

Senate Counsel, Research,  
and Fiscal Analysis  
G-17 STATE CAPITOL  
75 REV. DR. MARTIN LUTHER KING JR. BLVD.  
ST. PAUL, MN 55155-1606  
(651) 296-4791  
FAX (651) 296-7747  
THOMAS S. BOTTERN  
DIRECTOR

Senate  
State of Minnesota

## S.F. No. 826 – Omnibus Tax Bill (as proposed to be amended by SCS0826A-3 Delete-Everything amendment)

**Author:** Senator Rod Skoe

**Prepared by:** Eric Silvia, Senate Counsel (651/296-1771)  
Nora Pollock, Senate Counsel (651/297-8066)  
Shelby McQuay, Fiscal Analyst (651/296-5259)  
Jack Paulson, Legislative Analyst (651/296-4954)

**Date:** April 27, 2015

---

### Article 1: Income, Corporate Franchise, and Estate Taxes

**Sections 1, 3 and 4. Economic Substance.** **Section 1** updates a cross reference for a change made in section 3. **Section 3** authorizes the commissioner to disallow the tax effects of an income or corporate franchise tax transaction that does not have economic substance. **Section 4** defines the economic substance provisions. The provisions apply to individual tax transactions only to the extent they are made in connection with a business or trade activity for the purpose of generating income. Requires the commissioner to provide guidance on how the economic substance provisions will be applied, including types of transactions that would and would not be challenged. Requires the commissioner to issue rules defining relevant terms and publish departmental procedures for applying the economic substance provisions. Effective beginning in tax year 2016.

**Section 2. Greater Minnesota internship program.** Removes the requirements that the higher education institution certify that it would not have hired the intern without the internship credit, and that an internship required as part of an academic program does not qualify for the credit.

**Sections 5, 9, and 26. Internal Revenue Code update.** Updates references to the Internal Revenue Code to allow for changes to federal taxable income under the Slain Officer Family Support Act, which allows taxpayers to elect to treat qualifying contributions as though they were made in 2014, allowing deductions made by Minnesota taxpayers to flow to their Minnesota 2014 returns.

**Section 6. Financial institution definition.** Modifies the definition of “financial institution” to include any entity registered as a bank, savings association, or other similar organization under state

or federal law. Entities and individuals who derive 50 percent or more of their income from activities commonly conducted by financial institutions would also be treated as financial institutions unless they provide clear and convincing evidence to the commissioner that they do not substantially compete with financial institutions in the market. Effective beginning in tax year 2015.

**Sections 7 and 27. Residence; domicile.** Requires that, for purposes of determining domicile, the location of the following persons or businesses may not be considered: the location of an individual's attorney, CPA, financial advisor; or the business location of a financial institution at which the individual applies for any new type of credit or at which the individual opens or maintains any type of account, and applies these provisions in determining whether an individual is a resident decedent for purposes of the estate tax. Effective beginning in tax year 2015.

**Section 8. Accelerated recognition of certain installment sale gains.** Requires nonresident owners of pass-through entities, and owners who become nonresidents to recognize future year gains following the sale of an interest in a pass through entity when they use the installment sale method of reporting income from the sale. Allows taxpayers to elect out of early recognition by agreeing to continue filing Minnesota tax returns and recognizing future year installment sale gains in the year that they are recognized federally. Provides that taxpayers who do not elect out of early recognition will not be taxed twice on the gains recognized early if they continue to file Minnesota income tax returns in future years. Effective beginning in tax year 2015.

**Section 10. Film production credit.** Provides a refundable credit of 25 percent of qualifying expenditures directly related to film production in Minnesota. "Film" is defined under current law as a feature film, television or Internet pilot, program, series, documentary, music video, or television commercial, whether on film, video, or digital media. Expenditures must be subject to tax in the state. Effective beginning in tax year 2016.

**Section 11. Working family credit.** Modifies the Minnesota working family credit eligibility requirements to disallow the credit to full year nonresidents. Effective beginning in tax year 2015.

**Section 12. TANF appropriation for working family credit.** Clarifies a change made in 2014 to the Working Family Credit (WFC). The WFC rates were increased in 2000. At that time, the refundable portion of the increase over the rates in effect in 1999 was paid for with federal Temporary Assistance for Needy Families (TANF) block grant funds. The 2000 change also required the Commissioner of Revenue to determine the amount of the TANF-funded portion of the WFC rate increase and provide that information to Minnesota Management and Budget and the Department of Health and Human Services. The 2014 WFC change increased the credit rates and removed the "second tier" structure for income of filers with children. The language providing for TANF funding of the credit was not changed. This section provides that the TANF funding for the working family credit is the increase in the credit rates enacted in 2000 compared to 1999 law, and not the increase in the 2014 rates as compared to 1999 law. Effective for fiscal year 2015 transfers only.

**Sections 13 and 14. K-12 education credit modification.** Extends the education credit for qualifying expenses for K-12 students to preschool students at least four years old when expenses are incurred. Defines "preschool" as a Head Start program or a school district prekindergarten program. Modifies the thresholds for income eligibility for claimants with children. Effective beginning in tax year 2015.

**Sections 15 to 19. Modifications to the research and development credit.** Extends the credit to sole proprietors. Provides for a base percentage of 16 percent when taxpayer accounting records for the base year are unavailable or inadequate. Allows the first \$15,000 of the credit to be nonrefundable. Establishes an application and certification process for sole proprietors claiming the credit. Claimants must apply to the Department of Revenue for certification that the expenses for which the credit is claimed are qualified research and development expenses. The commissioner must issue a credit certificate if the application is approved, and the credit is not allowed if the certification has not been issued. Effective beginning in tax year 2015.

**Section 20. Minnesota college savings plan credit.** Allows a refundable credit of up to \$500 for contributions made to a Minnesota 529 plan. The credit amount for which a filer is eligible is based on a percentage of the amount of contributions made and the filer's federal adjusted gross income. Requires that the credit be apportioned for part-year residents and nonresidents based on the applicable percentage of Minnesota income. Requires the credit to be transferred to the plan administrator of the filer's designated 529 account. In the case of contributions to more than one account, the commissioner of revenue must apportion the credit based on the percentage of total contributions to all accounts. Requires the commissioner of the Office of Higher Education to provide information to the commissioner of revenue sufficient to verify the taxpayer's contribution amounts. Imposes a penalty for nonqualified distributions of ten percent of the amount of the nonqualified distribution, or the total amount of credits received over all years, whichever is less. Effective beginning in tax year 2016.

**Sections 21, 30, and 32. Veterans jobs tax credit and grant.** Provides a nonrefundable tax credit for employers that hire qualifying unemployed veterans. A veteran must have received unemployment compensation at any time within one year prior to, and must have been unemployed on, the date of hire. The veteran must be a Minnesota resident on the date of hire and be paid wages that are attributable to Minnesota. The credit amount is ten percent of the wages paid to the veteran employee, up to \$2,500. Effective beginning in tax year 2016.

**Section 30** requires the Department of Revenue to establish a grant program to local governments and nonprofit organizations that hire qualified veteran employees. A veteran must have received unemployment compensation at any time within one year prior to, and must have been unemployed on, the date of hire. The veteran must not have been a board member of the nonprofit organization or an elected or appointed official of the local government. The veteran must be a Minnesota resident on the date of hire and be paid wages that are attributable to Minnesota, and must be employed at least 6 of the 12 months immediately following the date of hire. Establishes application requirements to receive a grant. The credit amount is \$2,500 times the number of qualified veterans hired by the local government or nonprofit organization. Section 31 appropriates amounts from the general fund to make the grants.

**Section 22. Credit for employer-provided fitness facility expenses.** Provides a nonrefundable credit of \$60 for married couples filing joint returns, and \$30 for all other filers, for employees who use a fitness facility for which the individual's employer pays a portion of membership fees. The employee must use the facility an average of four times per month, but if the facility is used fewer than three times per month, the credit is not allowed. The employer's payment of fitness facility fees must be available to all employees or a group of employees defined under a reasonable classification (i.e., the facility must not be available to executives only). Defines "fitness facility" as a facility that provides instruction in a program of physical exercise; offers facilities for the preservation, maintenance, encouragement, or development of physical fitness; or is the site of a state or local government fitness program. A facility must not be a private club owned and operated

by its members; offer golf, hunting, sailing, or horseback riding facilities; must not be incidental to the facility's overall function and purpose; and must be compliant with state and federal antidiscrimination laws.

**Section 23. Unitary business principle; insurance companies.** Under current law, insurance companies generally are excluded from the unitary groups of businesses who pay corporate franchise tax. This section adds a definition of "insurance company" that would only apply to insurance companies that are admitted to practice the business of insurance in Minnesota, or licensed to practice the business of insurance in another state that has reciprocal agreement with Minnesota not to impose retaliatory taxes. Effective beginning in tax year 2015.

**Section 24. Determination of sales factor.** Excludes the sale of derivatives, such as options and swaps, from the sales apportionment factor. Effective beginning in tax year 2015.

**Section 25. Dividends received deduction.** Adds a reference to Internal Revenue Code section 246A, which disallows a dividend received deduction for dividends paid from stock that is debt-financed. Effective beginning in tax year 2015.

**Section 28. Estate tax effects of eminent domain acquisitions.** Provides that taxable estates electing to exclude qualified farm property will not become liable for the 16 percent recapture tax solely because the property was acquired by an entity with the power of eminent domain within the three year holding period. Effective retroactively for estates of decedents dying after June 30, 2011.

**Sections 29 and 31. Report of free e-filing for individual returns.** Requires the Department of Revenue to provide a written report to the Senate and House Tax Committees on options for a free electronic filing system for individual income tax returns. The report must be submitted by March 16, 2016, and must include responses from a Department request for information from consumer-based tax filing software vendors. The request for information may include information sought from vendors on the following aspects of a free e-filing solution:

- costs to the state of Minnesota to provide an e-filing process for the preparation, submission, and payment remittance of individual income tax returns, on a per return basis;
- capability to provide customer service and issue resolution to taxpayers using the software;
- capability to provide and maintain an appropriate link between the Department of Revenue and the IRS Modernized Electronic Filing Program;
- capability to ensure that taxpayer return information is secure and protected;
- products for the free filing and submitting of both Minnesota and federal returns offered to customers and the various thresholds for using those products; and
- any add-on products offered to customers and their costs.

Appropriates \$175,000 to the Department of Revenue to prepare the report. Effective the day following final enactment.

## **Article 2 – Property Tax**

**Sections 1, 13, and 14. County levy authority.** Requires that a county levy for the soil and water conservation district (SWCD) operations must be certified as a special levy and adds the

certification of county levies for soil and water conservation districts as a special taxing district. Effective for certifications made in 2015 and thereafter.

**Section 2. Referendum market value.** Provides that seasonal residential recreational properties are no longer exempt from referendum market value, and that ‘market value’ means the market value of seasonal recreational properties exceeding \$300,000 for taxes payable in 2016 and thereafter.

**Section 3. County historical society; tax levy.** Allows the governing bodies of any city or town to appropriate funds with its general fund to be paid to the historical society of its respective city or town; current law provides that the funds must be paid to the historical society of its respective county only. Effective the day following final enactment.

