ceases to  
100.34 operate its facility located within the border city enterprise zone shall repay the amount of

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101.1 the tax reduction or local contribution received during the two years immediately before  
101.2 it ceased to operate in the zone.

101.3 The repayment must be paid to the state to the extent it represents a tax reduction  
101.4 under subdivisions 1 to 8 and to the municipality to the extent it represents a property tax  
101.5 reduction or other local contribution. Any amount repaid to the state must be credited  
101.6 to the amount certified as available for tax reductions in the zone pursuant to ~~section~~  
101.7 ~~469.169, subdivision 7~~ the city's allocation. Any amount repaid to the municipality must  
101.8 be used by the municipality for economic development purposes. The commissioner of  
101.9 revenue may seek repayment of tax credits from a business ceasing to operate within an  
101.10 enterprise zone by utilizing any remedies available for the collection of tax.

101.11 Sec. 30. Minnesota Statutes 2010, section 469.171, subdivision 11, is amended to read:

101.12 Subd. 11. **Limitations; last eight months of duration.** This subdivision applies  
101.13 only to state tax reductions first authorized by the municipality to be provided to a business  
101.14 within eight months of the expiration of the border city enterprise zone's designation.

101.15 Before agreeing with a business to provide tax reductions, the municipality must  
101.16 submit the proposed tax reductions to the commissioner for approval. The commissioner  
101.17 shall review and analyze the proposal in light of, at least: (1) the proposed investment that  
101.18 the business will make in the zone, (2) the number and quality of new jobs that will be  
101.19 created in the zone, (3) the overall positive impact on economic activity in the zone, and  
101.20 (4) the extent to which the impacts in clauses (1) to (3) are dependent upon providing the  
101.21 state tax reductions to the business. The commissioner shall disapprove the proposal if the  
101.22 commissioner determines the public benefits of increased investment and employment  
101.23 resulting from the tax reductions is disproportionately small relative to the cost of the  
101.24 state tax reductions. If the commissioner disapproves of the proposal, the tax reductions  
101.25 are not allowed to the business.

101.26 If the municipality submits the proposal to the commissioner before expiration  
101.27 of the zone designation, the authority to grant the tax reductions continues until the  
101.28 commissioner acts on the proposal.

101.29 Sec. 31. Minnesota Statutes 2010, section 469.172, is amended to read:

101.30 **469.172 DEVELOPMENT AND REDEVELOPMENT POWERS.**

101.31 Notwithstanding any contrary provision of law or charter, any city ~~of the first or~~  
101.32 ~~second class~~ that contains an a border city enterprise zone ~~or that has been designated as~~  
101.33 ~~an enterprise zone~~ may, in addition to its other powers, exercise the powers granted to  
101.34 a governmental subdivision by sections 469.001 to 469.047, 469.048 to 469.068, and

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102.1 469.109 to 469.113. Section 469.059, subdivision 15, ~~shall apply~~ applies to the city in  
102.2 the exercise of the powers granted pursuant to this section. It may exercise the powers  
102.3 assigned to redevelopment agencies pursuant to sections 469.152 to 469.165, without  
102.4 limitation to further the purposes of sections 469.001 to 469.047, 469.048 to 469.068, and  
102.5 469.109 to 469.134. It may exercise the powers set forth in sections 469.001 to 469.047,  
102.6 469.048 to 469.068, and 469.109 to 469.164 without limitation to further the purposes  
102.7 and policies set forth in sections 469.152 to 469.165. It may exercise the powers granted  
102.8 by this subdivision and any other development or redevelopment powers authorized by  
102.9 other laws, including sections 469.124 to 469.134 and 469.152 to 469.165, independently  
102.10 or in conjunction with each other as though all the powers had been granted to a single  
102.11 entity. Any project undertaken to accomplish the purposes of sections 469.001 to 469.047  
102.12 that qualifies as single-family housing under section 462C.02, subdivision 4, ~~shall be~~ is  
102.13 subject to the provisions of chapter 462C.

102.14       Upon expiration of the designation of the enterprise zone, the powers granted by  
102.15 this subdivision may be exercised only with respect to any project, program, or activity  
102.16 commenced or established prior to that date. The powers granted by this subdivision may  
102.17 only be exercised within the zone.

102.18       Sec. 32. Minnesota Statutes 2010, section 469.173, subdivision 5, is amended to read:

102.19       Subd. 5. **Information sharing.** Pursuant to section 270B.14, subdivision 3,  
102.20 the commissioner of revenue may share information with the commissioner or with a  
102.21 municipality receiving an enterprise zone designation, insofar as necessary to administer  
102.22 the funding limitations provided by section 469.169, ~~subdivision 7.~~

102.23       Sec. 33. Minnesota Statutes 2010, section 469.173, subdivision 6, is amended to read:

102.24       Subd. 6. **Zone boundary realignment.** The commissioner may approve specific  
102.25 applications by a municipality to amend the boundaries of a border city enterprise zone  
102.26 ~~or of an area or areas designated pursuant to section 469.171, subdivision 5,~~ at any time.  
102.27 Boundaries of a zone may not be amended to create noncontiguous subdivisions. If the  
102.28 commissioner approves the amended boundaries, the change is effective on the date of  
102.29 approval. ~~Notwithstanding the area limitation under section 469.168, subdivision 3, the~~  
102.30 ~~commissioner may approve a specific application to amend the boundaries of an enterprise~~  
102.31 ~~zone which is located within five municipalities and was designated in 1984, to increase~~  
102.32 ~~its area to not more than 800 acres, and may approve an additional specific application to~~  
102.33 ~~amend the boundaries of that enterprise zone to include a sixth municipality or to further~~

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103.1 ~~increase its area to include all or part of the territory of a town that surrounds one of~~  
103.2 ~~the five municipalities, or both.~~

103.3 ~~Notwithstanding the area limitation under section 469.168, subdivision 3, the~~  
103.4 ~~commissioner may approve a specific application to amend the boundaries of an enterprise~~  
103.5 ~~zone that is located within four municipalities to include a fifth municipality. The addition~~  
103.6 ~~of the fifth municipality may only be approved after the existing municipalities, by~~  
103.7 ~~adoption of a resolution by each municipality's governing board, agree to the addition~~  
103.8 ~~of the fifth municipality.~~

103.9 Sec. 34. Minnesota Statutes 2010, section 469.174, subdivision 20, is amended to read:

103.10 Subd. 20. **Internal Revenue Code.** "Internal Revenue Code" means the Internal  
103.11 Revenue Code of 1986, as amended ~~through December 31, 1993.~~

103.12 Sec. 35. Minnesota Statutes 2010, section 469.174, subdivision 25, is amended to read:

103.13 Subd. 25. **Increment.** "Increment," "tax increment," "tax increment revenues,"  
103.14 "revenues derived from tax increment," and other similar terms for a district include:

103.15 (1) taxes paid by the captured net tax capacity, but excluding any excess taxes, as  
103.16 computed under section 469.177;

103.17 (2) the proceeds from the sale or lease of property, tangible or intangible, to the  
103.18 extent the property was purchased by the authority with tax increments;

103.19 (3) principal and interest received on loans or other advances made by the authority  
103.20 with tax increments;

103.21 (4) interest or other investment earnings on or from tax increments; and

103.22 (5) repayments or return of tax increments made to the authority under agreements  
103.23 for districts for which the request for certification was made after August 1, 1993; ~~and~~

103.24 ~~(6) the market value homestead credit paid to the authority under section 273.1384.~~

103.25 Sec. 36. Minnesota Statutes 2010, section 469.176, subdivision 7, is amended to read:

103.26 Subd. 7. **Parcels not includable in districts.** (a) The authority may request  
103.27 inclusion in a tax increment financing district and the county auditor may certify the  
103.28 original tax capacity of a parcel or a part of a parcel that qualified under the provisions of  
103.29 section 273.111 ~~or~~ 273.112, 273.114, or chapter 473H for taxes payable in any of the five  
103.30 calendar years before the filing of the request for certification only for:

103.31 (1) a district in which 85 percent or more of the planned buildings and facilities  
103.32 (determined on the basis of square footage) are a qualified manufacturing facility or a  
103.33 qualified distribution facility or a combination of both; or

104.1 (2) a housing district.

104.2 (b)(1) A distribution facility means buildings and other improvements to real  
104.3 property that are used to conduct activities in at least each of the following categories:

104.4 (i) to store or warehouse tangible personal property;

104.5 (ii) to take orders for shipment, mailing, or delivery;

104.6 (iii) to prepare personal property for shipment, mailing, or delivery; and

104.7 (iv) to ship, mail, or deliver property.

104.8 (2) A manufacturing facility includes space used for manufacturing or producing  
104.9 tangible personal property, including processing resulting in the change in condition of the  
104.10 property, and space necessary for and related to the manufacturing activities.

104.11 (3) To be a qualified facility, the owner or operator of a manufacturing or distribution  
104.12 facility must agree to pay and pay 90 percent or more of the employees of the facility at  
104.13 a rate equal to or greater than 160 percent of the federal minimum wage for individuals  
104.14 over the age of 20.

104.15 Sec. 37. Minnesota Statutes 2010, section 469.1763, subdivision 6, is amended to read:

104.16 Subd. 6. **Pooling permitted for deficits.** (a) This subdivision applies only to  
104.17 districts for which the request for certification was made before August 1, 2001, and  
104.18 without regard to whether the request for certification was made prior to August 1, 1979.

104.19 (b) The municipality for the district may transfer available increments from another  
104.20 tax increment financing district located in the municipality, if the transfer is necessary to  
104.21 eliminate a deficit in the district to which the increments are transferred. The municipality  
104.22 may transfer increments as provided by this subdivision without regard to whether the  
104.23 transfer or expenditure is authorized by the tax increment financing plan for the district  
104.24 from which the transfer is made. A deficit in the district for purposes of this subdivision  
104.25 means the lesser of the following two amounts:

104.26 (1)(i) the amount due during the calendar year to pay preexisting obligations of  
104.27 the district; minus

104.28 (ii) the total increments collected or to be collected from properties located within  
104.29 the district that are available for the calendar year including amounts collected in prior  
104.30 years that are currently available; plus

104.31 (iii) total increments from properties located in other districts in the municipality  
104.32 including amounts collected in prior years that are available to be used to meet the district's  
104.33 obligations under this section, excluding this subdivision, or other provisions of law ~~(but~~  
104.34 ~~excluding a special tax under section 469.1791 and the grant program under Laws 1997,~~  
104.35 ~~chapter 231, article 1, section 19, or Laws 2001, First Special Session chapter 5); or~~



105.1 (2) the reduction in increments collected from properties located in the district for  
105.2 the calendar year as a result of the changes in class rates in Laws 1997, chapter 231, article  
105.3 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001, First  
105.4 Special Session chapter 5, or the elimination of the general education tax levy under  
105.5 Laws 2001, First Special Session chapter 5.

105.6 The authority may compute the deficit amount under clause (1) only (without regard  
105.7 to the limit under clause (2)) if the authority makes an irrevocable commitment, by  
105.8 resolution, to use increments from the district to which increments are to be transferred and  
105.9 any transferred increments are only used to pay preexisting obligations and administrative  
105.10 expenses for the district that are required to be paid under section 469.176, subdivision  
105.11 4h, paragraph (a).

105.12 (c) A preexisting obligation means:

105.13 (1) bonds issued and sold before August 1, 2001, or bonds issued pursuant to a  
105.14 binding contract requiring the issuance of bonds entered into before July 1, 2001, and  
105.15 bonds issued to refund such bonds or to reimburse expenditures made in conjunction with  
105.16 a signed contractual agreement entered into before August 1, 2001, to the extent that the  
105.17 bonds are secured by a pledge of increments from the tax increment financing district; and

105.18 (2) binding contracts entered into before August 1, 2001, to the extent that the  
105.19 contracts require payments secured by a pledge of increments from the tax increment  
105.20 financing district.

105.21 (d) The municipality may require a development authority, other than a seaway port  
105.22 authority, to transfer available increments including amounts collected in prior years that  
105.23 are currently available for any of its tax increment financing districts in the municipality to  
105.24 make up an insufficiency in another district in the municipality, regardless of whether the  
105.25 district was established by the development authority or another development authority.

105.26 This authority applies notwithstanding any law to the contrary, but applies only to a  
105.27 development authority that:

105.28 (1) was established by the municipality; or

105.29 (2) the governing body of which is appointed, in whole or part, by the municipality  
105.30 or an officer of the municipality or which consists, in whole or part, of members of  
105.31 the governing body of the municipality. The municipality may use this authority only  
105.32 after it has first used all available increments of the receiving development authority to  
105.33 eliminate the insufficiency and exercised any permitted action under section 469.1792,  
105.34 subdivision 3, for preexisting districts of the receiving development authority to eliminate  
105.35 the insufficiency.

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106.1 (e) The authority under this subdivision to spend tax increments outside of the area  
106.2 of the district from which the tax increments were collected:

106.3 (1) is an exception to the restrictions under section 469.176, subdivisions 4b, 4c,  
106.4 4d, 4e, 4i, and 4j; the expenditure limits under section 469.176, subdivision 1c; and the  
106.5 other provisions of this section; and the percentage restrictions under subdivision 2 must  
106.6 be calculated after deducting increments spent under this subdivision from the total  
106.7 increments for the district; and

106.8 (2) applies notwithstanding the provisions of the Tax Increment Financing Act in  
106.9 effect for districts for which the request for certification was made before June 30, 1982,  
106.10 or any other law to the contrary.

106.11 (f) If a preexisting obligation requires the development authority to pay an amount  
106.12 that is limited to the increment from the district or a specific development within the  
106.13 district and if the obligation requires paying a higher amount to the extent that increments  
106.14 are available, the municipality may determine that the amount due under the preexisting  
106.15 obligation equals the higher amount and may authorize the transfer of increments  
106.16 under this subdivision to pay up to the higher amount. The existence of a guarantee of  
106.17 obligations by the individual or entity that would receive the payment under this paragraph  
106.18 is disregarded in the determination of eligibility to pool under this subdivision. The  
106.19 authority to transfer increments under this paragraph may only be used to the extent  
106.20 that the payment of all other preexisting obligations in the municipality due during the  
106.21 calendar year have been satisfied.

106.22 (g) For transfers of increments made in calendar year 2005 and later, the reduction in  
106.23 increments as a result of the elimination of the general education tax levy for purposes of  
106.24 paragraph (b), clause (2), for a taxes payable year equals the general education tax rate  
106.25 for the school district under Minnesota Statutes 2000, section 273.1382, subdivision 1,  
106.26 for taxes payable in 2001, multiplied by the captured tax capacity of the district for the  
106.27 current taxes payable year.

106.28 Sec. 38. Minnesota Statutes 2010, section 469.1764, subdivision 1, is amended to read:

106.29 Subdivision 1. **Scope; application.** (a) This section applies to a tax increment  
106.30 financing district or area added to a district, if the request for certification of the district or  
106.31 the area added to the district was made after July 31, 1979, and before July 1, 1982.

106.32 (b) This section, section 469.1763, subdivision 6, and any special law applying to  
106.33 the district are the exclusive authority to spend tax increments on activities located outside  
106.34 of the geographic area of a tax increment financing district that is subject to this section.

107.1 (c) This section does not apply to increments from a district that is subject to the  
107.2 provisions of this section, if:

107.3 (1) the district was decertified before the enactment of this section and all increments  
107.4 spent on activities located outside of the geographic area of the district were repaid and  
107.5 distributed as excess increments under section 469.176, subdivision 2; or

107.6 (2) the use of increments on activities located outside of the geographic area of  
107.7 the district consists solely of payment of debt service on bonds under section 469.129,  
107.8 subdivision 2, before its repeal, and any bonds issued to refund bonds issued under that  
107.9 subdivision.

107.10 Sec. 39. Minnesota Statutes 2010, section 469.177, subdivision 1, is amended to read:

107.11 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax  
107.12 increment financing plan, the auditor of any county in which the district is situated shall,  
107.13 upon request of the authority, certify the original net tax capacity of the tax increment  
107.14 financing district and that portion of the district overlying any subdistrict as described in  
107.15 the tax increment financing plan and shall certify in each year thereafter the amount by  
107.16 which the original net tax capacity has increased or decreased as a result of a change in tax  
107.17 exempt status of property within the district and any subdistrict, reduction or enlargement  
107.18 of the district or changes pursuant to subdivision 4. The auditor shall certify the amount  
107.19 within 30 days after receipt of the request and sufficient information to identify the parcels  
107.20 included in the district. The certification relates to the taxes payable year as provided in  
107.21 subdivision 6.

107.22 (b) If the classification under section 273.13 of property located in a district changes  
107.23 to a classification that has a different assessment ratio, the original net tax capacity of that  
107.24 property must be redetermined at the time when its use is changed as if the property had  
107.25 originally been classified in the same class in which it is classified after its use is changed.

107.26 (c) The amount to be added to the original net tax capacity of the district as a result  
107.27 of previously tax exempt real property within the district becoming taxable equals the net  
107.28 tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if  
107.29 that assessment was made more than one year prior to the date of title transfer rendering  
107.30 the property taxable, the net tax capacity assessed by the assessor at the time of the  
107.31 transfer. If improvements are made to tax exempt property after the municipality approves  
107.32 the district and before the parcel becomes taxable, the assessor shall, at the request of  
107.33 the authority, separately assess the estimated market value of the improvements. If the  
107.34 property becomes taxable, the county auditor shall add to original net tax capacity, the net  
107.35 tax capacity of the parcel, excluding the separately assessed improvements. If substantial

108.1 taxable improvements were made to a parcel after certification of the district and if the  
108.2 property later becomes tax exempt, in whole or part, as a result of the authority acquiring  
108.3 the property through foreclosure or exercise of remedies under a lease or other revenue  
108.4 agreement or as a result of tax forfeiture, the amount to be added to the original net tax  
108.5 capacity of the district as a result of the property again becoming taxable is the amount  
108.6 of the parcel's value that was included in original net tax capacity when the parcel was  
108.7 first certified. The amount to be added to the original net tax capacity of the district as a  
108.8 result of enlargements equals the net tax capacity of the added real property as most  
108.9 recently certified by the commissioner of revenue as of the date of modification of the tax  
108.10 increment financing plan pursuant to section 469.175, subdivision 4.

108.11 (d) If the net tax capacity of a property increases because the property no longer  
108.12 qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the  
108.13 Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan  
108.14 Agricultural Preserves Act, chapter 473H, the Rural Preserve Property Tax Program under  
108.15 section 273.114, or because platted, unimproved property is improved or market value  
108.16 is increased after approval of the plat under section 273.11, subdivision ~~14~~, 14a, or 14b,  
108.17 the increase in net tax capacity must be added to the original net tax capacity. If the  
108.18 net tax capacity of a property increases because the property no longer qualifies for the  
108.19 homestead market value exclusion under section 273.13, subdivision 35, the increase in  
108.20 net tax capacity must be added to original net tax capacity if the original construction of  
108.21 the affected home was completed before the date the assessor certified the original net  
108.22 tax capacity of the district.

108.23 (e) The amount to be subtracted from the original net tax capacity of the district as a  
108.24 result of previously taxable real property within the district becoming tax exempt or  
108.25 qualifying in whole or part for an exclusion from taxable market value, or a reduction in  
108.26 the geographic area of the district, shall be the amount of original net tax capacity initially  
108.27 attributed to the property becoming tax exempt, being excluded from taxable market  
108.28 value, or being removed from the district. If the net tax capacity of property located within  
108.29 the tax increment financing district is reduced by reason of a court-ordered abatement,  
108.30 stipulation agreement, voluntary abatement made by the assessor or auditor or by order  
108.31 of the commissioner of revenue, the reduction shall be applied to the original net tax  
108.32 capacity of the district when the property upon which the abatement is made has not been  
108.33 improved since the date of certification of the district and to the captured net tax capacity  
108.34 of the district in each year thereafter when the abatement relates to improvements made  
108.35 after the date of certification. The county auditor may specify reasonable form and content

109.1 of the request for certification of the authority and any modification thereof pursuant to  
109.2 section 469.175, subdivision 4.

109.3 (f) If a parcel of property contained a substandard building or improvements  
109.4 described in section 469.174, subdivision 10, paragraph (e), that were demolished or  
109.5 removed and if the authority elects to treat the parcel as occupied by a substandard  
109.6 building under section 469.174, subdivision 10, paragraph (b), or by improvements under  
109.7 section 469.174, subdivision 10, paragraph (e), the auditor shall certify the original net tax  
109.8 capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or  
109.9 (2) the estimated market value of the parcel for the year in which the building or other  
109.10 improvements were demolished or removed, but applying the class rates for the current  
109.11 year.

109.12 (g) For a redevelopment district qualifying under section 469.174, subdivision 10,  
109.13 paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of  
109.14 the land as the original tax capacity for any parcel in the district that contains a building  
109.15 that suffered substantial damage as a result of the disaster or emergency.