**Section 4. Class 2 properties.** Modifies the definition of ‘agricultural purposes’ for Class 2 properties by allowing property enrolled in the federal Conservation Reserve Program to be classified as agricultural. Under current law, property enrolled in the program is only classified as agricultural if the property was classified as such in 2002, or in the year prior to enrollment. Effective beginning with assessment year 2016.

**Section 5. Class 3; classification rates.** Increases the classification rates for Class 3 commercial-industrial properties to 1.55 percent of the first tier of market value and 2.1 percent of the remaining market value. Effective for taxes payable in 2016 and thereafter.

**Sections 6, 7, 8, 9, 12, 15, 19. Targeted agricultural land tax credit.** Establishes a new targeted agricultural land property tax credit. Property classified in whole or in part as class 2a agricultural property, in both the prior and current year, is eligible for the credit if the gross property taxes payable on that portion of the property classified as agricultural increase by more than eight percent over the property taxes payable in the prior year on the same property and the amount of the increase is \$200 or more. The amount of the credit shall be equal to the amount of the increase over the greater of eight percent of the prior year’s property taxes, or \$200, with a maximum credit of \$2,000. The credit must appear on the TNT and property tax statement, and other cross-references are updated. Effective for property taxes payable in 2016 and thereafter.

**Section 9. State general levy; amount.** Reduces the state general levy by setting the levy amount for commercial-industrial properties at \$767,090,100 and for seasonal residential recreational properties at \$34,057,500 for taxes payable in 2016. The inflation index is retained.

**Section 10. Seasonal residential recreational tax capacity.** Provides that for purposes of the state general levy, the market value of seasonal recreational properties exceeding \$300,000 is excluded for taxes payable in 2016 and thereafter.

**Section 11. Proposed levy.** Changes the date by which all special taxing districts, with the exception of the Metropolitan Council and the Metropolitan Mosquito Control District, must certify their proposed levies, from September 15<sup>th</sup> to September 30<sup>th</sup> each year. The statutes specifically outlining the proposed levy certification dates for the Metropolitan Council and Mosquito Control District are referenced. Effective beginning with proposed levy certifications for taxes payable in 2016.

**Section 16. Due dates; penalties.** Provides that no penalty for late payment of property tax shall accrue if the property tax payment is delivered by mail to the county treasurer and the envelope

containing the payment is postmarked within two business days of the actual due date. Effective for property taxes payable in 2016 and thereafter.

**Sections 17, 18, 19. Installment payments; interest rate.** Eliminates a restriction on interest rates under contracts to repurchase tax-forfeited property and sets the interest rate on the sale of tax-forfeited land and repurchase agreements at the same interest rate used for installment payments under confessions of judgments – the greater of five percent or two percent above the prime rate. Effective for sales and repurchases occurring after June 30, 2015.

**Section 20. Property taxes payable.** Requires taxpayers to reduce the property taxes payable or rent constituting property taxes on their homestead to account for business use of the homestead, even if they elect to deduct business expenses under section 280A of the Internal Revenue Code rather than depreciating part of the home. Effective for refunds based on property taxes payable after December 31, 2014, or rent constituting property tax paid after December 31, 2013.

**Section 21. Targeted property tax refund.** Modifies the targeted property tax refund by decreasing the percentage increase required for homestead property taxes from one year to the next from 12 percent to ten percent and makes the corresponding change to the refund formula. Effective for property taxes payable in 2016 and thereafter.

**Sections 22 and 23. Senior citizen property tax deferral program.** Reduces the number of years that an applicant to the senior citizen property tax deferral program must have owned and occupied the applicant's homestead from 15 to five years, and changes the deadline for applying to the program from July 1 to November 1. Effective for applications for deferral of taxes payable in 2016 and thereafter.

**Section 24. Authority; limit.** Modifies a provision passed in the 2014 tax bill relating to the Lewis & Clark Regional Water System Project by authorizing the city of Worthington to issue the bonds up to a maximum amount of \$50,000,000. Effective the day following final enactment without local approval.

**Section 25. Metropolitan agricultural preserves; early termination.** Allows for immediate withdrawal from the metropolitan agricultural preserves program if requested by the surviving owner within 180 days of the death of an owner, an owner's spouse, or other qualifying person. When the covenant is terminated in this manner, the property is subject to additional taxes equal to 50 percent of the total tax amount actually levied against the property in the current payable year. Effective July 1, 2015.

**Section 27. Board of appeals and equalization in-person training.** Requires the Department of Revenue, in consultation with the Minnesota Association of Townships, to offer not less than 12 in-person board of appeals and equalization course trainings in 2015 and 2016. Effective June 1, 2015.

**Section 28. Optional cancellation of tax-forfeiture for certain buildings.** Authorizes St. Louis County to combine separate parcel identification numbers for buildings and the land upon which the buildings is located upon approval from the county board and the commissioner of revenue. If the buildings are in tax-forfeiture, the county shall cancel the certificate of forfeiture and cancel all unpaid property taxes, special assessments, and associated costs. \$1,000,000 is appropriated to St. Louis County to be used for the demolition of the buildings upon request by the landowner. Effective the day following final enactment.

**Section 29. Study of production based valuation of agricultural land.** Requires the commissioners of agriculture and revenue to conduct a study and prepare a report on the possibility of valuing agricultural land for property tax purposes based on the value of agricultural commodities produced minus the cost of agricultural production.

**Section 30. Town of Tofte; municipal housing.** Authorizes the town of Tofte to own and operate up to 12 units of housing for individuals over 55 years of age. The town shall have the powers of a city and an authority, and upon approval of the town board, may levy a tax not to exceed 0.0185 percent of estimated market value. Effective upon compliance by the governing body of Tofte with local approval and filing requirements.

**Section 31. Appropriation.** Appropriates \$1,130,000 in fiscal year 2016 only from the general fund to the commissioner of revenue for a grant to Hennepin County. Of this amount, \$880,000 must be used for the North Branch Library EMERGE Career & Technology Center, and \$250,000 must be used for the Cedar Riverside Opportunity Center.

**Section 32. Repealer.** Repeals the property tax exemption for agricultural containment facilities effective for taxes payable in 2015, the apportionment of the state general levy between commercial-industrial properties and seasonal recreational properties effective for taxes payable in 2016 and thereafter, and the definition of municipality and federal payment for the Lewis & Clark Regional Water System Project.

### **Article 3 – Local Development**

**Section 1. Definitions.** Modifies the definition of increment subject to the five-year rule to exclude increment that is repaid by developers under agreements. Effective the day following final enactment.

**Section 2. Expenditures outside district.** Clarifies that expenditures outside the district only apply to increment derived from properties located in the tax increment financing district. Effective the day following final enactment.

**Section 3. Five-year rule.** Makes the same corresponding change as in section 2 to clarify that revenues must be derived from tax increment paid by properties in the district. Effective the day following final enactment.

**Section 4. Interfund loans.** Allows interfund loans to be made up to 60 days after the funds have been transferred or spent and allows that the resolution of the governing body authorizing the loan be before the tax increment financing plan has been approved. The authority is also provided with the authority to rewrite the terms of the loan after the loan has been made but it must be before the tax increment financing district has decertified. Effective the day following final enactment and applies to all districts, regardless of when the request for certification was made.

**Section 5. City of Coon Rapids; duration extension.** Extends, by five years, the duration of TIF District No. 6-1 (Port Riverwalk) in the city of Coon Rapids. Effective upon compliance by the governing bodies of the city of Coon Rapids, Anoka County, and Independent School District No. 11 with approval and filing requirements.

**Section 6. City of Cottage Grove; five-year rule extension.** Extends, by ten years, the five-year rule for TIF district No. 1-12 (Gateway North) in the city of Cottage Grove. Effective upon compliance by the city of Cottage Grove with approval and filing requirements.

**Section 7. City of Richfield, duration extension.** Extends, by ten years, the duration of the Cedar Avenue TIF district in the city of Richfield. Effective upon compliance by the city of Richfield with approval and filing requirements.

**Section 8. City of St. Paul; TIF authority.** Authorizes St. Paul to establish one or more redevelopment tax increment financing districts and provides for an exception to the blight test for establishing redevelopment districts and pooling requirements except that expenditures for activities outside the area are limited to the percentage limits under current law. The authority to request certification expires on June 30, 2020 unless the city has requested certifications of at least one district. Effective upon approval by the city of St. Paul with local approval and filing requirements.

#### **Article 4 – Sales and Use Taxes**

**Sections 1, 2, 13, and 14. June accelerated remittance modification.** Reduces the percentage of estimated liability required for the June payment from 81.4 percent to 80 percent and adds a cross reference to the penalty provision that applies to the remittance. These sections apply to general sales tax, cigarette and tobacco products taxes, and alcohol taxes. Effective July 1, 2015.

**Section 3. Modular housing sales tax exemption.** Provides that the sales tax is imposed on 65 percent of the dealer's cost of a modular home. Effective for sales and purchases made after June 30, 2015.

**Sections 4, 26, and 27. Durable medical equipment exemption modification.** In 2013, the definition of "durable medical equipment" was expanded to include single-patient use items, and accessories and supplies required for effective use of durable medical equipment for home use only or purchased in transactions covered by Medicare and Medicaid were included in the sales tax exemption for medical equipment, effective for sales and purchases made after June 30, 2013. In 2014, the exemptions were extended retroactively to sales and purchases made after April 1, 2009. Vendors who paid sales or use tax on qualifying items but did not collect and remit the tax were authorized to apply for a refund of sales tax paid until June 30, 2015.

Extends the retroactive exemptions for single-patient use items and accessories and supplies required for effective use of durable medical equipment for home use to transactions covered under a qualifying health insurance plan. "Health insurance plan" means a health plan as defined under current Minnesota insurance statutes, including plans available under MNsure. Vendors who paid sales tax on qualifying items but did not collect and remit the tax are eligible to claim a refund until June 30, 2016, but must not file the claim until after June 30, 2015.

**Sections 26 and 27** amend the effective date of the refund provisions for single-patient use items and accessories and supplies required for effective use of durable medical equipment for home use only or purchased in transactions covered by Medicare and Medicaid to allow claims for refunds to be filed until June 30, 2016.

**Section 5. Precious metal bullion exemption.** Provides an upfront sales tax exemption for precious metal bullion sold by registered dealers and are required to be reported under current



Revenue Code procedure. Excludes jewelry, certified or graded coins, numismatic coins, or art works from the exemption. Effective for sales and purchases made after June 30, 2015.

**Section 6. Car seats exemption.** Provides an upfront exemption for infant and child car seats and booster seats that meet federal child passenger restraint requirements. Effective for sales and purchases made after June 30, 2015.

**Sections 7 and 8. Telecommunications equipment exemption modification.** Includes fiber and conduit in the sales tax exemption for telecommunications equipment. Effective for sales and purchases made after June 30, 2015.