109.16 Sec. 40. Minnesota Statutes 2010, section 469.1793, is amended to read:

109.17 **469.1793 DEVELOPER OBLIGATIONS CONTINUED.**

109.18 If a developer or other private entity agreed to make payments to the authority or  
109.19 municipality to reimburse the municipality for the state aid offset under Minnesota Statutes  
109.20 2000, section 273.1399, the obligation continues in effect, notwithstanding the repeal of  
109.21 section 273.1399. ~~Payments received by the development authority are increments for~~  
109.22 ~~purposes of the state grant program under section 469.1799.~~

109.23 Sec. 41. Minnesota Statutes 2010, section 469.1813, subdivision 6b, is amended to  
109.24 read:

109.25 Subd. 6b. **Extended duration limit.** ~~(a)~~ Notwithstanding the provisions of  
109.26 subdivision 6, a political subdivision may grant an abatement for a period of up to 20  
109.27 years, if the abatement is for ~~a qualified business.~~

109.28 ~~(b) To be a qualified business for purposes of this subdivision, at least 50 percent of~~  
109.29 ~~the payroll of the operations of the business that qualify for the abatement must be for~~  
109.30 ~~employees engaged in one of the following lines of business or any combination of them:~~

109.31 ~~(1) manufacturing;~~

109.32 ~~(2) agricultural processing;~~

109.33 ~~(3) mining;~~

109.34 ~~(4) research and development;~~

110.1 ~~(5) warehousing; or~~

110.2 ~~(6) qualified high technology.~~

110.3 ~~Alternatively, a qualified business also includes a taxpayer whose real and personal~~  
110.4 ~~property is subject to valuation under Minnesota Rules, chapter 8100.~~

110.5 ~~(c)(1) "Manufacturing" means the material staging and production of tangible~~  
110.6 ~~personal property by procedures commonly regarded as manufacturing, processing,~~  
110.7 ~~fabrication, or assembling which changes some existing material into new shapes, new~~  
110.8 ~~qualities, or new combinations.~~

110.9 ~~(2) "Mining" has the meaning given in section 613(c) of the Internal Revenue Code~~  
110.10 ~~of 1986.~~

110.11 ~~(3) "Agricultural processing" means transforming, packaging, sorting, or grading~~  
110.12 ~~livestock or livestock products, agricultural commodities, or plants or plant products into~~  
110.13 ~~goods that are used for intermediate or final consumption including goods for nonfood use.~~

110.14 ~~(4) "Research and development" means qualified research as defined in section~~  
110.15 ~~41(d) of the Internal Revenue Code of 1986.~~

110.16 ~~(5) "Qualified high technology" means one or more of the following activities:~~

110.17 ~~(i) advanced computing, which is any technology used in the design and development~~  
110.18 ~~of any of the following:~~

110.19 ~~(A) computer hardware and software;~~

110.20 ~~(B) data communications; and~~

110.21 ~~(C) information technologies;~~

110.22 ~~(ii) advanced materials, which are materials with engineered properties created~~  
110.23 ~~through the development of specialized process and synthesis technology;~~

110.24 ~~(iii) biotechnology, which is any technology that uses living organisms, cells,~~  
110.25 ~~macromolecules, microorganisms, or substances from living organisms to make or modify~~  
110.26 ~~a product, improve plants or animals, or develop microorganisms for useful purposes;~~

110.27 ~~(iv) electronic device technology, which is any technology that involves~~  
110.28 ~~microelectronics, semiconductors, electronic equipment, and instrumentation, radio~~  
110.29 ~~frequency, microwave, and millimeter electronics, and optical and optic-electrical devices,~~  
110.30 ~~or data and digital communications and imaging devices;~~

110.31 ~~(v) engineering or laboratory testing related to the development of a product;~~

110.32 ~~(vi) technology that assists in the assessment or prevention of threats or damage to~~  
110.33 ~~human health or the environment, including, but not limited to, environmental cleanup~~

110.34 ~~technology, pollution prevention technology, or development of alternative energy sources;~~

111.1 ~~(vii) medical device technology, which is any technology that involves medical~~  
111.2 ~~equipment or products other than a pharmaceutical product that has therapeutic or~~  
111.3 ~~diagnostic value and is regulated; or~~

111.4 ~~(viii) advanced vehicles technology which is any technology that involves electric~~  
111.5 ~~vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the~~  
111.6 ~~construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles. An electric~~  
111.7 ~~vehicle is a road vehicle that draws propulsion energy only from an onboard source of~~  
111.8 ~~electrical energy. A hybrid vehicle is a road vehicle that can draw propulsion energy from~~  
111.9 ~~both a consumable fuel and a rechargeable energy storage system.~~

111.10 ~~(d) The authority to grant new abatements under this subdivision expires on July 1,~~  
111.11 ~~2004, except that the authority to grant new abatements for real and personal property~~  
111.12 ~~subject to valuation under Minnesota Rules, chapter 8100, does not expire.~~

111.13 Sec. 42. Minnesota Statutes 2010, section 473F.02, subdivision 3, is amended to read:

111.14 Subd. 3. **Commercial-industrial property.** "Commercial-industrial property"  
111.15 means the following categories of property, as defined in section 273.13, excluding that  
111.16 portion of such property ~~(1) which may, by law, constitute the tax base for a tax increment~~  
111.17 ~~pledged under section 469.042 or 469.162, certification of which was requested prior to~~  
111.18 ~~August 1, 1979, to the extent and while such tax increment is so pledged; or (2) which is~~  
111.19 exempt from taxation under section 272.02:

111.20 (a) That portion of class 3 property defined in Minnesota Statutes 1971, section  
111.21 273.13, consisting of stocks of merchandise and furniture and fixtures used therewith;  
111.22 manufacturers' materials and manufactured articles; and tools, implements and machinery,  
111.23 whether fixtures or otherwise.

111.24 (b) That portion of class 4 property defined in Minnesota Statutes 1971, section  
111.25 273.13, which is either used or zoned for use for any commercial or industrial purpose,  
111.26 except for such property which is, or, in the case of property under construction, will when  
111.27 completed be used exclusively for residential occupancy and the provision of services  
111.28 to residential occupants thereof. Property shall be considered as used exclusively for  
111.29 residential occupancy only if each of not less than 80 percent of its occupied residential  
111.30 units is, or, in the case of property under construction, will when completed be occupied  
111.31 under an oral or written agreement for occupancy over a continuous period of not less  
111.32 than 30 days.

111.33 If the classification of property prescribed by section 273.13 is modified by  
111.34 legislative amendment, the references in this subdivision shall be to such successor class

112.1 or classes of property, or portions thereof, as embrace the kinds of property designated  
112.2 in this subdivision.

112.3 Sec. 43. **REPEALER.**

112.4 Minnesota Statutes 2010, sections 272.02, subdivision 83; 290.06, subdivisions  
112.5 24 and 32; 297A.68, subdivision 41; 469.042, subdivisions 2, 3, and 4; 469.043;  
112.6 469.059, subdivision 13; 469.129; 469.134; 469.162, subdivision 2; 469.1651; 469.166,  
112.7 subdivisions 7, 8, 9, 10, 11, and 12; 469.167, subdivisions 1 and 3; 469.168; 469.169,  
112.8 subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 13; 469.170, subdivisions 1, 2, 3, 4, 5, 5a,  
112.9 5b, 5c, 5d, 5e, 6, 7, and 8; 469.171, subdivisions 2, 5, and 6b; 469.173, subdivisions 1  
112.10 and 3; 469.1765; 469.1791; 469.1799, subdivision 2; 469.301, subdivisions 1, 2, 3, 4, and  
112.11 5; 469.302; 469.303; 469.304; 469.321; 469.3215; 469.322; 469.323; 469.324; 469.325;  
112.12 469.326; 469.327; 469.328; 469.329; and 473.680, are repealed.

112.13 Sec. 44. **EFFECTIVE DATE.**

112.14 This article is effective August 1, 2012, and the tax increment financing provisions  
112.15 apply to all districts, regardless of when the request for certification was made, provided  
112.16 that the adjustments to original tax capacity required under Minnesota Statutes, section  
112.17 469.177, subdivision 1, apply only to exclusions that reduced taxable market value  
112.18 beginning with taxes payable in 2012 or thereafter, regardless of when the law authorizing  
112.19 the exclusion became effective.

112.20 **ARTICLE 8**

112.21 **PUBLIC FINANCE**

112.22 Section 1. Minnesota Statutes 2010, section 373.40, subdivision 1, is amended to read:

112.23 Subdivision 1. **Definitions.** For purposes of this section, the following terms have  
112.24 the meanings given.

112.25 (a) "Bonds" means an obligation as defined under section 475.51.

112.26 (b) "Capital improvement" means acquisition or betterment of public lands,  
112.27 buildings, or other improvements within the county for the purpose of a county courthouse,  
112.28 administrative building, health or social service facility, correctional facility, jail, law  
112.29 enforcement center, hospital, morgue, library, park, qualified indoor ice arena, roads  
112.30 and bridges, public works facilities, fairgrounds buildings, and records and data storage  
112.31 facilities, and the acquisition of development rights in the form of conservation easements  
112.32 under chapter 84C. An improvement must have an expected useful life of five years or  
112.33 more to qualify. "Capital improvement" does not include a recreation or sports facility



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113.1 building (such as, but not limited to, a gymnasium, ice arena, racquet sports facility,  
113.2 swimming pool, exercise room or health spa), unless the building is part of an outdoor  
113.3 park facility and is incidental to the primary purpose of outdoor recreation.

113.4 (c) "Metropolitan county" means a county located in the seven-county metropolitan  
113.5 area as defined in section 473.121 or a county with a population of 90,000 or more.

113.6 (d) "Population" means the population established by the most recent of the  
113.7 following (determined as of the date the resolution authorizing the bonds was adopted):

113.8 (1) the federal decennial census,

113.9 (2) a special census conducted under contract by the United States Bureau of the  
113.10 Census, or

113.11 (3) a population estimate made either by the Metropolitan Council or by the state  
113.12 demographer under section 4A.02.

113.13 (e) "Qualified indoor ice arena" means a facility that meets the requirements of  
113.14 section 373.43.

113.15 (f) "Tax capacity" means total taxable market value, but does not include captured  
113.16 market value.

113.17 Sec. 2. Minnesota Statutes 2010, section 373.40, subdivision 2, is amended to read:

113.18 Subd. 2. **Application of election requirement.** (a) Bonds issued by a county  
113.19 to finance capital improvements under an approved capital improvement plan are not  
113.20 subject to the election requirements of section 375.18 or 475.58. The bonds must be  
113.21 approved by vote of at least three-fifths of the members of the county board. In the case  
113.22 of a metropolitan county, the bonds must be approved by vote of at least two-thirds of  
113.23 the members of the county board.

113.24 (b) Before issuance of bonds qualifying under this section, the county must publish  
113.25 a notice of its intention to issue the bonds and the date and time of a hearing to obtain  
113.26 public comment on the matter. The notice must be published in the official newspaper  
113.27 of the county or in a newspaper of general circulation in the county. The notice must be  
113.28 published at least 14, but not more than 28, days before the date of the hearing.

113.29 (c) A county may issue the bonds only upon obtaining the approval of a majority of  
113.30 the voters voting on the question of issuing the obligations, if a petition requesting a vote  
113.31 on the issuance is signed by voters equal to five percent of the votes cast in the county in  
113.32 the last county general election and is filed with the county auditor within 30 days after  
113.33 the public hearing. ~~The commissioner of revenue shall prepare a suggested form of the~~  
113.34 ~~question to be presented at the election~~ If the county elects not to submit the question to  
113.35 the voters, the county shall not propose the issuance of bonds under this section for the

114.1 same purpose and in the same amount for a period of 365 days from the date of receipt  
114.2 of the petition. If the question of issuing the bonds is submitted and not approved by the  
114.3 voters, the provisions of section 475.58, subdivision 1a, apply.

114.4 Sec. 3. Minnesota Statutes 2010, section 373.40, subdivision 4, is amended to read:

114.5 Subd. 4. **Limitations on amount.** A county may not issue bonds under this section  
114.6 if the maximum amount of principal and interest to become due in any year on all the  
114.7 outstanding bonds issued pursuant to this section (including the bonds to be issued) will  
114.8 equal or exceed 0.12 percent of taxable market value of property in the county. Calculation  
114.9 of the limit must be made using the taxable market value for the taxes payable year in  
114.10 which the obligations are issued and sold, provided that, for purposes of determining  
114.11 the principal and interest due in any year, the county may deduct the amount of interest  
114.12 expected to be paid or reimbursed to the county by the federal government in that year on  
114.13 any outstanding bonds or the bonds to be issued. This section does not limit the authority  
114.14 to issue bonds under any other special or general law.

114.15 Sec. 4. Minnesota Statutes 2010, section 474A.02, subdivision 23a, is amended to read:

114.16 Subd. 23a. **Qualified bonds.** "Qualified bonds" means the specific type or types  
114.17 of obligations that are subject to the annual volume cap. Qualified bonds include the  
114.18 following types of obligations as defined in federal tax law:

114.19 (a) "public facility bonds" means "exempt facility bonds" as defined in federal  
114.20 tax law, except for residential rental project bonds, ~~which are those obligations issued~~  
114.21 ~~to finance airports, docks and wharves, mass commuting facilities, facilities for the~~  
114.22 ~~furnishing of water, sewage facilities, solid waste disposal facilities, facilities for the~~  
114.23 ~~local furnishing of electric energy or gas, local district heating or cooling facilities, and~~  
114.24 ~~qualified hazardous waste facilities.~~ New bonds and other obligations are ineligible to  
114.25 receive state allocations or entitlement authority for public facility projects under this  
114.26 section if they have been issued:

114.27 (1) for the purpose of refinancing, refunding, or otherwise defeasing existing debt;  
114.28 and

114.29 (2) more than one calendar year prior to the date of application;

114.30 (b) "residential rental project bonds" which are those obligations issued to finance  
114.31 qualified residential rental projects;

114.32 (c) "mortgage bonds";

114.33 (d) "small issue bonds" issued to finance manufacturing projects and the acquisition  
114.34 or improvement of agricultural real or personal property under sections 41C.01 to 41C.13;

115.1 (e) "student loan bonds" issued by or on behalf of the Minnesota Office of Higher  
115.2 Education;

115.3 (f) "redevelopment bonds";

115.4 (g) "governmental bonds" with a nonqualified amount in excess of \$15,000,000 as  
115.5 set forth in section 141(b)5 of federal tax law; and

115.6 (h) "enterprise zone facility bonds" issued to finance facilities located within  
115.7 empowerment zones or enterprise communities, as authorized under ~~Public Law 103-66,~~  
115.8 ~~section 13301~~ section 1394 of the Internal Revenue Code.

115.9 Sec. 5. Minnesota Statutes 2010, section 474A.04, subdivision 1a, is amended to read:

115.10 Subd. 1a. **Entitlement reservations; carryforward; deduction.** Any amount  
115.11 returned by an entitlement issuer before July 15 shall be reallocated through the housing  
115.12 pool. Any amount returned on or after July 15 shall be reallocated through the unified  
115.13 pool. An amount returned after the last Monday in November shall be reallocated to the  
115.14 Minnesota housing finance agency. ~~Any amount of bonding authority that an entitlement~~  
115.15 ~~issuer carries forward under federal tax law that is not permanently issued or for which~~  
115.16 ~~the governing body of the entitlement issuer has not enacted a resolution electing to use~~  
115.17 ~~the authority for mortgage credit certificates and has not provided a notice of issue to the~~  
115.18 ~~commissioner before 4:30 p.m. on the last business day in December of the succeeding~~  
115.19 ~~calendar year shall be deducted from the entitlement allocation for that entitlement issuer~~  
115.20 ~~in the next succeeding calendar year. Any amount deducted from an entitlement issuer's~~  
115.21 ~~allocation under this subdivision shall be reallocated to other entitlement issuers, the~~  
115.22 ~~housing pool, the small issue pool, and the public facilities pool on a proportional basis~~  
115.23 ~~consistent with section 474A.03.~~

115.24 **EFFECTIVE DATE.** This section is effective the day following final enactment  
115.25 and applies to any bonding authority allocated in 2011 and subsequent years.

115.26 Sec. 6. Minnesota Statutes 2010, section 474A.062, is amended to read:

115.27 **474A.062 MINNESOTA OFFICE OF HIGHER EDUCATION 120-DAY**  
115.28 **ISSUANCE EXEMPTION.**

115.29 The Minnesota Office of Higher Education is exempt from the 120-day issuance  
115.30 requirements in this chapter and may carry forward allocations for student loan bonds  
115.31 ~~into one successive calendar year,~~ subject to carryforward notice requirements of section  
115.32 474A.131, subdivision 2.

116.1 EFFECTIVE DATE. This section is effective the day following final enactment  
116.2 and applies to any bonding authority allocated in 2011 and subsequent years.

116.3 Sec. 7. Minnesota Statutes 2010, section 474A.091, subdivision 3a, is amended to read:

116.4 Subd. 3a. **Mortgage bonds.** (a) Bonding authority remaining in the unified pool on  
116.5 October 1 is available for single-family housing programs for cities that applied in January  
116.6 and received an allocation under section 474A.061, subdivision 2a, in the same calendar  
116.7 year. The Minnesota Housing Finance Agency shall receive an allocation for mortgage  
116.8 bonds pursuant to this section, minus any amounts for a city or consortium that intends to  
116.9 issue bonds on its own behalf under paragraph (c).

116.10 (b) The agency may issue bonds on behalf of participating cities. The agency shall  
116.11 request an allocation from the commissioner for all applicants who choose to have the  
116.12 agency issue bonds on their behalf and the commissioner shall allocate the requested  
116.13 amount to the agency. Allocations shall be awarded by the commissioner each Monday  
116.14 commencing on the first Monday in October through the last Monday in November for  
116.15 applications received by 4:30 p.m. on the Monday of the week preceding an allocation.

116.16 For cities who choose to have the agency issue bonds on their behalf, allocations  
116.17 will be made loan by loan, on a first-come, first-served basis among the cities. The  
116.18 agency shall submit an application fee pursuant to section 474A.03, subdivision 4, and an  
116.19 application deposit equal to two percent of the requested allocation to the commissioner  
116.20 when requesting an allocation from the unified pool. After awarding an allocation and  
116.21 receiving a notice of issuance for mortgage bonds issued on behalf of the participating  
116.22 cities, the commissioner shall transfer the application deposit to the Minnesota Housing  
116.23 Finance Agency.

116.24 For purposes of paragraphs (a) to (d), "city" means a county or a consortium of  
116.25 local government units that agree through a joint powers agreement to apply together  
116.26 for single-family housing programs, and has the meaning given it in section 462C.02,  
116.27 subdivision 6. "Agency" means the Minnesota Housing Finance Agency.

116.28 (c) Any city that received an allocation pursuant to section 474A.061, subdivision  
116.29 2a, paragraph (f), in the current year that wishes to receive an additional allocation from  
116.30 the unified pool and issue bonds on its own behalf or pursuant to a joint powers agreement  
116.31 shall notify the Minnesota Housing Finance Agency by the third Monday in September.  
116.32 The total amount of allocation for mortgage bonds for a city choosing to issue bonds on its  
116.33 own behalf or through a joint powers agreement is limited to the lesser of: (i) the amount  
116.34 requested, or (ii) the product of the total amount available for mortgage bonds from the  
116.35 unified pool, multiplied by the ratio of the population of each city that applied in January

117.1 and received an allocation under section 474A.061, subdivision 2a, in the same calendar  
117.2 year, as determined by the most recent estimate of the city's population released by the  
117.3 state demographer's office to the total of the population of all the cities that applied in  
117.4 January and received an allocation under section 474A.061, subdivision 2a, in the same  
117.5 calendar year. If a city choosing to issue bonds on its own behalf or through a joint powers  
117.6 agreement is located within a county that has also chosen to issue bonds on its own behalf  
117.7 or through a joint powers agreement, the city's population will be deducted from the  
117.8 county's population in calculating the amount of allocations under this paragraph.

117.9 The Minnesota Housing Finance Agency shall notify each city choosing to issue  
117.10 bonds on its own behalf or pursuant to a joint powers agreement of the amount of its  
117.11 allocation by October 15. Upon determining the amount of the allocation of each choosing  
117.12 to issue bonds on its own behalf or through a joint powers agreement, the agency shall  
117.13 forward a list specifying the amounts allotted to each city.

117.14 A city that chooses to issue bonds on its own behalf or through a joint powers  
117.15 agreement may request an allocation from the commissioner by forwarding an application  
117.16 with an application fee pursuant to section 474A.03, subdivision 4, and an application  
117.17 deposit equal to two percent of the requested amount to the commissioner no later than  
117.18 4:30 p.m. on the Monday of the week preceding an allocation. Allocations to cities that  
117.19 choose to issue bonds on their own behalf shall be awarded by the commissioner on  
117.20 the first Monday after October 15 through the last Monday in November. No city may  
117.21 receive an allocation from the commissioner after the last Monday in November. The  
117.22 commissioner shall allocate the requested amount to the city or cities subject to the  
117.23 limitations under this subdivision.

117.24 If a city issues mortgage bonds from an allocation received under this paragraph,  
117.25 the issuer must provide for the recycling of funds into new loans. If the issuer is not  
117.26 able to provide for recycling, the issuer must notify the commissioner in writing of the  
117.27 reason that recycling was not possible and the reason the issuer elected not to have the  
117.28 Minnesota Housing Finance Agency issue the bonds. "Recycling" means the use of money  
117.29 generated from the repayment and prepayment of loans for further eligible loans or for the  
117.30 redemption of bonds and the issuance of current refunding bonds.

117.31 (d) No entitlement city or county or city in an entitlement county may apply for or  
117.32 be allocated authority to issue mortgage bonds or use mortgage credit certificates from  
117.33 the unified pool.

117.34 (e) An allocation awarded to the agency for mortgage bonds under this section  
117.35 may be carried forward by the agency ~~into the next succeeding calendar year~~ subject to

118.1 notice requirements under section 474A.131 ~~and is available until the last business day in~~  
118.2 ~~December of that succeeding calendar year.~~

118.3 **EFFECTIVE DATE.** This section is effective the day following final enactment  
118.4 and applies to any bonding authority allocated in 2011 and subsequent years.

118.5 Sec. 8. Minnesota Statutes 2010, section 475.521, subdivision 2, is amended to read:

118.6 Subd. 2. **Election requirement.** (a) Bonds issued by a municipality to finance  
118.7 capital improvements under an approved capital improvements plan are not subject to the  
118.8 election requirements of section 475.58. The bonds must be approved by an affirmative  
118.9 vote of three-fifths of the members of a five-member governing body. In the case of a  
118.10 governing body having more or less than five members, the bonds must be approved by a  
118.11 vote of at least two-thirds of the members of the governing body.

118.12 (b) Before the issuance of bonds qualifying under this section, the municipality  
118.13 must publish a notice of its intention to issue the bonds and the date and time of the  
118.14 hearing to obtain public comment on the matter. The notice must be published in the  
118.15 official newspaper of the municipality or in a newspaper of general circulation in the  
118.16 municipality. Additionally, the notice may be posted on the official Web site, if any, of the  
118.17 municipality. The notice must be published at least 14 but not more than 28 days before  
118.18 the date of the hearing.

118.19 (c) A municipality may issue the bonds only after obtaining the approval of a  
118.20 majority of the voters voting on the question of issuing the obligations, if a petition  
118.21 requesting a vote on the issuance is signed by voters equal to five percent of the votes cast  
118.22 in the municipality in the last municipal general election and is filed with the clerk within  
118.23 30 days after the public hearing. ~~The commissioner of revenue shall prepare a suggested~~  
118.24 ~~form of the question to be presented at the election.~~ If the municipality elects not to submit  
118.25 the question to the voters, the municipality shall not propose the issuance of bonds under  
118.26 this section for the same purpose and in the same amount for a period of 365 days from the  
118.27 date of receipt of the petition. If the question of issuing the bonds is submitted and not  
118.28 approved by the voters, the provisions of section 475.58, subdivision 1a, apply.