**Section 9. Sales to nonprofit groups.** Expands the sales tax exemption for sales to nonprofit organizations. Under current law, the exemption is available to nonprofit groups organized and operated exclusively for charitable, religious, or educational purpose if the item is purchased in the performance of those purposes. The exemption is also available for sales to qualifying senior citizen groups. This section extends the exemption to all 501(c)(3) organizations and retains the current law exemptions and exclusions for purchases by veterans groups, hospitals, outpatient surgical centers, and critical access dental providers, and nursing home and boarding care homes. The bill also excludes from the exemption materials purchased by a contractor as part of a lump-sum contract; construction materials that will not be used principally by the nonprofit entity; lodging and prepared food, candy, soft drinks, and alcoholic beverages; and the leasing of motor vehicles. Effective for sales and purchases made after June 30, 2015.

**Section 10. Fundraising events sponsored by nonprofit groups.** Extends the allowable duration of premises leases for nonprofit fundraising events from a maximum of five to ten days so that the exemption would be available for events conducted on premises leased for fewer than ten days. Effective for sales and purchases made after June 30, 2015.

**Section 11. Nonprofit animal shelters exemption.** Exempts the sales of animals by nonprofit animal shelters from sales tax. Effective for sales and purchases made after June 30, 2015.

**Section 12. Moist snuff tax modification.** Specifies that the tax on a container of moist snuff weighing less than 1.2 ounces is the greater of \$2.90, or 95 percent of the wholesale price. For containers equal to or more than 1.2 ounces, the tax is the greater of \$2.90 times the number of ounces of moist snuff in the container divided by 1.2, or 95 percent of the wholesale sales price. Effective July 1, 2015.

**Section 15. Solid waste management tax; construction debris.** Provides that the commissioner of revenue, after consultation with the commissioner of the Pollution Control Agency, shall determine, and may publish by notice, a conversion schedule for construction debris. Effective for sales and purchases made after June 30, 2015.

**Sections 16 and 17. Local lodging taxes; application to accommodations intermediary charges.** Specifies that local lodging taxes apply to the entire amount paid for lodging, including accommodations intermediary services (i.e., brokering, coordinating, or arranging for the purchase of or the right to use accommodations by a customer). The effective date confirms that the legislative intent of laws authorizing local jurisdictions to impose lodging taxes was intended to apply to the entire amount paid for lodging, including accommodation intermediary services, and provides that the enactment of this law does not imply a different interpretation of the tax base for periods prior to enactment. Allows a local jurisdiction, by ordinance, to permit accommodations

intermediaries to file and remit local lodging taxes once a calendar year, if those taxes are collected by the local jurisdiction. Requires the local jurisdiction to inform the accommodation intermediary of the due dates of the return and payment, which must coincide with one of the monthly dates for filing of state sales taxes, and requires the local government to provide accommodations intermediaries with geographic and zip code information in order to collect the tax. Effective the day following final enactment.

**Sections 18 and 19. Duluth food and beverage and lodging tax modification.** Modifies the boundaries of the area in which revenues from the additional 0.5 percent Duluth food and beverage tax may be spent to include the part of the city west of 14<sup>th</sup> Ave. and south of and including Skyline Parkway. Modifies the boundaries of the area in which revenues from the additional 0.5 percent Duluth lodging tax may be spent to include the part of the city west of 14<sup>th</sup> Ave. and south of and including Skyline Parkway.

**Sections 20 to 23 and 25. Mankato and North Mankato local sales tax authorization. Section 20** authorizes the city of Mankato to use its currently imposed local sales tax to fund up to \$29 million in improvements to regional recreational facilities and to the flood control and levee system; water quality improvement projects in Blue Earth and Nicollet counties; expansion of a transit building and related transit improvements; and matching funds for regional facilities such as a historic museum, supportive housing, and a senior center. Also authorizes the city to use the currently imposed local sales tax to fund up to \$25 million for construction of specified new regional athletic facilities. The additional uses of revenues for both projects must be presented in one ballot question for approval at a general or special election held on or before December 1, 2018, which must be held on the same date as the North Mankato referendum (below).

**Section 21** requires that the taxes expire when revenues are sufficient to pay off bonds to fund the specified projects, but no later than December 31, 2038. The taxes may expire at an earlier time if approved by city ordinance.

**Section 22** authorizes the city to issue bonds to fund the projects and to use excess revenue after principal and interest payments on the bonds are made to fund capital replacement of the new regional athletic facilities. **Section 23** requires the city to pass a resolution by July 1, 2015, approving the extension of the both uses for the taxes.

**Section 25** authorizes the city of North Mankato to use its existing sales tax to fund an additional \$9 million for existing city projects. Allows up to \$5 million of revenues raised under the existing sales tax to fund construction of new regional athletic facilities. The \$9 million authority is reduced by the amount raised under the \$5 million authority.

Requires the city of North Mankato to pass a resolution approving the extension of the existing tax and additional bond issuance of up to \$9 million by July 1, 2015. Requires that the extension of the tax for the current uses in the \$9 million authorization and the new uses in the \$5 million authorization must be presented for approval by the voters in one ballot question at a general or special election held before December 31, 2015, and must be held on the same date as the Mankato referendum.

The taxes expire when revenues are sufficient to pay off bonds to fund the specified projects, but no later than December 31, 2038.

**Section 24. Minnesota State High School League admissions exemption.** Makes permanent the sales tax exemption for admissions to events sponsored by the Minnesota State High School League (MSHSL). The exemption was enacted in 2006 and is set to expire July 1, 2015. Effective the day following final enactment.

**Section 28. City of Luverne local sales tax authorization extension.** Extends the authorization for the city of Luverne impose its local option sales tax, which was originally authorized in 2014. Under general law, local approval of a special law must be completed before the beginning of the next regular (biennial) session for it to take effect. If the approval is not filed pursuant to this requirement, the law is deemed to be disapproved unless otherwise provided in the special law. Because the Luverne local sales tax was not approved, its authority to impose the tax has expired. The voter referendum to approve the tax must be held at a general election prior to December 31, 2020. Effective the day following final enactment.

**Section 29. City of Marshall; validation of prior act.** The city of Marshall was authorized in 2011 to impose a 0.5 percent local option sales tax if approved by the voters at a general election held within two years. The tax was approved by the voters in the 2012 general election. Under general law, a city is required file approval of the special law with the secretary of state before the beginning of the next regular (biennial) session for it to take effect. If the approval is not filed pursuant to this requirement, the law is deemed to be disapproved unless otherwise provided in the special law. The city filed its local approval in June 2013 and began imposing the tax in July 2013. Because the filing was after the deadline and the authorization did not provide otherwise, the local sales tax was deemed disapproved. This bill retroactively approves the imposition of the tax based on voter approval at the 2012 general election and the filing of approval with the secretary of state in June 2013.

## **Article 5 – Property Tax Aids and Credits**

**Section 1. County program aid; tax base equalization.** Modifies the formula for the tax-base equalization aid portion of county program aid and adds an additional factor for counties with a population greater than or equal to 12,500 but less than 16,000. For distributions in 2016, the allocation to a county shall not be less than 95 percent of the sum of its aid in 2014 plus any supplemental aid it received as part of the one-time payment authorized in the 2014 omnibus tax bill. For distributions in 2017 and thereafter, the allocation must not be less than 95 percent of the aid it received in the prior year. Effective for aids payable in 2016 and thereafter.

**Section 2. Out-of-home placement aid for counties and tribes.** Provides that the commissioner of revenue shall reimburse each county for 100 percent of the nonfederal share of the cost of out-of-home placement of children under the Indian Child Welfare Act. Reimbursement to tribes shall be the greater of five percent of the average reimbursement amount received from the federal government for out-of-home placement for the most recent three calendar years, or \$200,000. Effective for aids payable in 2017.

**Sections 3 and 4. Unorganized territories; township aid.** Expands township aid to unorganized territories. The formula for calculating aid to counties to receive township aid on behalf of unorganized territories remains the same except that the total area is limited to 75,000 acres, instead of the 50,000 acres limitation for townships. Requires the commissioner of revenue to notify the affected county government of the aid amount for any unorganized territory within the county and

make payments of aid to the county government who must use the aid in and for the unorganized territory. Effective for aids payable in 2016.

**Section 5. Payment dates; local government aids.** Changes the payment dates for local government aids from two installment to four installments: March 15<sup>th</sup>, July 15<sup>th</sup>, September 15<sup>th</sup> and November 15<sup>th</sup>. Current law provides for two installments on July 20<sup>th</sup> and December 26<sup>th</sup>. Effective for aids payable in 2016.

**Sections 6 and 7. State auditor's duties; conformity.** Requires the state auditor to prescribe uniform financial accounting and reporting standards for towns and cities of less than 2,500 and requires that towns conform to the state auditor reporting requirements in order to receive aid. Effective beginning with reporting of financial information for years ending on or after December 31, 2015.

**Section 8. Local government aid; appropriation.** Increases the appropriation for local government aid to \$540,940,079 for aids payable in 2016, and \$564,982,145 for aids payable in 2017 and thereafter.

**Section 9. County program aid; appropriation.** Increases the appropriation for the county program need aid to \$102,895,000 for aids payable in 2017 and thereafter, and tax base equalization aid to \$129,909,575 for aids payable in 2016, and \$132,509,575 for aids payable in 2017 and thereafter.

**Section 10. Towns and unorganized territory aid; appropriation.** Increases the appropriation for towns and unorganized territories from \$10,000,000 to \$12,000,000 beginning in aids payable in 2016.

**Sections 11 and 12. PILT; payments and procedure.** Provides that counties shall receive an aid payment of \$5.133 multiplied by the total number of acres in the county that were purchased by a federally recognized Indian tribe with funding provided under the outdoor heritage fund. Payments for county-administered other natural resource land and commissioner-administered other natural resource land are increased from \$1.50 to \$2.00 per acre, and \$300,000, for aids payable in 2016 through 2025, shall be divided and distributed to counties containing state-owned lands within a conservation area in proportion to each county's percentage of the total amount of unpaid ditch assessments. Requires that the commissioner of natural resources annually certify to the commissioner of revenue the number of acres within each county purchased by a federally recognized Indian tribe with funding provided under the outdoor heritage fund.

**Section 13. PILT; time of payment.** Provides that payment to the counties for PILT shall be made at the time provided for the second installment of local government aid, July 15<sup>th</sup>. Effective for aids payable in 2016 and thereafter.

**Section 14. Taconite aid reimbursement; time of payment.** Provides that payment shall be made at the time provided for the second installment of local government aid, July 15<sup>th</sup>. Effective for aids payable in 2016 and thereafter.

**Section 15 and 16. Debt service aid; city of Worthington; aid reductions.** Makes changes to a provision passed in the 2014 tax bill relating to the Lewis & Clark Regional Water System Project. The city of Worthington shall be eligible for an aid payment equal to the principal and interest payable for bonds issued, minus the total local share. The cities of Worthington and Luverne, and

Rock and Nobles Counties shall each pay a specified amount to Worthington each year, until all principal and interest has been paid. If they fail to do so, an LGA/CPA reduction shall be made. If a reduction is made, the commissioner of revenue shall add the amount of the reduction to the aid distribution. Effective for aids payable in 2016 and thereafter.