118.29 Sec. 9. Minnesota Statutes 2010, section 475.521, subdivision 4, is amended to read:

118.30 Subd. 4. **Limitations on amount.** A municipality may not issue bonds under  
118.31 this section if the maximum amount of principal and interest to become due in any  
118.32 year on all the outstanding bonds issued under this section, including the bonds to be  
118.33 issued, will equal or exceed 0.16 percent of the taxable market value of property in the  
118.34 municipality. Calculation of the limit must be made using the taxable market value for

119.1 the taxes payable year in which the obligations are issued and sold, provided that, for  
119.2 purposes of determining the principal and interest due in any year, the municipality may  
119.3 deduct the amount of interest expected to be paid or reimbursed to the municipality by the  
119.4 federal government in that year on any outstanding bonds or the bonds to be issued. In  
119.5 the case of a municipality with a population of 2,500 or more, the bonds are subject to  
119.6 the net debt limits under section 475.53. In the case of a shared facility in which more  
119.7 than one municipality participates, upon compliance by each participating municipality  
119.8 with the requirements of subdivision 2, the limitations in this subdivision and the net debt  
119.9 represented by the bonds shall be allocated to each participating municipality in proportion  
119.10 to its required financial contribution to the financing of the shared facility, as set forth in  
119.11 the joint powers agreement relating to the shared facility. This section does not limit the  
119.12 authority to issue bonds under any other special or general law.

119.13 Sec. 10. Minnesota Statutes 2010, section 475.58, subdivision 3b, is amended to read:

119.14 Subd. 3b. **Street reconstruction.** (a) A municipality may, without regard to  
119.15 the election requirement under subdivision 1, issue and sell obligations for street  
119.16 reconstruction, if the following conditions are met:

119.17 (1) the streets are reconstructed under a street reconstruction plan that describes the  
119.18 street reconstruction to be financed, the estimated costs, and any planned reconstruction  
119.19 of other streets in the municipality over the next five years, and the plan and issuance of  
119.20 the obligations has been approved by a vote of all of the members of the governing body  
119.21 present at the meeting following a public hearing for which notice has been published in  
119.22 the official newspaper at least ten days but not more than 28 days prior to the hearing; and

119.23 (2) if a petition requesting a vote on the issuance is signed by voters equal to  
119.24 five percent of the votes cast in the last municipal general election and is filed with the  
119.25 municipal clerk within 30 days of the public hearing, the municipality may issue the bonds  
119.26 only after obtaining the approval of a majority of the voters voting on the question of the  
119.27 issuance of the obligations. If the municipality elects not to submit the question to the  
119.28 voters, the municipality shall not propose the issuance of bonds under this section for the  
119.29 same purpose and in the same amount for a period of 365 days from the date of receipt  
119.30 of the petition. If the question of issuing the bonds is submitted and not approved by the  
119.31 voters, the provisions of subdivision 1a, apply.

119.32 (b) Obligations issued under this subdivision are subject to the debt limit of the  
119.33 municipality and are not excluded from net debt under section 475.51, subdivision 4.

119.34 (c) For purposes of this subdivision, street reconstruction includes utility  
119.35 replacement and relocation and other activities incidental to the street reconstruction, turn

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120.1 lanes and other improvements having a substantial public safety function, realignments,  
120.2 other modifications to intersect with state and county roads, and the local share of state  
120.3 and county road projects.

120.4 (d) Except in the case of turn lanes, safety improvements, realignments, intersection  
120.5 modifications, and the local share of state and county road projects, street reconstruction  
120.6 does not include the portion of project cost allocable to widening a street or adding curbs  
120.7 and gutters where none previously existed.

120.8 Sec. 11. Laws 1971, chapter 773, section 1, subdivision 2, as amended by Laws 1974,  
120.9 chapter 351, section 5, Laws 1976, chapter 234, sections 1 and 7, Laws 1978, chapter 788,  
120.10 section 1, Laws 1981, chapter 369, section 1, Laws 1983, chapter 302, section 1, Laws  
120.11 1988, chapter 513, section 1, Laws 1992, chapter 511, article 9, section 23, Laws 1998,  
120.12 chapter 389, article 3, section 27, and Laws 2002, chapter 390, section 23, is amended to  
120.13 read:

120.14 Subd. 2. For each of the years ~~2003 to 2013~~ 2012 to 2024, the city of St. Paul is  
120.15 authorized to issue bonds in the aggregate principal amount of ~~\$20,000,000~~ \$25,000,000  
120.16 for each year.

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

120.18 Sec. 12. Laws 2003, chapter 127, article 12, section 28, is amended to read:

120.19 Sec. 28. **NURSING HOME BONDS AUTHORIZED.**

120.20 Itasca County may issue bonds under Minnesota Statutes, sections 376.55 and  
120.21 376.56, to finance the construction of a 35-bed nursing home facility to replace an existing  
120.22 35-bed private facility located in the county. The bonds issued under this section ~~must~~  
120.23 may be payable solely from revenues ~~and or~~ and may ~~not~~ be general obligations of the county.

120.24 **EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective the day after  
120.25 the governing body of Itasca County and its chief clerical officer timely complete their  
120.26 compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

120.27 Sec. 13. **CARRYFORWARD OF BONDING AUTHORITY FOR 2008, 2009,**  
120.28 **AND 2010; NO DEDUCTION FROM ENTITLEMENT ALLOCATION.**

120.29 Notwithstanding Minnesota Statutes, section 474A.04, subdivision 1a, and Laws  
120.30 2009, chapter 88, article 6, section 27, bonding authority that was allocated to an  
120.31 entitlement issuer in 2008, 2009, and 2010 and that was carried forward under federal  
120.32 tax law, but for which the entitlement issuer did not provide a notice of issue to the



121.1 commissioner of management and budget before 4:30 p.m. on the last business day of  
121.2 December 2011 must not be deducted from the entitlement allocation for that entitlement  
121.3 issuer in 2012.

121.4 **EFFECTIVE DATE.** This section is effective the day following final enactment  
121.5 and applies retroactively to rescind any reallocation by the commissioner of management  
121.6 and budget under Minnesota Statutes, section 474A.04, subdivision 1a, of any amounts so  
121.7 deducted.

121.8 Sec. 14. **WOODBURY; EXEMPTION FROM REFERENDUM.**

121.9 (a) Notwithstanding the referendum requirement in Minnesota Statutes, section  
121.10 475.58, subdivision 1, or any other provision of law, the city of Woodbury may issue and  
121.11 sell obligations to pay for the cost of renovating, improving, expanding, and equipping the  
121.12 Bielenberg Sports Center, along with costs of issuance of the obligations and capitalized  
121.13 interest, if:

121.14 (1) the obligations are secured by a pledge of revenues from the facility; and

121.15 (2) the city finds, based on analysis provided by a professional experienced in  
121.16 finance, that the facility's revenues and a property tax levy equal to the maximum annual  
121.17 property tax levy used to pay the bonds previously issued to finance, in whole or in part,  
121.18 the facility will in the aggregate be sufficient to pay the obligations without the imposition  
121.19 of an additional property tax levy pledged to the obligations.

121.20 (b) Before issuing bonds under this section, the city must publish a notice of its  
121.21 intention to issue the bonds and the date and time of a hearing to obtain public comment  
121.22 on the matter. The notice must be published on the official Web site of the city or in a  
121.23 newspaper of general circulation in the city. The notice must be published at least 14 but  
121.24 not more than 28 days before the date of the hearing. The city may issue the bonds only  
121.25 upon obtaining the approval of a majority of the voters voting on the question of issuing  
121.26 the obligations, if a petition requesting a vote on the issuance is signed by voters equal to  
121.27 five percent of the votes cast in the city in the last general election and is filed with the city  
121.28 clerk within 30 days after the public hearing.

121.29 **EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective the day after  
121.30 the governing body of the city of Woodbury and its chief clerical officer timely complete  
121.31 their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 9

SALES TAXES

122.1

122.2

122.3 Section 1. Minnesota Statutes 2010, section 297A.8155, is amended to read:

122.4 **297A.8155 LIQUOR REPORTING REQUIREMENTS; PENALTY.**

122.5 (a) A person who sells liquor, as defined in section 295.75, subdivision 1, in  
122.6 Minnesota to a retailer that sells liquor, shall file with the commissioner an annual  
122.7 informational report, in the form and manner prescribed by the commissioner, indicating  
122.8 the name, address, and Minnesota business identification number of each retailer, and the  
122.9 total dollar amount of liquor sold to each retailer in the previous calendar year. The report  
122.10 must be filed on or before March 31 following the close of the calendar year. A person  
122.11 failing to file this report is subject to the penalty imposed under section 289A.60. A  
122.12 person required to file a report under this section is not required to provide a copy of an  
122.13 exemption certificate, as defined in section 297A.72, provided to the person by a retailer,  
122.14 along with the annual informational report.

122.15 (b) A person who was required to submit an annual informational report under this  
122.16 section to the commissioner of revenue during calendar year 2010 or 2011 is not required  
122.17 to provide a copy of an exemption certificate or a retailer's tax identification number  
122.18 along with the informational report.

122.19 **EFFECTIVE DATE.** Paragraph (a) is effective for reports required to be filed  
122.20 beginning in calendar year 2012 and thereafter. Paragraph (b) is effective the day following  
122.21 final enactment and applies to reports required to be filed in calendar year 2010 or 2011.

122.22 Sec. 2. Minnesota Statutes 2010, section 297A.99, subdivision 4, is amended to read:

122.23 Subd. 4. **Tax base.** (a) The tax applies to sales taxable under this chapter that occur  
122.24 within the political subdivision.

122.25 (b) Taxable goods or services are subject to a political subdivision's sales tax, if they  
122.26 are sourced to the political subdivision pursuant to section 297A.668.

122.27 (c) The requirement in paragraph (a) only applies to a local sales tax of general  
122.28 applicability; and to local taxes on specific items such as lodging, food and beverage, and  
122.29 admissions, if explicitly provided for in the authorizing law. The issue of whether the tax  
122.30 is collected by the commissioner has no bearing on this subdivision.

122.31 **EFFECTIVE DATE.** This section is effective retroactively from July 1, 2011.

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123.1 Sec. 3. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by  
123.2 Laws 2005, First Special Session chapter 3, article 5, section 28, and Laws 2011, First  
123.3 Special Session chapter 7, article 4, section 5, is amended to read:

123.4 Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized by  
123.5 subdivisions 1 and 2 must be used by the city to pay for the cost of collecting and  
123.6 administering the taxes and to pay for the following projects:

123.7 (1) transportation infrastructure improvements including regional highway and  
123.8 airport improvements;

123.9 (2) improvements to the civic center complex;

123.10 (3) a municipal water, sewer, and storm sewer project necessary to improve regional  
123.11 ground water quality; and

123.12 (4) construction of a regional recreation and sports center and other higher education  
123.13 facilities available for both community and student use.

123.14 (b) The total amount of capital expenditures or bonds for projects listed in paragraph  
123.15 (a) that may be paid from the revenues raised from the taxes authorized in this section  
123.16 may not exceed \$111,500,000. The total amount of capital expenditures or bonds for the  
123.17 project in clause (4) that may be paid from the revenues raised from the taxes authorized  
123.18 in this section may not exceed \$28,000,000.

123.19 (c) In addition to the projects authorized in paragraph (a) and not subject to the  
123.20 amount stated in paragraph (b), the city of Rochester may, if approved by the voters at an  
123.21 election under subdivision 5, paragraph (c), use the revenues received from the taxes and  
123.22 bonds authorized in this section to pay the costs of or bonds for the following purposes:

123.23 (1) \$17,000,000 for capital expenditures and bonds for the following Olmsted  
123.24 County transportation infrastructure improvements:

123.25 (i) County State Aid Highway 34 reconstruction;

123.26 (ii) Trunk Highway 63 and County State Aid Highway 16 interchange;

123.27 (iii) phase II of the Trunk Highway 52 and County State Aid Highway 22  
123.28 interchange;

123.29 (iv) widening of County State Aid Highway 22 West Circle Drive; and

123.30 (v) 60th Avenue Northwest corridor preservation;

123.31 (2) \$30,000,000 for city transportation projects including:

123.32 (i) Trunk Highway 52 and 65th Street interchange;

123.33 (ii) NW transportation corridor acquisition;

123.34 (iii) Phase I of the Trunk Highway 52 and County State Aid Highway 22 interchange;

123.35 (iv) Trunk Highway 14 and Trunk Highway 63 intersection;

123.36 (v) Southeast transportation corridor acquisition;

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- 124.1 (vi) Rochester International Airport expansion; and  
124.2 (vii) a transit operations center bus facility;  
124.3 (3) \$14,000,000 for the University of Minnesota Rochester academic and  
124.4 complementary facilities;  
124.5 (4) \$6,500,000 for the Rochester Community and Technical College/Winona State  
124.6 University career technical education and science and math facilities;  
124.7 (5) \$6,000,000 for the Rochester Community and Technical College regional  
124.8 recreation facilities at University Center Rochester;  
124.9 (6) \$20,000,000 for the Destination Medical Community Initiative;  
124.10 (7) \$8,000,000 for the regional public safety and 911 dispatch center facilities;  
124.11 (8) \$20,000,000 for a regional recreation/senior center;  
124.12 (9) \$10,000,000 for an economic development fund; and  
124.13 (10) \$8,000,000 for downtown infrastructure.  
124.14 (d) No revenues from the taxes raised from the taxes authorized in subdivisions 1  
124.15 and 2 may be used to fund transportation improvements related to a railroad bypass that  
124.16 would divert traffic from the city of Rochester.  
124.17 (e) The city shall use \$5,000,000 of the money allocated to the purpose in paragraph  
124.18 (c), clause (9), for grants to the cities of Byron, Chatfield, Dodge Center, Dover, Elgin,  
124.19 Eyota, Kasson, Mantorville, Oronoco, Pine Island, Plainview, St. Charles, Stewartville,  
124.20 Zumbrota, Spring Valley, West Concord, ~~and Hayfield,~~ and any other city with a 2010  
124.21 population of at least 1,000 that has a city boundary within 25 miles of the geographic  
124.22 center of Rochester and is closer to Rochester than to any other city with a population of  
124.23 20,000 or more, for economic development projects that these communities would fund  
124.24 through their economic development authority or housing and redevelopment authority.  
124.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.

124.26 Sec. 4. Laws 2002, chapter 377, article 3, section 25, as amended by Laws 2009,  
124.27 chapter 88, article 4, section 19, and Laws 2010, chapter 389, article 5, section 3, is  
124.28 amended to read:

124.29 **Sec. 25. ROCHESTER LODGING TAX.**

124.30 Subdivision 1. **Authorization.** Notwithstanding Minnesota Statutes, section  
124.31 469.190 or 477A.016, or any other law, the city of Rochester may impose an additional  
124.32 tax of one percent on the gross receipts from the furnishing for consideration of lodging at  
124.33 a hotel, motel, rooming house, tourist court, or resort, other than the renting or leasing of it  
124.34 for a continuous period of 30 days or more.

125.1 Subd. 1a. **Authorization.** Notwithstanding Minnesota Statutes, section 469.190  
125.2 or 477A.016, or any other law, and in addition to the tax authorized by subdivision 1,  
125.3 the city of Rochester may impose an additional tax of ~~one~~ three percent on the gross  
125.4 receipts from the furnishing for consideration of lodging at a hotel, motel, rooming house,  
125.5 tourist court, or resort, other than the renting or leasing of it for a continuous period of  
125.6 30 days or more only upon the approval of the city governing body of a total financial  
125.7 package for the project.

125.8 Subd. 2. **Disposition of proceeds.** (a) The gross proceeds from the tax imposed  
125.9 under subdivision 1 must be used by the city to fund a local convention or tourism bureau  
125.10 for the purpose of marketing and promoting the city as a tourist or convention center.

125.11 (b) The gross proceeds from the ~~one~~ three percent tax imposed under subdivision  
125.12 1a shall be used to pay for (1) construction, renovation, improvement, and expansion of  
125.13 the Mayo Civic Center and related skyway access, lighting, parking, or landscaping; and  
125.14 (2) for payment of any principal, interest, or premium on bonds issued to finance the  
125.15 construction, renovation, improvement, and expansion of the Mayo Civic Center Complex.

125.16 Subd. 2a. **Bonds.** The city of Rochester may issue, without an election, general  
125.17 obligation bonds of the city, in one or more series, in the aggregate principal amount  
125.18 not to exceed \$43,500,000, to pay for capital and administrative costs for the design,  
125.19 construction, renovation, improvement, and expansion of the Mayo Civic Center Complex,  
125.20 and related skyway, access, lighting, parking, and landscaping. The city may pledge  
125.21 the lodging tax authorized by subdivision 1a ~~and the food and beverage tax authorized~~  
125.22 ~~under Laws 2009, chapter 88, article 4, section 23,~~ to the payment of the bonds. The debt  
125.23 represented by the bonds is not included in computing any debt limitations applicable to  
125.24 the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the  
125.25 principal of and interest on the bonds is not subject to any levy limitation or included in  
125.26 computing or applying any levy limitation applicable to the city.

125.27 Subd. 3. **Expiration of taxing authority.** The authority of the city to impose a  
125.28 tax under subdivision 1a shall expire when the principal and interest on any bonds or  
125.29 other obligations issued prior to December 31, ~~2014~~ 2016, to finance the construction,  
125.30 renovation, improvement, and expansion of the Mayo Civic Center Complex and related  
125.31 skyway access, lighting, parking, or landscaping have been paid, including any bonds  
125.32 issued to refund such bonds, or at an earlier time as the city shall, by ordinance, determine.  
125.33 Any funds remaining after completion of the project and retirement or redemption of the  
125.34 bonds shall be placed in the general fund of the city.

126.1            **EFFECTIVE DATE.** This section is effective the day after the governing body of  
126.2 the city of Rochester and its chief clerical officer comply with Minnesota Statutes, section  
126.3 645.021, subdivisions 2 and 3.

126.4            Sec. 5. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision 2,  
126.5 is amended to read:

126.6            Subd. 2. **Use of revenues.** (a) Revenues received from the tax authorized by  
126.7 subdivision 1 by the city of St. Cloud must be used for the cost of collecting and  
126.8 administering the tax and to pay all or part of the capital or administrative costs of the  
126.9 development, acquisition, construction, improvement, and securing and paying debt  
126.10 service on bonds or other obligations issued to finance the following regional projects as  
126.11 approved by the voters and specifically detailed in the referendum authorizing the tax or  
126.12 extending the tax:

126.13            (1) St. Cloud Regional Airport;

126.14            (2) regional transportation improvements;

126.15            (3) regional community and aquatics centers and facilities;

126.16            (4) regional public libraries; and

126.17            (5) acquisition and improvement of regional park land and open space.

126.18            (b) Revenues received from the tax authorized by subdivision 1 by the cities of St.  
126.19 Joseph, Waite Park, Sartell, Sauk Rapids, and St. Augusta must be used for the cost of  
126.20 collecting and administering the tax and to pay all or part of the capital or administrative  
126.21 costs of the development, acquisition, construction, improvement, and securing and paying  
126.22 debt service on bonds or other obligations issued to fund the projects specifically approved  
126.23 by the voters at the referendum authorizing the tax or extending the tax. The portion of  
126.24 revenues from the city going to fund the regional airport or regional library located in the  
126.25 city of St. Cloud will be as required under the applicable joint powers agreement.

126.26            (c) The use of revenues received from the taxes authorized in subdivision 1 for  
126.27 projects allowed under paragraphs (a) and (b) are limited to the amount authorized for  
126.28 each project under the enabling referendum.

126.29            **EFFECTIVE DATE.** This section is effective the day after the governing body of  
126.30 each city that approves it complies with Minnesota Statutes, section 645.021, subdivision  
126.31 3.

126.32            Sec. 6. Laws 2005, First Special Session chapter 3, article 5, section 37, subdivision 4,  
126.33 is amended to read:

127.1 Subd. 4. **Termination of tax.** The tax imposed in the cities of St. Joseph, St. Cloud,  
127.2 St. Augusta, Sartell, Sauk Rapids, and Waite Park under subdivision 1 expires when the  
127.3 city council determines that sufficient funds have been collected from the tax to retire or  
127.4 redeem the bonds and obligations authorized under subdivision 2, paragraph (a), but no  
127.5 later than December 31, 2018. Notwithstanding Minnesota Statutes, section 297A.99,  
127.6 subdivision 3, paragraphs (a), (c), and (d), a city may extend the tax imposed under  
127.7 subdivision 1 through December 31, 2038, if approved under the referendum authorizing  
127.8 the tax under subdivision 1 or if approved by voters of the city at a general election held  
127.9 no later than November 6, 2017.

127.10 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
127.11 each city that approves it complies with Minnesota Statutes, section 645.021, subdivision  
127.12 3.

127.13 Sec. 7. Laws 2008, chapter 366, article 7, section 19, subdivision 3, as amended by  
127.14 Laws 2011, First Special Session chapter 7, article 4, section 8, is amended to read:

127.15 Subd. 3. **Use of revenues.** Notwithstanding Minnesota Statutes, section 297A.99,  
127.16 subdivision 3, paragraph (b), the proceeds of the tax imposed under this section shall be  
127.17 used to pay for the costs of improvements to the Sportsman Park/Ballfields, Riverside  
127.18 Park, Lions Park/Pavilion, Cedar South Park also known as Eldorado Park, and Spring  
127.19 Street Park; improvements to and extension of the River County bike trail; acquisition;  
127.20 and construction, improvement, and development of regional parks, bicycle trails, park  
127.21 land, open space, and of a pedestrian walkways, as described in the city improvement plan  
127.22 adopted by the city council by resolution on December 12, 2006, and walkway over  
127.23 Interstate 94 and State Highway 24; and the acquisition of land and construction of  
127.24 buildings for a community and recreation center. The total amount of revenues from the  
127.25 taxes in subdivisions 1 and 2 that may be used to fund these projects is \$12,000,000  
127.26 plus any associated bond costs.

127.27 **EFFECTIVE DATE.** This section is effective the day after compliance by the  
127.28 governing body of the city of Clearwater with Minnesota Statutes, section 645.021,  
127.29 subdivisions 2 and 3.

127.30 Sec. 8. **CITY OF PROCTOR; LOCAL TAXES AUTHORIZED.**

127.31 Subdivision 1. **Food and beverage tax authorized.** Notwithstanding Minnesota  
127.32 Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the  
127.33 city of Proctor may, by ordinance, impose a sales tax of up to one percent on the gross

128.1 receipts of all food and beverages sold by a restaurant or place of refreshment, as defined  
128.2 by resolution of the city, that is located within the city. For purposes of this section, "food  
128.3 and beverages" include retail on-sale of intoxicating liquor and fermented malt beverages.