**Section 17. Red River watershed management board; PILT.** Increases the payment per acre from \$4.00 to \$5.133, multiplied by 20, for payments made by the Red River watershed management board to counties and townships. Effective for aids payable in 2015 and thereafter.

**Section 18. 2013 LGA penalty forgiveness; Oslo.** Provides that the city of Oslo shall receive the portion of its 2013 aid payment that was withheld for failing to file required financial statements provided that the state auditor certifies to the commissioner of revenue that it receives the financial statements from the city by December 31, 2013. Effective upon final enactment.

**Section 19. 2014 LGA penalty forgiveness.** Provides that the cities of Dundee, Jeffers, and Woodstock shall receive all of its 2014 aid payment that was withheld for failing to file required financial statements with the state auditor provided that the state auditor certifies to the commissioner of revenue that the city complied with all reporting requirements by June 1, 2015. Effective upon final enactment.

## **Article 6 – Workforce Housing**

**Section 1. Workforce housing tax credit program.** Provides for a tax credit of up to \$1 million for qualifying investments in a qualifying workforce housing project. For qualified project investors, the credit is 33 percent of the amount of the investment. The credit is allowed in the tax year that the qualified workforce housing project is certified for occupancy. Requires that the maximum amount of credits that may be allocated is \$5 million for tax year 2016 and \$7 million for tax years 2017-2021. Provides requirements for the taxpayer credit application process and requires that the commissioner of DEED notify the commissioner of revenue of the credit certificates issued. Prohibits the transfer of credits between taxpayers. Allows the commissioner of DEED to revoke credits and require the taxpayer to repay the credit amount if eligibility requirements are not met and credits have been allocated. Requires the commissioner of DEED to notify the commissioner of revenue of the credits that have been revoked and are subject to repayment. Requires the commissioner of DEED to provide a report to the chairs and ranking minority members of the Senate and House of Representatives committees on taxes and economic development.

**Section 2. Workforce housing tax credit.** Authorizes the tax credit in the income and corporate franchise tax chapter in the amount certified by the commissioner of DEED in section 1. Credits allowed for partnerships, LLCs taxed as partnerships, or S corporations are allocated to partners, members, or shareholders on a pro rata basis. Credits allowed for corporations that are partners in a partnership are limited to the corporation's tax liability or the amount of tax separately computed with respect to the corporation's interest attributable to the business, trade, or entity, whichever is less. The credit is nonrefundable and may be carried forward for up to ten years.

**Section 3. Economic development district.** Modifies the definition of an economic development tax increment financing district by allowing a workforce housing project to be among the eligible criteria. Effective for districts for which the request for certification is made after June 30, 2015.

**Section 4. Municipality approval.** Requires that before or at the time of approval of a tax increment financing plan for a district to be used to fund workforce housing, the municipality must make the following findings:

- (1) the city has a population greater than 1,500;
- (2) having a median number of full-time jobs of at least 500 for the last five years;
- (3) located in a census block with a population density over 200 persons per square mile;
- (4) located in an area served by a joint city-county development authority or outside the counties of Anoka, Benton, Carver, Chicago, Dakota, Hennepin, Isanti, Olmstead, Ramsey, Scott, Sherburne, Stearns, Washington and Wright;
- (5) the average vacancy rate for rental housing in a municipality and in any statutory or home rule charter city located within 15 miles or less of the boundaries of the municipality has been three percent or less for at least the immediately preceding two-year period;
- (6) at least one business in the municipality or within 15 miles of the municipality that employ a minimum of 20 full-time employees have provided a written statement stating that the lack of available rental housing has impeded their ability to hire and recruit employees; and
- (7) the municipality and the development authority intend to use increment from the district for the development of rental housing to serve employees of businesses located in the city or surrounding area. The authority to request certification of districts under this section expires June 30, 2020.

**Section 5. Economic development districts.** Allows increment derived from an economic development district to be spent on workforce housing projects. Effective for districts for which the request for certification is made after June 30, 2015.

**Section 6. Income limits.** Provides that for a project receiving a loan or grant from the Minnesota Housing Finance Agency challenge program, the income limits are substituted for the applicable income limits found within the definition of housing projects under tax increment financing law. Effective for districts for which the request for certification is made after June 30, 2015.

## **Article 7 – Minerals**

**Section 1. Occupation taxes to be apportioned.** Modifies the appropriation from the general fund to the mining environmental and regulatory account, changes payment transfer dates from May 15 to July 1 annually, and appropriates an amount equal to 15 cents of the production tax to the newly created energy efficiency and mining protection fund. Effective beginning with the 2015 production year.

**Section 2. Taconite economic development fund.** Creates the energy efficiency and mining protection account within the taconite economic development fund to receive the occupation tax allocation apportioned in section 1. Funds from the account shall be released annually by the Iron Range Resources and Rehabilitation Board to each taconite and direct reduced ore producer in proportion to the amount of occupation tax paid in the prior year compared to the total amount of occupation paid by all producers in the prior year. The funds allocated to the account do not cancel nor are eligible for transfer to another account. Effective beginning with the 2015 production year.

**Section 3. Imposed; calculation.** Extends the tax incentive sunset date offered for new producers of direct iron ore. Plants for which all environmental permits have been obtained and construction of the plant has begun before July 1, 2020, are now eligible for the reduced tax rates. Effective beginning with the 2015 production year.

**Section 4. TEDF; deposits redirected.** Provides that for concentrates produced by a plant subject to a reimbursement agreement dated September 9, 2008 (Essar), the amount of production tax that would have been paid to the taconite economic development fund is redirected and deposited in the Douglas J. Johnson economic protection trust fund until the commissioner of employment and economic development certifies that all requirements of the reimbursement agreement are satisfied. Effective the day following final enactment.

**Section 5. Cities; towns.** Adds six unorganized territories in St. Louis County to the distribution of the taconite production tax currently allocated to towns located within the taconite tax relief area. The amount allocated to the unorganized territories may be held by the county and combined for public infrastructure projects. Effective beginning with the 2015 production year.

**Section 6. Iron Range school account.** Provides that the Iron Range school consolidation and cooperatively operated account fund shall continue to receive the amount equal to two-thirds of the sum of the increased proceeds attributable to the increase in the implicit price deflator for distribution years 2015, 2016 and 2017. Effective for distributions beginning in 2016 and thereafter.

## **Article 8 – Electric Generation Machinery**

**Section 1. Commission approval.** Deletes a cross-reference to the sliding scale market value exclusion relating to the Public Utility Commission’s authority to approve an electric service agreement between a public utility and customer. Effective beginning with assessment year 2016 and thereafter.

**Section 2. Definitions.** Specifies that the definition of “high-efficiency distributed generation” means a distributed energy facility that has a minimum efficiency of 40 percent, as calculated under Minnesota Statutes 2014, section 272.0211, subdivision 1. Effective beginning with assessment year 2016 and thereafter.

**Section 3. Mandate.** Deletes a cross-reference to a facility-specific property tax exemption. Effective beginning with assessment year 2016 and thereafter.

**Section 4. Personal property; exemptions.** Eliminates the personal property tax on personal property that is part of an electric generation system. Effective beginning with assessment year 2016 and thereafter.

**Section 5. Personal property used for pollution control.** Provides that the real or personal property of an electric generation system is not eligible for the pollution control exemption. Effective beginning with assessment year 2016 and thereafter.

**Section 6. Electric generation machinery; valuation.** Establishes a new method of valuing the personal property of all electric generation systems, excluding solar energy generating systems and wind energy conversion systems. Definitions are provided for each type of generating system, and corresponding capacity rates and generation rates are set. An adjustment mechanism for the generation and capacity rates is provided.

The commissioner of revenue shall annually calculate the electric generation tax base. The tax base of personal property of an electric generation system is equal to the sum of: (1) its nameplate capacity multiplied by its generation capacity rate; (2) the average of its electric energy production

as reported to the commissioner of revenue for the immediately preceding five years, multiplied by its generation rate; and (3) its spent fuel tax base. Electric generation systems with a capacity of one megawatt or less is exempt. For purposes of levies based on market value, the electric generation tax base shall become part of the jurisdiction's market value tax base. For all levies based on net tax capacity, the electric generation tax base multiplied by two percent shall be added to the jurisdiction's net tax capacity base.

Additional language is provided to determine the size of electric generation systems and to require annual reports of all generating systems with the commissioner of revenue. Effective for assessment year 2016 and thereafter.

**Section 7. Class 3.** Strikes reference to personal property of an electric generation system from the definition of class 3 properties. Effective for assessment year 2016 and thereafter.

**Section 8 Listing and assessment where situated.** Provides that the nonoperating property and operating real property of electric light and power companies that is part of an electric generation system shall be listed and assessed by the local or county assessor. Effective for assessment year 2016 and thereafter.

**Section 9. Electric generation property transition aid.** Authorizes transition aid to local units of government. For aids payable in 2017 and thereafter, transition aid equals: (1) the net tax capacity of all personal property of an electric generating system as determined for assessment year 2015 multiplied by the 2015 local tax rate; minus (2) the net tax capacity in the current year of all electric generating systems as determined under the new method of valuation, multiplied by the current local tax rate. Once a local unit becomes ineligible for aid, it may not subsequently become eligible. An amount sufficient to pay the aid is annually appropriated from the general fund.

**Section 10. Repealer.** Repeals certain facility-specific statutory exemptions from the personal property tax and the sliding scale market value exclusion.

## **Article 9 – Railroad Recodification**

**Sections 1 through 12. Definitions.** Amends Minnesota Statutes 2014, section 270.80, subdivisions 1, 2, 3, and 4 and adds new subdivisions 6 through 12 and 14. Amendments in sections 1, 2, and 4 to subdivisions 1 (updates the cross references to refer to the new sections), 2 (definition of railroad company), and 4 (non-operating property) are technical changes. Section 3 amends the definition of operating property to include but not be limited to roads, locomotives, freight cars, and improvements to leased property. Sections 5 through 12 add new definitions for term “company,” “unit value,” “book depreciation,” “equalization,” “exempt property,” “original cost,” “system,” and “Minnesota allocated value”. Effective for assessment year 2015 and thereafter.

**Section 13. Valuation of operating property.** Amends internal cross references to the recodified section. Effective for assessment year 2015 and thereafter.

**Section 14. Operating or non-operating property.** Provides that county as well as local assessors can request a determination by the commissioner of whether railroad property is operating or non-operating. Provides that requests must be submitted by April 1 of the assessment year and the commissioner must send the determination to the requestor by May 1. Effective for assessment year 2015 and thereafter.



**Section 15. Deduction for nonoperating and exempt property.** Adds a new subdivision providing that property that is part of the unit valuation but that is nonoperating property or exempt from taxation must be excluded from the Minnesota allocated value and explains how this amount is calculated. Effective for assessment year 2015 and thereafter.

**Section 16. Annual reports.** Amends the language regarding the reports that railroads are required to file with the commissioner before March 31 and adds a provision clarifying that the commissioner shall prescribe the content, format and manner of the report pursuant to section 270C.30 and adding a cross reference to the definition of “electronic signature”. Subdivision 2 modernizes the language allowing the commissioner to grant an extension of up to 15 days for railroads to file the reports required by law. A new subdivision 3 is added providing that railroad companies may file amended reports that correct or add information to the original reports. Also provides that amended reports must be filed by April 30. Adds a new subdivision 4 providing that if railroad companies fail to file the required reports or do not allow the commissioner to inspect their property, records, books, accounts or other papers when requested that the commissioner may make the valuation according to the commissioner’s best judgment based on available information. If the company does not make the required report by the due date or extended due date and the commissioner makes the valuation based on available information the commissioner’s valuation is final and may not be appealed administratively. Effective for assessment year 2015 and thereafter.

**Section 17. Examinations and investigations.** Updates the language regarding the commissioner’s power to conduct audits and examinations in order to determine the value of railroad operating property. Effective for assessment year 2015 and thereafter.

**Section 18. Appointment of persons to make examinations and subpoenas.** Updates the language regarding the commissioner’s power to appoint people to make the examinations and issue subpoenas. Effective for assessment year 2015 and thereafter.

**Section 19. Valuation of operating property.** Amends Minnesota Statutes, section 270.84, subdivision 1 to include specific directions for valuing operating property. Most of the added instruction is adapted from Minnesota Rule Part 8106.0400 which is repealed. Changes include replacing the reference to the “Blue Chip Method” of calculating obsolescence which is no longer used, in favor of historical cost less depreciation. Also allows the commissioner to use appraisal judgment in determining which valuation methods to use (the methods must be based on generally accepted appraisal principles) and allowing the commissioner to determine the validity of the approaches to value and how to weight them. Adds new subdivisions 1a, 1b, and 1c, explaining how to calculate a cost, income and market approach. Amends Minnesota Statutes, section 270.84 subdivision 2 by modernizing the language regarding the notice of valuation that the commissioner must send to the railroad. Effective for assessment year 2015 and thereafter.

**Section 20. Apportionment, allocation and equalization of value.** Amends Minnesota Statutes, section 270.86 subdivision 1 by modernizing the language regarding how the commissioner must apportion the market value of each railroad company’s operating property to each county and taxing district in which the railroad operates. Adds subdivision 1a to explain how the value is allocated to Minnesota. Subdivision 2 is amended to modernize the language regarding the commissioner’s duty to determine the equalized valuation of railroad operating property in each county. Effective for assessment year 2015 and thereafter.

**Section 21. Certification to county assessors.** Amends Minnesota Statutes, section 270.87 by modernizing the language regarding the commissioner’s certification to county assessors of the value of railroad operating property. Effective for assessment year 2016 and thereafter.

**Section 22. Railroad operating property.** Amends Minnesota Statutes, section 272.02, subdivision 9 to provide that all operating property of railroads is included in the list of personal property that is taxable. Effective for assessment year 2016 and thereafter.

**Section 23. Severability.** Adds a severability clause that provides if any part of this article is found to be invalid, all other provisions of the act shall remain valid and any rights, remedies, and privileges that have been otherwise accrued by this act shall remain in effect.

**Section 24. Revisor’s Note.** Directs the Revisor to move sections 270.80 through 270.87 into Chapter 273 and recodify them as sections 273.3712 through 273.3719. Internal cross references in section 270.80 through 270.87 will be corrected to refer to the new sections.

**Section 25. Repealer.** Repeals Minnesota Statutes, section 270.81, subdivision 4 because it merely states that property is not subject to tax unless it is already made subject to tax under chapter 272. This is unnecessary because chapter 272 adequately describes what property is taxable. It also repeals Minnesota Statutes, section 270.83, subdivision 3 because its provisions have been moved to new section 273.3714 (formerly 270.82). Repeals Minnesota Rules, chapter 8106 because its provisions are made obsolete due to statutory changes. Effective for assessment year 2016 and thereafter.

## **Article 10 – Public Finance**

**Section 1. To lease building or land.** Clarifies the current law process for the commissioner of education to grant permission for a school district to impose a lease levy.

**Section 2. Certificates of indebtedness; towns.** Provides that bonds issued by the town for the purpose of eliminating R-22 (Freon) as a refrigerant used in ice-making systems in existing public facilities shall be payable in not more than 20 years.

**Section 3. Equipment acquisition; capital notes; Hennepin County.** Provides that bonds issued by Hennepin County for the purpose of eliminating R-22 (Freon) as a refrigerant used in ice-making systems in existing public facilities shall be payable in not more than 20 years.

**Section 4. Cities may issue capital notes for capital equipment; charter cities.** Provides that bonds issued by charter cities for the purpose of eliminating R-22 (Freon) as a refrigerant used in ice-making systems in existing public facilities shall be payable in not more than 20 years.

**Section 5. Financing purchase of certain equipment; statutory cities.** Provides that bonds issued by statutory cities for the purpose of eliminating R-22 (Freon) as a refrigerant used in ice-making systems in existing public facilities shall be payable in not more than 20 years.

**Section 6. General obligation revenue bonds; HRA.** Increases the maximum amount of general obligation bonds that an HRA may issue to the greater of: (1) one-half of one percent of the

estimated market value of the general jurisdiction governmental unit whose general obligation is pledged; or (2) \$5,000,000 (an increase from \$3,000,000).

**Section 7. Establishment; EDA.** Eliminates the requirement that before an economic development authority establishes an economic development district, the authority must publish notice of the hearing in a 'daily' newspaper, so that any newspaper of general circulation in the city is sufficient.

**Section 8. Street reconstruction and bituminous overlays.** Allows a city to approve a plan to issue and sell obligations for street reconstruction or bituminous overlays with approval of a majority of the members of the governing body present rather than approval by all members of the governing body present at the meeting.

**Section 9. Requirements waived.** Changes a reference of 'financial' advisor to 'municipal' advisor to be consistent with generally accepted terms.

## **Article 11 – Sustainable Forest Incentive Act Modifications**

**Section 1. Purpose.** Adds emphasizing economic and ecological benefits to the purpose of the Sustainable Forest Incentive Act.

**Section 2. Application.** Extends the applicability of the definitions to include all of the sections in the SFIA chapter.

**Section 3. Claimant.** Eliminates a requirement that the purchaser or grantee notify the commissioner in writing of the sale or transfer of the property and changes the application date. Effective for certifications and applications due in 2016 and thereafter.

**Section 4. Forest land.** Removes the prohibition of land exceeding 60,000 acres that is subject to a single conservation easement funded by the outdoor heritage fund, or a comparable permanent easement conveyed to a governmental or nonprofit entity from participation in the program. Effective for applications made in 2016 and thereafter.

**Section 5. Eligibility requirements.** Modifies the eligibility requirements to require that (i) the forest management plan be registered with DNR; (ii) claimants enrolling land subject to a conservation easement funded by the outdoor heritage fund or comparable permanent easement allow year-round, nonmotorized access; and (iii) that the land is not classified as class 2c managed forest land. In addition, a minimum of three acres must be excluded from enrolled land when the land is improved with a structure that is not a minor, ancillary, nonresidential structure. If land does not meet the definition of forest land, the entire tax parcel that contains the land is not eligible to be enrolled in the program. Effective for certifications and applications due in 2016 and thereafter.

**Section 6. Applications.** Requires that the application form be prescribed by both the commissioners of revenue and natural resources, and contain the registration number for the management forest plan. Adds language to the covenant specifying that the covenant is binding and runs with the land for a period of not less than eight years, unless the claimant requires termination after a reduction in payments due to a formula change. The commissioner of revenue shall provide a copy of the application to the commissioner of natural resources who must confirm whether the applicant qualifies for enrollment. Effective for certifications and applications due in 2016 and thereafter.

**Section 7. Annual certification and monitoring.** Requires a report describing the management practices that have been carried out on the enrolled property during the prior year to the annual certification form that must be signed and returned to the commissioner and provides that the commissioner of natural resources must conduct annual monitoring of a subset of claimants which may include a site visit by a department of natural resources or a contracted forester.

**Section 8. Length of covenant.** Provides for covenants with durations of eight, 20, or 50 years. Claimants enrolling any land subject to a conservation easement funded under the outdoor heritage fund must enroll their land under a covenant with a duration of eight years. Effective for certifications and applications due in 2016 and thereafter.

**Section 9. Calculation of incentive payment.** Provides that the annual payment for land enrolled in the program shall be equal to a percentage of the property tax that would be paid on the land determined by using the previous year's statewide average total tax rate for all taxes levied within townships or unorganized territories, the estimated market value per acre of managed forest land, and a class rate of one percent. Effective for calculations made in 2016 and thereafter.

**Section 10. Annual payment.** Provides that the commissioner of natural resources will certify to the commissioner of revenue the eligibility of each claimant to receive a payment. The commissioner of revenue shall pay the incentive payment on or before October 1 of each year. Effective for certifications and applications due in 2016 and thereafter.

**Section 11. Withdrawal procedures.** Provides withdrawal procedures for the eight, 20, or 50 year covenants and other early withdrawal procedures if the government or nonprofit entity acquires a permanent easement on the enrolled property that is at least as restrictive as the SFIA covenant or land that is subject to fee or easement acquisition or lease to the state for the public purpose of a paved trail.

**Section 12. Transfer of ownership.** Provides for the transfer of ownership for lands enrolled in the program. The owner must notify the commissioner of revenue if the owner transfers any or all of the land. Upon notification, the commissioner shall inform the new owner of the restrictions of the covenant and requires that the new owner must file an application and register a new forest management plan with the commissioner of natural resources within two years from the date the title was transferred to remain eligible. Effective the day following final enactment.

**Section 13. Penalties for removal.** Establishes penalties if enrolled land is: (i) in violation of the conditions for enrollment; (ii) if there was construction or addition of an improvement to the property; and (iii) or if the land is used for purposes other than forestry management. Effective the day following final enactment.

**Section 14. Determination of appeal.** Requires the commissioner of revenue consult with the commissioner of natural resources when an appeal relates to the use of the property for forestry or nonforestry purposes and for appeals related to the forest management plans. Effective the day following final enactment.

**Section 15. Transition provision.** For land currently enrolled in the program, the owner shall have two years to change the length of their covenant without penalty and to comply with the changes being made in this act. Effective the day following final enactment.

**Section 16. Repealer.** Repeals definitions and provisions related to calculating the current use value and estimated market value that are not used anymore in calculating the SFIA payments. Effective the day following final enactment.

## Article 12 – Miscellaneous

**Sections 1 and 2. Budget reserve; report.** Updates the budget reserve amount in the automatic repayment statute to conform to the current budget reserve amount. This change would require the budget reserve to be re-established to \$994.3 million in a forecast before certain other conditions of this statute could be met. Aligns the date that the budget reserve report is issued more closely to the November forecast. The November forecast is the point at which 33 percent of a forecasted surplus in the current biennium is transferred to the budget reserve. Under current law the percentage of the non-dedicated general fund revenues that is recommended as the budget reserve level is not based on the most recent available data and end-of-session tax law changes. An August reporting date makes the report data and analysis more current to the November forecast when it potentially would be used. Effective July 1, 2015.