128.4 Subd. 2. **Entertainment tax.** Notwithstanding Minnesota Statutes, section  
128.5 477A.016, or any ordinance, city charter, or other provision of law, the city of Proctor  
128.6 may, by ordinance, impose a tax of up to one percent on the gross receipts on admissions  
128.7 to an entertainment event, as defined by resolution of the city, located within the city. For  
128.8 purposes of this section, "entertainment event" means any event for which persons pay  
128.9 money in order to be admitted to the premises and to be entertained, including, but not  
128.10 limited to, theaters, concerts, sporting events, circuses, and fairs.

128.11 Subd. 3. **Use of proceeds from authorized taxes.** The proceeds of the taxes  
128.12 imposed under subdivisions 1 and 2 must be used by the city to fund: (1) operational  
128.13 costs of the Proctor recreation center, golf course, community center, and the South  
128.14 St. Louis County fairgrounds; and (2) construction and improvement of walking and  
128.15 bicycle trails and a multiuse civic center facility, parking improvements, festival and  
128.16 event coordination, and improvements related to the redevelopment and realignment of a  
128.17 road through the fairgrounds property recently ceded to the city of Proctor by the city of  
128.18 Duluth. Authorized expenses include securing or paying debt service on bonds or other  
128.19 obligations issued to finance construction and improvement projects.

128.20 Subd. 4. **Collection, administration, and enforcement.** The city may enter into  
128.21 an agreement with the commissioner of revenue to administer, collect, and enforce the  
128.22 taxes under subdivision 1. If the commissioner agrees to collect the tax, the provisions  
128.23 of Minnesota Statutes, section 297A.99, related to collection, administration, and  
128.24 enforcement apply.

128.25 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
128.26 the city of Proctor and its chief clerical officer comply with Minnesota Statutes, section  
128.27 645.021, subdivisions 2 and 3.

128.28 Sec. 9. **SOLICITOR NEXUS STUDY.**

128.29 (a) The Department of Revenue shall conduct a study on solicitor nexus, which must  
128.30 include: a review of similar laws proposed and enacted in other states and if enacted, their  
128.31 revenue impacts; a discussion of the legal questions raised by state solicitor nexus laws; the  
128.32 impact of Internet sales in Minnesota; the status and potential impact to states of federal  
128.33 legislation on the issue; and any other information applicable to solicitor nexus laws.

128.34 (b) By January 15, 2013, the commissioner shall submit a report on the study  
128.35 required under this section to the chairs and ranking minority members of the house of



129.1 representatives and senate committees with jurisdiction over taxation, of the findings of  
129.2 the study and identification of issues for policy makers to consider in whether to adopt a  
129.3 solicitor nexus provision.

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

129.5 Sec. 10. **REPEALER.**

129.6 Laws 2009, chapter 88, article 4, section 23, as amended by Laws 2010, chapter 389,  
129.7 article 5, section 4, is repealed.

## 129.8 **ARTICLE 10**

### 129.9 **PROPERTY TAXES**

129.10 Section 1. Minnesota Statutes 2010, section 126C.48, subdivision 8, is amended to read:

129.11 Subd. 8. **Taconite payment and other reductions.** (1) Reductions in levies  
129.12 pursuant to subdivision 1 must be made prior to the reductions in clause (2).

129.13 (2) Notwithstanding any other law to the contrary, districts that have revenue  
129.14 pursuant to sections 298.018; 298.225; 298.24 to 298.28, except an amount distributed  
129.15 under sections 298.26; 298.28, subdivision 4, paragraphs (c), clause (ii), and (d); 298.34 to  
129.16 298.39; 298.391 to 298.396; 298.405; 477A.15; and any law imposing a tax upon severed  
129.17 mineral values must reduce the levies authorized by this chapter and chapters 120B, 122A,  
129.18 123A, 123B, 124A, 124D, 125A, and 127A by ~~95 percent~~ of the previous year's revenue  
129.19 specified under ~~this clause~~ sections 298.018; 298.225; 298.24 to 298.28, except an amount  
129.20 distributed under sections 298.26; 298.28, subdivision 4, paragraphs (c), clause (ii), and  
129.21 (d); 298.34 to 298.39; 298.391 to 298.396; 298.405; 477A.15; and any law imposing a  
129.22 tax upon severed mineral values.

129.23 (3) The amount of any voter approved referendum, facilities down payment, and  
129.24 debt levies shall not be reduced by more than 50 percent under this subdivision. In  
129.25 administering this paragraph, the commissioner shall first reduce the nonvoter approved  
129.26 levies of a district; then, if any payments, severed mineral value tax revenue or recognized  
129.27 revenue under paragraph (2) remains, the commissioner shall reduce any voter approved  
129.28 referendum levies authorized under section 126C.17; then, if any payments, severed  
129.29 mineral value tax revenue or recognized revenue under paragraph (2) remains, the  
129.30 commissioner shall reduce any voter approved facilities down payment levies authorized  
129.31 under section 123B.63 and then, if any payments, severed mineral value tax revenue or  
129.32 recognized revenue under paragraph (2) remains, the commissioner shall reduce any  
129.33 voter approved debt levies.

130.1 (4) Before computing the reduction pursuant to this subdivision of the health and  
130.2 safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, the commissioner  
130.3 shall ascertain from each affected school district the amount it proposes to levy under  
130.4 each section or subdivision. The reduction shall be computed on the basis of the amount  
130.5 so ascertained.

130.6 (5) To the extent the levy reduction calculated under paragraph (2) exceeds the  
130.7 limitation in paragraph (3), an amount equal to the excess must be distributed from the  
130.8 school district's distribution under sections 298.225, 298.28, and 477A.15 in the following  
130.9 year to the cities and townships within the school district in the proportion that their  
130.10 taxable net tax capacity within the school district bears to the taxable net tax capacity of  
130.11 the school district for property taxes payable in the year prior to distribution. No city or  
130.12 township shall receive a distribution greater than its levy for taxes payable in the year prior  
130.13 to distribution. The commissioner of revenue shall certify the distributions of cities and  
130.14 towns under this paragraph to the county auditor by September 30 of the year preceding  
130.15 distribution. The county auditor shall reduce the proposed and final levies of cities and  
130.16 towns receiving distributions by the amount of their distribution. Distributions to the cities  
130.17 and towns shall be made at the times provided under section 298.27.

130.18 **EFFECTIVE DATE.** This section is effective for levies certified in 2013 and later.

130.19 Sec. 2. Minnesota Statutes 2011 Supplement, section 272.02, subdivision 39, is  
130.20 amended to read:

130.21 Subd. 39. **Economic development; public purpose.** The holding of property by a  
130.22 political subdivision of the state for later resale for economic development purposes shall  
130.23 be considered a public purpose in accordance with subdivision 8 for a period not to exceed  
130.24 ~~nine~~ ten years, except that for property located in a city of 5,000 population or under that  
130.25 is located outside of the metropolitan area as defined in section 473.121, subdivision 2, the  
130.26 period must not exceed 15 years.

130.27 The holding of property by a political subdivision of the state for later resale (1)  
130.28 which is purchased or held for housing purposes, or (2) which meets the conditions  
130.29 described in section 469.174, subdivision 10, shall be considered a public purpose in  
130.30 accordance with subdivision 8.

130.31 The governing body of the political subdivision which acquires property which is  
130.32 subject to this subdivision shall after the purchase of the property certify to the city or  
130.33 county assessor whether the property is held for economic development purposes or  
130.34 housing purposes, or whether it meets the conditions of section 469.174, subdivision 10.  
130.35 If the property is acquired for economic development purposes and buildings or other

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131.1 improvements are constructed after acquisition of the property, and if more than one-half  
131.2 of the floor space of the buildings or improvements which is available for lease to or use  
131.3 by a private individual, corporation, or other entity is leased to or otherwise used by  
131.4 a private individual, corporation, or other entity the provisions of this subdivision shall  
131.5 not apply to the property. This subdivision shall not create an exemption from section  
131.6 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of  
131.7 law providing for the taxation of or for payments in lieu of taxes for publicly held property  
131.8 which is leased, loaned, or otherwise made available and used by a private person.

131.9 **EFFECTIVE DATE.** This section is effective for assessment year 2012 and  
131.10 thereafter and for taxes payable in 2013 and thereafter.

131.11 Sec. 3. Minnesota Statutes 2010, section 273.111, is amended by adding a subdivision  
131.12 to read:

131.13 **Subd. 17. Appeal.** If an assessor denies an application for valuation under this  
131.14 section, the county board of appeal and equalization may hear an applicant's appeal of  
131.15 the assessor's decision, as provided under section 274.13.

131.16 **EFFECTIVE DATE.** This section is effective for appeals denied after June 30,  
131.17 2011.

131.18 Sec. 4. Minnesota Statutes 2010, section 275.065, subdivision 3, is amended to read:

131.19 **Subd. 3. Notice of proposed property taxes.** (a) The county auditor shall prepare  
131.20 and the county treasurer shall deliver after November 10 and on or before November 24  
131.21 each year, by first class mail to each taxpayer at the address listed on the county's current  
131.22 year's assessment roll, a notice of proposed property taxes. Upon written request by  
131.23 the taxpayer, the treasurer may send the notice in electronic form or by electronic mail  
131.24 instead of on paper or by ordinary mail.

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

131.26 (c) The notice must inform taxpayers that it contains the amount of property taxes  
131.27 each taxing authority proposes to collect for taxes payable the following year. In the  
131.28 case of a town, or in the case of the state general tax, the final tax amount will be its  
131.29 proposed tax. ~~The notice must clearly state~~ For each city that has a population over 500,  
131.30 county, school district, regional library authority established under section 134.201, and  
131.31 metropolitan taxing districts as defined in paragraph (i), the notice must state the time and  
131.32 place of a meeting for each taxing authority in which the budget and levy will be discussed  
131.33 and public input allowed, prior to the final budget and levy determination. For each special

132.1 taxing district, the notice must: (1) list separately any levy by a special taxing district that  
132.2 exceeds 25 percent of the total of all special taxing district levies; and (2) provide county  
132.3 government contact information where additional information may be obtained for each  
132.4 special taxing district. The taxing authorities must provide the county auditor with the  
132.5 information to be included in the notice on or before the time it certifies its proposed  
132.6 levy under subdivision 1. The public must be allowed to speak at that meeting, which  
132.7 must occur after November 24 and must not be held before 6:00 p.m. It must provide a  
132.8 telephone number for the taxing authority that taxpayers may call if they have questions  
132.9 related to the notice and an address where comments will be received by mail, except that  
132.10 no notice required under this section shall be interpreted as requiring the printing of a  
132.11 personal telephone number or address as the contact information for a taxing authority. If  
132.12 a taxing authority does not maintain public offices where telephone calls can be received  
132.13 by the authority, the authority may inform the county of the lack of a public telephone  
132.14 number and the county shall not list a telephone number for that taxing authority.