**Sections 3 and 4. Tax Court; written order and jurisdiction.** Increases from 15 to 30 days the time in which a motion for rehearing must be served by the moving party. Increases the time in which a motion must be heard by the Tax Court from 30 to 60 days after mailing of the notice by the court. Extends the extension allowed for good cause from 30 to 60 days. Increases the threshold for Small Claims Division cases from \$5,000 to \$15,000 for cases not involving valuation, assessment, or taxation of real and personal property. Effective the day following final enactment.

**Sections 5 and 8. Compressed natural gas definition and rate modification.** Modifies the energy content for compressed natural gas from 1,000 BTU's per cubic feet to 900 BTU's per cubic feet to be consistent with the IRS standard and the International Fuel Tax Agreement (IFTA). Corrects a calculation error in the rate of tax applicable to compressed natural gas and brings the tax rate in line with the energy content of other fuel types. Effective for sales and purchases made after June 30, 2015.

**Sections 6, 7, 9 to 20, and 31. Modification of tax treatment of gasoline used as a substitute for aviation gasoline.** **Section 6** adds a definition to the fuel tax chapter of statutes, defining “dealer of gasoline used as a substitute for aviation gasoline” as a person who sells gasoline on the premises of an airport to be dispensed directly into the fuel tank of an aircraft. **Section 7** exempts from the fuel excise tax gasoline purchased by a dealer of gasoline used as a substitute for aviation gasoline. **Section 9** applies the five cents per gallon aviation gasoline tax to gasoline used as a substitute for aviation gasoline. **Section 10** provides that the aviation gasoline tax does not apply to gasoline purchased and placed in an aircraft fuel tank outside the state of Minnesota. **Section 11** provides that the aviation gasoline tax is not a tax upon consumption by an aircraft. **Section 12** exempts a licensed ambulance service from liability for the aviation gasoline tax. **Section 13** requires gasoline taxpayers to include in their monthly reports to the Department of Revenue a statement of the number of gallons sold to a dealer of gasoline used as a substitute for aviation gasoline. **Section 14** requires a person who buys gasoline from a dealer of gasoline used as a substitute for aviation gasoline and pays the tax on it, then uses it in motor vehicles, or sells it knowingly to a person for use in motor vehicles, to report this to the commissioner of Revenue. **Section 15** requires a person claiming a graduated refund or credit to set forth in the claim form the total number of gallons of gasoline used as a substitute for aviation gasoline on which tax was paid during the calendar year. **Section 16** adds purchasers of gasoline used as a substitute for aviation gasoline to the eligible

claimants for refunds of aviation taxes paid and not used in motor vehicles or in aircraft. **Section 17** adds taxpayers who have paid: (1) aviation tax on gasoline used as a substitute for aviation tax, and (2) airflight property tax, to the eligible claimants for refunds on a graduated basis. **Section 18** excepts gasoline sold to a dealer of gasoline used as a substitute for aviation gasoline from the presumption that all gasoline in this state is intended for use in motor vehicles. **Section 19** provides that revenues from excise taxes on gasoline used as a substitute for aviation gasoline are credited to the state airports fund and appropriated to the commissioner as needed. **Section 20** establishes recordkeeping and retention requirements for dealers of gasoline used as a substitute for aviation gasoline. **Section 31** repeals a subpart of Minnesota Rules that describes who may claim refunds for gasoline used as a substitute for aviation gasoline. The repealer is effective the day following final enactment; all other provisions are effective for sales and purchases made after June 30, 2015.

**Section 21. Allocation of revenues; Minneapolis taxes.** Requires that the Minnesota Sports Facilities Authority retain \$2.7 million in the funds dedicated to the Authority from the Minneapolis local sales and liquor, lodging and restaurant taxes for purposes of offsetting taxes paid by the NFL in connection with a Super Bowl game played at the Vikings stadium.

**Section 22. Railroad condemnation powers limitation.** Provides that a foreign or domestic railroad company may not exercise eminent domain power over a property interest of certain Hennepin County government agencies if the agency finds and resolves that public safety or first-responder access will be substantially and adversely affected by the railroad company taking. Retroactive from March 2, 2015, and applies to any eminent domain action to acquire land owned by the named entities.

**Section 23. Broadband service public-private partnerships.** Authorizes a local unit of government alone or through a joint powers board with other local units of government to finance, acquire and construct broadband equipment. Each local unit may, by resolution issue general obligation bonds for this purpose or one of the local units acting with a joint powers agreement may issue the bonds and all other local units shall levy a tax and pledge the collections of the tax to the issuer of the bonds. This authorization is in addition to and does not limit any other authority of a local unit of government to engage in the activities authorized under this section. Effective the day following final enactment.

**Section 24. Additional border city allocations.** Allocates \$2 million to the border cities of Breckenridge, Dilworth, East Grand Forks, Moorhead and Ortonville. The allocation shall be made to the cities on a per capita basis. The cities may use the allocation for the border city enterprise or border city development zone programs. Effective July 1, 2015.

**Sections 25 to 29. Destination Medical Center; use of local taxes modifications.** **Section 25** modifies the definition of “public infrastructure project” under the DMC provisions to clarify that it includes amounts spent on planning, thereby expanding the definition to planning other than for the development plan. Amounts spent for the “public infrastructure project” may be paid with either state aid or city taxes, and amounts spent out of city taxes qualify for the local match requirement, subject to the requirements in section 28. **Section 26** prohibits the Economic Development Agency (EDA), a private entity created by the Mayo Clinic, from requiring the city to pay amounts that are unrelated to public infrastructure project costs. **Section 27** provides that the special Rochester lodging, food and beverages, and admissions sales taxes may be spent for purposes that qualify as a local matching contribution under the DMC aid program. **Section 28** provides that Rochester city general sales tax may be spent for purposes that qualify as a local matching contribution under the DMC aid program. **Section 29** provides that, through June 30, 2020, all city funds spent to support

the DMC Corporation or the EDA qualify toward the local matching contribution requirement under the state aid program. After that date, one-half of amounts spent for support, operation and administrative costs for the corporation count toward the local match.

**Section 30. Modification of Default Apportionment of Estate Tax Burden.** Modifies the default apportionment rules applicable to estates that hold Qualified Terminable Interest Property (QTIP). Under current law, the estate tax burden is proportional relative to the value of the estate between amounts that are part of the QTIP trust and those that are not. A decedent may also direct a method of apportionment in a will that would supersede a default apportionment rule. This provision changes the default rule to require that the estate tax burden is borne by beneficiaries with an interest in the QTIP trust.

**Section 31. Repealer.** Repeals the requirement that any bill that creates, renews, or continues a tax expenditure must include a purpose statement and a standard or goal against which its effectiveness may be measured. Effective retroactively from January 1, 2014.

### **Article 13 – Department of Revenue Policy and Technical Provisions -- Income, Corporate Franchise, and Estate Taxes**

**Section 1. Telefiling of income tax returns.** Amends Minnesota Statutes, section 289A.08, subdivision 11, to remove references to telefiling of individual income tax returns. Filing state or federal returns by telephone has not been offered since 2005. Effective the day following final enactment.

**Sections 2 and 5. Expanded electronic filing.** Amends Minnesota Statutes, section 289A.08, subdivision 16, which requires that professional tax return preparers submit individual income tax returns electronically. Extends the requirement to professional preparers of corporate, partnership, and fiduciary returns. There is a \$5.00 fee for each return submitted by a professional preparer non-electronically. Customers may opt out of electronic filing without incurring the penalty by requesting that a preparer submit a return non-electronically. **Section 5** amends Minnesota Statutes, section 289A.60, subdivision 28, which requires that an identification number be submitted on each individual income tax return prepared by a professional return preparer. Extends the requirement to professional preparers who prepare corporate, partnership and fiduciary returns. There is a \$50.00 penalty for each return submitted by a professional preparer without the appropriate identification number. Effective for taxable years beginning after December 31, 2014.

**Section 3. W-2 wage and withholding statements.** Amends Minnesota Statutes, section 289A.09, subdivision 2, to allow the commissioner to determine the content, format, and manner in which W-2's must be submitted. Effective for W-2 statements required to be submitted to the commissioner after December 31, 2015.

**Section 4. Reporting of exempt interest and dividends.** Amends Minnesota Statutes, section 289A.12, subdivision 14, to require any person receiving \$10 or more of exempt non-Minnesota municipal bond interest or dividends and paying those amounts as nominee to an individual who is a resident of Minnesota, to report the amount paid to the recipient by February 15 of the year following the year of payment and by June 1 of the year following the year of payment to the commissioner. Effective for reports required to be filed after December 31, 2015.

**Sections 6, 7, 8, and 11. Certified pollution control facilities.** Amends Minnesota Statutes, section 290.01, subdivisions 19c, clause (9) and 19d, clause (7), to remove language regarding certified pollution control facilities that refer to adjustments that have expired. The rest of the subdivisions are renumbered. Also amends cross references to Minnesota Statutes, section 290.01, subdivisions 19c and 19d, found in Minnesota Statutes, sections 290.01, subdivision 19b, and 290.0921, subdivision 3, to reflect the updated paragraph. Amends cross references to Minnesota Statutes, section 298.01, subdivisions 3b and 4c, to reflect the updated paragraph numbers of section 290.01, subdivisions 19c and 19d. Effective the day following final enactment.

**Section 9. Long term insurance premiums credit.** Amends Minnesota Statutes, section 290.0672, subdivision 1, to remove the specific reference to a “7.5 percent income test” for claiming medical deductions as a federal itemized deduction. Internal Revenue Code section 213 was amended in 2013 so that medical deductions are now subject to a 10 percent of adjusted gross income test except that it remains a 7.5 percent of adjusted gross income through 2016 for taxpayers age 65 or older. Effective retroactively for taxable years beginning after December 31, 2012.

**Section 10. Individual alternative minimum tax.** Amends Minnesota Statutes, section 290.091, subdivision 3, to remove an internal cross reference to a clause that no longer exists as a result of the 2008 repeal of language related to the alternative tax exemption amount applicable to tax years before 2005. Effective the day following final enactment.

**Section 12. Landlord submission of certificates of rent paid to commissioner.** Amends Minnesota Statutes, section 290A.19 to help simplify the filing process for renters by authorizing the commissioner to require owners or managing agents of residential rental property to furnish to the commissioner, through a simple process, a copy of each certificate of rent furnished to a renter. If required, the certificate must be submitted in the content, format, and manner prescribed by the commissioner and is due by February 1 of the year following the year the rent was paid. Effective for certificates of rent paid for rent paid after December 31, 2014.

**Section 13. Estate tax - property tax reclassifications.** Amends Minnesota Statutes, section 291.03, subdivision 10, to provide that qualified farm property exempt from the estate tax shall not become disqualified solely because a portion of the property is reclassified from class 2a to class 4bb property under section 273.13, subdivision 25, during the three year holding period. Also provides that property shall not cease to be qualified under the qualified farm property exemption solely because no more than one-fifth is reclassified as 2b property under section 273.13, subdivision 23 during the three year holding period as long as the heir did not substantially alter the reclassified property during that period. Effective retroactively for estates of decedents dying after June 30, 2011.

**Section 14. Estate tax erroneous cross reference.** Amends Minnesota Statutes, section 291.031, to revise obsolete language concerning “tax paid” under section 291.03. The language in section 291.031 provides for a credit, which, until this year, was contained in section 291.03, which also provides for the calculation of tax. In 2014 the legislature moved the credit provision to section 291.031. Because the language in section 291.031 was moved to a new section, the words “tax paid under this section” at paragraph (a), clause (2) are incorrect. Changing the reference so that it continues to refer to the “tax due” under section 290.03 corrects this issue. Effective retroactively for estates of decedents dying after December 31, 2013.

**Section 15. Repealer.** Repeals Minnesota Rules, part 8092.2000, since it unnecessarily duplicates statutory law and contains obsolete references to particular Department of Revenue forms. This rule



deals with procedures that construction contractors must follow to demonstrate compliance with income tax withholding obligations before receiving final payment under contracts with state or local government agencies. The repeal will not change the way that the Department administers Minnesota Statutes, section 270C.66, which is the underlying law. Effective the day following final enactment.

## **Article 14 – Department of Revenue Policy and Technical Provisions – Special Taxes and Sales Taxes**

**Sections 1, 3 and 12. Township mutual insurance companies.** Amends Minnesota Statutes, sections 69.021, subdivision 5, and 290.0922, subdivision 2, to replace the term “town and farmers’ mutual insurance companies” with “township mutual insurance companies”. Also amends Minnesota Statutes, section 297I.05, subdivision 2, to do the same thing. This is consistent with the use of the term in Minnesota Statutes, chapter 67A, which deals with these entities. Effective the day following final enactment.

**Section 2. MinnesotaCare tax; omission in excess of 25 percent.** Amends Minnesota Statutes, section 289A.38, subdivision 6, to clarify that a person that omits from the MinnesotaCare tax return an amount of tax that is 25 percent higher than the amount reported may be assessed within 6-½ years after the due date of the return, or the date the return was filed, whichever is later. Effective the day following final enactment.

**Section 4. Pharmacy refund.** Amends Minnesota Statutes, section 295.54, subdivision 2, to provide that the request for refund has to be filed on an annual return by March 15 of the year following the year in which the drugs were delivered outside Minnesota. A refund will not be allowed if the initial claim for refund is filed later than one year from that date. Effective for qualifying legend drugs delivered outside Minnesota after December 31, 2014.

**Section 5. Bulk storage or bulk storage facility.** Amends Minnesota Statutes, section 296A.01 by adding a new subdivision 9a to provide a definition of bulk storage or bulk storage facility. Effective the day following final enactment.

**Section 6. Motor fuel definition.** Amends Minnesota Statutes, section 296A.01, subdivision 33, that defines motor fuel, to also refer to a gaseous form of fuel. Effective the day following final enactment.

**Section 7. Petroleum products definition.** Amends Minnesota Statutes, section 296A.01, subdivision 42, that defines petroleum products, to clarify that biobutanol is a petroleum product. Effective the day following final enactment.

**Section 8. Biobutanol blends.** Amends Minnesota Statutes, section 296A.07, subdivision 1, to clarify that biobutanol blends are taxable as gasoline. Effective day following final enactment.

**Section 9. Deposit of revenues.** Amends Minnesota Statutes, section 297A.82, subdivision 4a, to clarify that the amount that is to be deposited in the state airports fund from the sales tax collected on the sale or purchase of an aircraft is limited to the revenue generated from the sales tax imposed under section 297A.62, subdivision 1 (6.5 percent rate). The amount to be deposited in this fund

does not include the revenue generated by the sales tax imposed under section 297A.62, subdivision 1a (0.375 percent rate), which must be deposited as provided in the Minnesota Constitution.

**Section 10. Untaxed gambling product.** Amends Minnesota Statutes, section 297E.02, subdivision 7, to provide a tax return filing requirement for untaxed gambling. Provides authority to tax all forms of gambling that are illegal pursuant to the criminal code under chapter 609. Disclosure provisions are also provided. Effective for games played or purchased after June 30, 2015.

**Section 11. Recyclable materials and source-separated compostable materials.** Amends Minnesota Statutes, section 297H.06, subdivision 2, to clarify that the exemption from the solid waste management tax for recycling materials is only available if the price for handling the materials is separately itemized on a bill to the generator of the waste; and to correct terminology regarding the exemption for source-separated compostable materials, consistent with terms used in chapter 115A and related rules. Effective the day following final enactment.

**Sections 12 and 13. Firefighter relief surcharge payments.** Amends Minnesota Statutes, section 297I.10, subdivisions 1 and 3, to clarify that the commissioner of revenue, not the commissioner of management and budget, shall determine amount of payment for the firefighter relief surcharge for cities of the first class. Effective the day following final enactment.

**Section 15. Occupation tax deductions.** Amends Minnesota Statutes, section 298.01, subdivision 3b, paragraph (b) to correct a cross-reference required by the renumbering of Minnesota Statutes, section 290.01, subdivision 19d in Article 1, section 5. Effective the day following final enactment.

**Section 16. Occupation tax net operating loss.** Amends Minnesota Statutes, section 298.01, subdivision 4c, paragraph (a) to correct a cross-reference required by the renumbering of Minnesota Statutes, section 290.01, subdivision 19d in Article 1, section 5. Also amends Minnesota Statutes, section 298.01, subdivision 4c, to delete a reference to an obsolete net operating loss provision. The repealed provision applies to tax periods for which net operating loss carryover is no longer available. Effective the day following final enactment.

## **Article 15 – Department of Revenue Policy and Technical – Property Tax Provisions**

**Section 1. Income producing property assessment data.** Minnesota Statutes, section 13.51, subdivision 2, provides that certain property tax data related to income producing property that is collected by political subdivisions is private or nonpublic data. The amendment adds the state of Minnesota as a political entity so that the same type of data when collected by the state for purposes of making state assessed property tax valuations is also private or nonpublic data. Effective the day following final enactment.

**Section 2. Definition of air commerce.** Amends Minnesota Statutes, section 270.071, subdivision 2, to change the definition of air commerce to specifically include airline companies that make three or more flights in, out or within Minnesota during a calendar year. Effective for assessment year 2016 and thereafter.

**Section 3. Definition of flight property.** Amends Minnesota Statutes, section 270.071, subdivision 7, to provide that flight property does not include aircraft with a maximum takeoff weight of less than 30,000 pounds. Current law refers to aircraft with a gross weight of less than 30,000 pounds.

Maximum takeoff weight is a standard aviation term that refers to the maximum weight at which the pilot of an aircraft is allowed to take off. Effective for assessment year 2016 and thereafter.

**Section 4. Definition of person.** Amends Minnesota Statutes, section 270.071, subdivision 8, to adopt the definition of “person” used in section 270C.01, subdivision 6, to make it consistent with the definition used for other taxes administered by the commissioner. Effective for assessment year 2016 and thereafter.

**Section 5. Definition of intermittent or irregularly timed flights.** Amends Minnesota Statutes, section 270.071 to add a new subdivision 10 defining “intermittent or irregularly timed flights” to mean flights in which departures and arrivals are negotiated with the customer. The term also includes charter flights. Effective for assessment year 2016 and thereafter.

**Section 6. Assessment of flight property.** Amends Minnesota Statutes, section 270.072, subdivision 2, to delete language that excludes aircraft with a gross weight of less than 30,000 pounds and used on intermittent and irregularly timed flights from the provisions of the Airflight Property Tax. This language will no longer be needed because the statute will use the term “maximum takeoff weight” instead of “gross weight”. This type of aircraft will no longer meet the definition of “flight property”, and therefore will not be valued for purposes of the tax. Companies using aircraft with maximum takeoff weights of less than 30,000 pounds and flown on intermittent and irregularly timed flights will still need to file reports. Effective for assessment year 2016 and thereafter.

**Sections 7 and 10. Air flight and railroad property tax reports.** Amends Minnesota Statutes, section 270.072, subdivision 3, and 270.82, subdivision 1, to provide that airline companies must file reports unless the commissioner determines that the company is exempt and clarifies that the commissioner may prescribe the content, format, and manner of air flight and railroad property tax reports pursuant to Minnesota Statutes, section 270C.30. Also adds a cross reference to the definition of “electronic signature” in section 270C.304. The provision requiring airline companies to file reports unless determined to be exempt is effective for reports filed in 2016 and thereafter. The provisions regarding the content, format and manner of reports are effective the day following final enactment.

**Section 8. Commissioner may file reports for airline companies.** Amends Minnesota Statutes, section 270.072 to provide that if an airline company does not file a report the commissioner may file a report for it based on information that the commissioner has or can obtain or may issue a notice of net tax capacity. Effective for assessment year 2016 and thereafter.

**Section 9. State Board of Equalization (Board) reassessment orders.** Amends Minnesota Statutes, section 270.12, by adding a new subdivision 6 to allow the Board to issue orders to county assessors to reassess all or part of a parcel in a county if the Board determines that property has been under or overvalued and the assessment is grossly unfair or inequitable. Effective for assessment year 2016 and thereafter.

**Section 11. County Board of Appeal and Equalization Proceedings Minutes.** Amends Minnesota Statutes, section 270C.89, subdivision 1, by eliminating the requirement that county boards of appeal and equalization file a printed or typewritten copy of meeting minutes with the Commissioner of Revenue. Effective for county boards of appeal and equalization meetings held in 2016 and thereafter.

**Sections 12, 20 and 21. Personal property; exceptions.** Clarifies that all transportation pipelines are subject to assessment and taxation without regard to the material transported through the pipeline. Effective the day following final enactment.

**Section 13. Wind Energy Conversion Systems.** Amends Minnesota Statutes, section 272.029, subdivision 2, to provide that one of the criteria for determining whether the nameplate capacities of wind energy conversion systems may be combined in order to determine the total size of the system for purposes of the wind energy production tax rate is whether the systems were constructed within the same 12 month period. This change would make the criteria consistent with that used for the solar energy production tax. Effective for reports filed in 2016 and thereafter.

**Section 13. Wind energy conversion system annual reports.** Amends Minnesota Statutes, section 272.029, subdivision 4, to move the date for filing annual reports from February 1 to January 15. This makes it consistent with solar energy production tax reports. Effective for reports filed in 2016 and thereafter.

**Section 15. Wind energy production tax reports.** Amends Minnesota Statutes, section 272.029 by adding a new subdivision 8 to allow the commissioner to grant an extension of time to file Wind Energy Production Tax Reports for up to 15 days upon a showing of good cause. This makes it consistent with solar energy production tax reports. Effective for reports filed in 2016 and thereafter.

**Section 16. Lead hazard market value reduction.** Amends Minnesota Statutes, section 273.032 by removing the reference to the lead hazard market value reduction that was repealed in 2013 and is therefore obsolete. Effective the day following final enactment.

**Sections 17 and 18. Division of duties between local and county assessor.** Amends Minnesota Statutes, sections 273.061, subdivision 7 and 273.08 to require that local assessors must enter construction and valuation data into the records as directed by the county auditor and the county assessor. Effective for assessment year 2016 and thereafter.