132.15 (d) The notice must state for each parcel:

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

132.22 (2) the items listed below, shown separately by county, city or town, and state general  
132.23 tax, net of the residential and agricultural homestead credit under section 273.1384, voter  
132.24 approved school levy, other local school levy, a special taxing district levy that exceeds 25  
132.25 percent of the total of all special taxing districts, and the sum of ~~the~~ all other special taxing  
132.26 districts, and as a total of all taxing authorities:

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

132.28 (ii) the proposed tax amount.

132.29 If the county levy under clause (2) includes an amount for a lake improvement  
132.30 district as defined under sections 103B.501 to 103B.581, the amount attributable for that  
132.31 purpose must be separately stated from the remaining county levy amount.

132.32 In the case of a town or the state general tax, the final tax shall also be its proposed  
132.33 tax unless the town changes its levy at a special town meeting under section 365.52. If a  
132.34 school district has certified under section 126C.17, subdivision 9, that a referendum will  
132.35 be held in the school district at the November general election, the county auditor must  
132.36 note next to the school district's proposed amount that a referendum is pending and that, if

133.1 approved by the voters, the tax amount may be higher than shown on the notice. In the  
133.2 case of the city of Minneapolis, the levy for Minneapolis Park and Recreation shall be  
133.3 listed separately from the remaining amount of the city's levy. In the case of the city of  
133.4 St. Paul, the levy for the St. Paul Library Agency must be listed separately from the  
133.5 remaining amount of the city's levy. In the case of Ramsey County, any amount levied  
133.6 under section 134.07 may be listed separately from the remaining amount of the county's  
133.7 levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax  
133.8 under chapter 276A or 473F applies, the proposed tax levy on the captured value or the  
133.9 proposed tax levy on the tax capacity subject to the areawide tax must each be stated  
133.10 separately and not included in the sum of the special taxing districts; and

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

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

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

133.18 (1) special assessments;

133.19 (2) levies approved by the voters after the date the proposed taxes are certified,  
133.20 including bond referenda and school district levy referenda;

133.21 (3) a levy limit increase approved by the voters by the first Tuesday after the first  
133.22 Monday in November of the levy year as provided under section 275.73;

133.23 (4) amounts necessary to pay cleanup or other costs due to a natural disaster  
133.24 occurring after the date the proposed taxes are certified;

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

133.27 (6) the contamination tax imposed on properties which received market value  
133.28 reductions for contamination.

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

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

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

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

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

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

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

134.13 (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325,  
134.14 473.446, 473.521, 473.547, or 473.834;

134.15 (2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672;

134.16 and

134.17 (3) Metropolitan Mosquito Control Commission under section 473.711.

134.18 For purposes of this section, any levies made by the regional rail authorities in the  
134.19 county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter  
134.20 398A shall be included with the appropriate county's levy.

134.21 (j) The governing body of a county, city, or school district may, with the consent  
134.22 of the county board, include supplemental information with the statement of proposed  
134.23 property taxes about the impact of state aid increases or decreases on property tax  
134.24 increases or decreases and on the level of services provided in the affected jurisdiction.

134.25 This supplemental information may include information for the following year, the current  
134.26 year, and for as many consecutive preceding years as deemed appropriate by the governing  
134.27 body of the county, city, or school district. It may include only information regarding:

134.28 (1) the impact of inflation as measured by the implicit price deflator for state and  
134.29 local government purchases;

134.30 (2) population growth and decline;

134.31 (3) state or federal government action; and

134.32 (4) other financial factors that affect the level of property taxation and local services  
134.33 that the governing body of the county, city, or school district may deem appropriate to  
134.34 include.

135.1 The information may be presented using tables, written narrative, and graphic  
135.2 representations and may contain instruction toward further sources of information or  
135.3 opportunity for comment.

135.4 **EFFECTIVE DATE.** This section is effective for tax statements relating to taxes  
135.5 payable in 2013 and thereafter.

135.6 Sec. 5. Minnesota Statutes 2011 Supplement, section 276.04, subdivision 2, is  
135.7 amended to read:

135.8 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the  
135.9 printing of the tax statements. The commissioner of revenue shall prescribe the form of  
135.10 the property tax statement and its contents. The tax statement must not state or imply  
135.11 that property tax credits are paid by the state of Minnesota. The statement must contain  
135.12 a tabulated statement of the dollar amount due to each taxing authority and the amount  
135.13 of the state tax from the parcel of real property for which a particular tax statement is  
135.14 prepared. The dollar amounts attributable to the county, the state tax, the voter approved  
135.15 school tax, the other local school tax, the township or municipality, and the total of  
135.16 the metropolitan special taxing districts as defined in section 275.065, subdivision 3,  
135.17 paragraph (i), must be separately stated. The amounts due all other special taxing districts,  
135.18 if any, may be aggregated except ~~that~~ (1) any levies made by the regional rail authorities  
135.19 in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under  
135.20 chapter 398A shall be listed on a separate line directly under the appropriate county's  
135.21 levy and (2) any levy by a special taxing district that exceeds 25 percent of the total of all  
135.22 special taxing district levies on a tax statement must be separately stated. If the county  
135.23 levy under this paragraph includes an amount for a lake improvement district as defined  
135.24 under sections 103B.501 to 103B.581, the amount attributable for that purpose must be  
135.25 separately stated from the remaining county levy amount. In the case of Ramsey County,  
135.26 if the county levy under this paragraph includes an amount for public library service  
135.27 under section 134.07, the amount attributable for that purpose may be separated from the  
135.28 remaining county levy amount. The amount of the tax on homesteads qualifying under the  
135.29 senior citizens' property tax deferral program under chapter 290B is the total amount of  
135.30 property tax before subtraction of the deferred property tax amount. The amount of the  
135.31 tax on contamination value imposed under sections 270.91 to 270.98, if any, must also  
135.32 be separately stated. The dollar amounts, including the dollar amount of any special  
135.33 assessments, may be rounded to the nearest even whole dollar. For purposes of this section  
135.34 whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar.

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136.1 The amount of market value excluded under section 273.11, subdivision 16, if any, must  
136.2 also be listed on the tax statement.

136.3 (b) The property tax statements for manufactured homes and sectional structures  
136.4 taxed as personal property shall contain the same information that is required on the  
136.5 tax statements for real property.

136.6 (c) Real and personal property tax statements must contain the following information  
136.7 in the order given in this paragraph. The information must contain the current year tax  
136.8 information in the right column with the corresponding information for the previous year  
136.9 in a column on the left:

136.10 (1) the property's estimated market value under section 273.11, subdivision 1;

136.11 (2) the property's homestead market value exclusion under section 273.13,  
136.12 subdivision 35;

136.13 (3) the property's taxable market value after reductions under sections 273.11,  
136.14 subdivisions 1a and 16, and 273.13, subdivision 35;

136.15 (4) the property's gross tax, before credits;

136.16 (5) for homestead agricultural properties, the credit under section 273.1384;

136.17 (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;  
136.18 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of  
136.19 credit received under section 273.135 must be separately stated and identified as "taconite  
136.20 tax relief"; and

136.21 (7) the net tax payable in the manner required in paragraph (a).

136.22 (d) If the county uses envelopes for mailing property tax statements and if the county  
136.23 agrees, a taxing district may include a notice with the property tax statement notifying  
136.24 taxpayers when the taxing district will begin its budget deliberations for the current  
136.25 year, and encouraging taxpayers to attend the hearings. If the county allows notices to  
136.26 be included in the envelope containing the property tax statement, and if more than  
136.27 one taxing district relative to a given property decides to include a notice with the tax  
136.28 statement, the county treasurer or auditor must coordinate the process and may combine  
136.29 the information on a single announcement.

136.30 **EFFECTIVE DATE.** This section is effective for tax statements relating to taxes  
136.31 payable in 2013 and thereafter.

136.32 Sec. 6. Minnesota Statutes 2010, section 298.75, is amended by adding a subdivision  
136.33 to read:

136.34 **Subd. 12. Tax may be imposed; Otter Tail County.** (a) If Otter Tail County  
136.35 does not impose a tax under this section and approves imposition of the tax under this



137.1 subdivision, the city of Vergas in Otter Tail County may impose the aggregate materials  
137.2 tax under this section.

137.3 (b) For purposes of exercising the powers contained in this section, the "city" is  
137.4 deemed to be the "county."

137.5 (c) All provisions in this section apply to the city of Vergas, except that all proceeds  
137.6 of the tax must be retained by the city and used for the purposes described in subdivision 7.

137.7 (d) If Otter Tail County imposes an aggregate materials tax under this section, the  
137.8 tax imposed by the city of Vergas under this subdivision is repealed on the effective  
137.9 date of the Otter Tail County tax.

137.10 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
137.11 the city of Vergas and its chief clerical officer comply with Minnesota Statutes, section  
137.12 645.021, subdivisions 2 and 3.

137.13 Sec. 7. Minnesota Statutes 2010, section 477A.017, subdivision 3, is amended to read:

137.14 Subd. 3. **Conformity.** Other law to the contrary notwithstanding, in order to receive  
137.15 distributions under sections 477A.011 to 477A.03, counties and cities must conform to  
137.16 the standards set in subdivision 2 in making all financial reports required to be made to  
137.17 the state auditor ~~after June 30, 1984~~ by the deadline set by the state auditor. Counties and  
137.18 cities that fail to submit the required information to the state auditor within 45 days of  
137.19 the reporting deadline shall forfeit an amount equal to ten percent of the distributions  
137.20 under sections 477A.011 to 477A.03. Counties and cities that fail to submit the required  
137.21 information within 60 days of the reporting deadline shall forfeit an amount equal to 30  
137.22 percent of the distributions. Counties and cities that fail to submit the required information  
137.23 within 90 days of the reporting deadline shall forfeit an amount equal to 50 percent of the  
137.24 distributions.

137.25 Sec. 8. Laws 1988, chapter 645, section 3, as amended by Laws 1999, chapter 243,  
137.26 article 6, section 9, Laws 2000, chapter 490, article 6, section 15, and Laws 2008, chapter  
137.27 154, article 2, section 30, is amended to read:

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

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

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

138.4 (1) ambulance acquisitions for the Cook ambulance service and the Orr ambulance  
138.5 service ~~and not:~~

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

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

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

138.9 (c) The part of the levy referred to in paragraph (b) must be administered by the Cook  
138.10 Hospital and passed on directly to the Cook area ambulance service board and the city of  
138.11 Orr to be held in trust until funding for a new ambulance is needed by either the Cook  
138.12 ambulance service or the Orr ambulance service used for the purposes in paragraph (b).

138.13 Sec. 9. **2011 CITY AID PENALTIES.**

138.14 (a) Notwithstanding Minnesota Statutes, section 477A.017, subdivision 3, any city  
138.15 that did not meet the requirements for filing calendar year 2010 financial reports with  
138.16 the state auditor imposed under Minnesota Statutes, section 477A.017, subdivision 2,  
138.17 shall receive its 2011 aid payment as calculated pursuant to Minnesota Statutes, section  
138.18 477A.013, subdivision 11, provided that the forms are submitted to the state auditor by  
138.19 March 31, 2012. The commissioner shall make payment to each qualifying city no later  
138.20 than June 30, 2012.

138.21 (b) Up to \$745,048 of the fiscal year 2012 appropriation for local government aid  
138.22 in Minnesota Statutes, section 477A.013, subdivision 11, is available for the payment  
138.23 under this section.

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

138.25 Sec. 10. **REPEALER.**

138.26 Minnesota Statutes 2010, section 270C.991, subdivision 5, is repealed.

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

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