**Section 19. Valuation notice compliance.** Amends Minnesota Statutes, section 273.121 by adding a subdivision 3 to provide that if a county or city assessor fails to timely mail valuation notices to taxpayers, the assessor must mail an additional valuation and convene a supplemental local board of appeal and equalization meeting or local review session. Effective for valuation notices sent in 2016 and thereafter.

**Sections 22. Reports of utility companies.** Amends Minnesota Statutes, section 273.371, subdivisions 1 and 2, and adds a new subdivision 3. The changes to subdivision 1 and 2 are technical changes that refer to utility and pipeline companies doing business in Minnesota and states that an extension to file the report must not exceed 15 days. These changes also provide conforming language to the new subdivision 3. The new subdivision 3 provides that if the utility company does not file the report required, the commissioner may file a report for the company or make valuations based on information in the commissioner's possession. Effective for assessment year 2016 and thereafter.

**Section 23. State assessed property tax appeals.** Amends Minnesota Statutes, section 273.372, subdivision 2, to provide that utility and railroad company appeals to the Minnesota Tax Court from orders of the commissioner must be filed within the time period in section 271.06, subdivision 2, (60 days from the date of the order or 90 days if an extension is granted). Also provides that in the

case of a conflict between section 273.372 and chapter 271 (Tax Court) or 278 (District Court or Tax Court), section 273.372 prevails. Current law only lists chapter 271. Effective for assessment year 2016 and thereafter.

**Section 24. Railroad and utility company appeals.** Amends Minnesota Statutes, section 273.372, subdivision 4, to make various changes in how utilities and railroads may appeal their valuations. Companies must request an administrative appeal in writing within 30 days of the valuation. The commissioner may grant a 15 day extension to file. The appeal must include identifying information about the company, include the assessment periods, identify findings that the company disputes and identify reasons for the dispute. An appeal conference must be held within 20 days, and the commissioner must notify the company of the final determination within 30 days after the conference. Taxpayers may appeal the commissioner's determination to either Tax Court or District Court. Paragraph (c) dealing with informal appeals is deleted because it is no longer necessary as the revised section spells out how railroad and utility companies may appeal their valuations. Effective for assessment year 2016 and thereafter.

**Section 25. Settlement of appeals.** Amends Minnesota Statutes, section 273.372, to add a new subdivision 5 providing that when it appears to be in the best interest of the state the commissioner may settle appeals of utility and railroad valuations. Effective beginning with assessment year 2016 and thereafter.

**Section 26. Administrative appeal and appeal to tax court.** Amends Minnesota Statutes, section 273.372 by adding a new subdivision 6 to clarify that if a taxpayer files an administrative appeal for an order of the commissioner and also files an appeal to Tax Court for that same order, the administrative appeal is dismissed and the commissioner no longer has to make a determination. Effective beginning with assessment year 2015 and thereafter.

**Section 27. Local boards of appeal and equalization.** Amends Minnesota Statutes, section 274.01, subdivision 1, by clarifying that the statute's provisions related to meeting dates and times apply to local boards of appeal and equalization. Effective the day following final enactment.

**Section 28. County board of appeal and equalization valuation.** Amends Minnesota Statutes, section 274.13, subdivision 1, by providing that county boards of appeal and equalization may not make a change in value to benefit the property, if the owner has denied the assessor access to the property. This would make the authority of county boards of appeal and equalization consistent with local boards of appeal and equalization, which are already prohibited from making valuation changes after an owner has denied the assessor access. Effective for county board of appeal and equalization meetings in 2016 and thereafter.

**Section 29. County Board of Appeal and Equalization certification.** Amends Minnesota Statutes, section 274.135, subdivision 3, by extending the deadline from December 1 to February 1, for county boards of appeal and equalization to certify a trained member of the board in order to be eligible to hold regular board of appeal and equalization meetings. Effective for county boards of appeal and equalization meetings held in 2016 and thereafter.

**Section 30. Public meeting announcement.** Amends Minnesota Statutes, section 275.065, subdivision 1, to clarify that taxing authorities only need to announce the time and place of their regularly scheduled meetings at which the budget and levy will be discussed if they have such a meeting. Effective the day following final enactment.

**Section 31. Property tax levy reports.** Amends Minnesota Statutes, section 275.62, subdivision 2, by removing the requirement that towns with a population over 5,000 and communities receiving taconite aid file a property tax levy report. The reports are no longer needed for these towns and communities, as they are not subject to levy limitations. Effective the day following final enactment.

**Section 32. State assessed property tax appeals.** Amends Minnesota Statutes, section 278.01, subdivision 1, to clarify that appeals of valuation notices may be filed in Tax Court prior to May 1 of the year in which taxes are payable only on receipt of valuation notices received from county assessors. Current law includes a citation to the notices required by section 273.121 which applies to notices received from county assessors. The statute is being clarified so that taxpayers will be aware that the additional time to appeal valuation notices does not apply to state assessed property because those notices are not required by section 273.121. Effective the day following final enactment.

**Section 33. Conveyances to public entities.** Amends Minnesota Statutes, section 282.01, subdivision 1a, by clarifying and modernizing the language used in describing the procedures for taxing districts to sell tax-forfeited land. Effective the day following final enactment.

**Section 34. Conditional use deed.** Amends Minnesota Statutes, section 282.01, subdivision 1d, by clarifying that when a governmental subdivision wishes to purchase tax-forfeited property that it owns, but is subject to a conditional use deed, the governmental subdivision must reconvey the land subject to the conditional use deed to the commissioner of revenue before the commissioner may convey the property free of the use restriction. Effective the day following final enactment.

**Section 35. City email address.** Amends Minnesota Statutes, section 477A.013 to add a subdivision 14 that requires cities receiving aid to register an official electronic mail address with the commissioner for use in communicating with the city. Effective for aids payable in 2016 and thereafter.

**Section 36. Aquatic invasive species prevention aid.** Amends Minnesota Statutes, section 477A.19 by adding a subdivision 3a to require the commissioner of natural resources to certify the number of watercraft launches and watercraft trailer parking spaces in each county for purposes of administering aquatic invasive species prevention aid. Effective for aids payable in 2016 and thereafter.

**Section 37. Aquatic invasive species prevention guidelines.** Amends Minnesota Statutes, section 477A.19 by adding subdivision 3b to require the commissioner of natural resources to certify to the commissioner of revenue the counties that have complied with the requirement to establish guidelines for addressing aquatic invasive species. Effective for aids payable in 2016 and thereafter.

**Section 38. Tax-forfeited property contracts for deed.** Amends Minnesota Statutes, section 559.202, subdivision 2, by clarifying that the five-day rescission period for sales made by contracts for deed does not apply to sales of tax-forfeited property. Effective for sales of tax-forfeited land occurring after the day following final enactment.

**Section 39. 2014 supplemental agricultural credit warrants.** Amends Laws 2014, chapter 308, article 1, section 14, subdivision 2, to provide that if the commissioner cannot locate a taxpayer eligible for the 2014 supplemental agricultural credit by October 15, 2016, or if a qualifying taxpayer to whom a warrant was issued does not cash that warrant within two years from the date

the warrant was issued, the right to the credit lapses. A separate amendment to Minnesota Statutes, section 270C.347, subdivision 1 in Article 5, section 5 allows the commissioner to reissue a lapsed warrant for up to five years after the original warrant was issued upon a showing of reasonable cause. Effective the day following final enactment.

**Section 40. Repealer.** Repeals Minnesota Statutes, section 273.111, subdivision 9a, which applies to enforcement actions related to compliance with agricultural chemical and water quality statutes taken in 2009 through 2013, and is therefore obsolete. Also repeals Minnesota Statutes, section 281.22, which is an obsolete provision that provided a one-year notice period for the expiration of redemption for properties bid in for the state prior to 1935. Effective the day following final enactment.

## **Article 16 – Department of Revenue Policy and Technical Provisions – Miscellaneous**

**Sections 1, 4, 17 through 19, 20 through 24, 26 through 28, 30, 32 through 34, 37 through 42, 44, 46. Commissioner’s authority.** Section 3 amends Minnesota Statutes, section 270C.30 to clarify that the commissioner may prescribe the content, format and manner of returns and forms. Other sections are amended to cross reference section 270C.30 and conform to this language so that language regarding the commissioner’s authority to prescribe how returns and forms are filed is uniform. Sections 1, 12 through 15 and 19 regarding property tax forms are also amended to cross reference the definition of “electronic signature” in section 270C.304 because the existing definition in chapter 270C does not apply to these property tax laws. Effective the day following final enactment.

**Sections 5, 6, 7, 9, 11, 15, 16, 24, 29, 31, 35, 36, 43, 45, 47, 48. Tax court appeals; appealable orders and notices; period of time to appeal.** Amends Minnesota Statutes, section 271.06, subdivisions 2 and 7, to provide that an appeal to Tax Court must be served and filed within 60 days of the notice date of an order, the same as the period of time to make an administrative appeal. Notice date is defined as the notice date designated by the commissioner on the order or assessment.

**Section 2. Revenue recapture definition of debtor.** Amends Minnesota Statutes, section 270A.03, subdivision 5 to clarify the calculation that is used when evaluating whether a medical care debt may be submitted to the department’s revenue recapture system to have tax refunds applied to the debt. This proposal clarifies that the income of the debtor’s spouse is included in the calculation and that the spouse is considered a dependent. Additionally, the threshold income amounts listed in the statute are updated. Effective the day following final enactment.

**Section 3. Provide information to commissioner of human services.** Amends Minnesota Statutes, section 270B.14, subdivision 1, paragraph (h), to allow the commissioner to provide information to the commissioner of human services to verify welfare income for eligibility and premium payment under the medical assistance program under Minnesota Statutes, chapter 256B. Effective the day following final enactment.

**Section 8. 2014 supplemental agricultural credit warrants.** Amends Minnesota Statutes, section 270C.347, subdivision 1, to provide that upon a showing of reasonable cause for failure to cash a warrant for a supplemental agricultural credit the commissioner may reissue a replacement warrant for up to five years after the original warrant was issued. Effective the day following final enactment.

**Section 10. Administrative appeal.** Amends Minnesota Statutes, section 270C.35 by adding a new subdivision 11 to clarify that if a taxpayer files an administrative appeal for an order of the commissioner and also files an appeal to Tax Court for that same order, the administrative appeal is dismissed and the commissioner no longer has to make a determination. Effective for administrative appeals filed after June 30, 2015.

**Section 12. Tax preparer administrative penalty; statute of limitation.** Amends Minnesota Statutes, section 270C.445, to add a new subdivision 9 to establish that the statute of limitations to assess an administrative penalty against a tax return preparer for an improper return equals the amount of time allowed to assess tax. Establishes a five-year statute of limitations for imposing a penalty arising from violations not related to a specific tax return. Effective for tax preparation services provided after the day following final enactment.

**Section 13. Publication of tax preparers.** Amends Minnesota Statutes, section 270C.446, subdivision 5, to extend from 90 days to three years the period of time in which the name of a tax preparer who has been subject to a penalty may be posted by the Department of Revenue. Effective the day following final enactment.

**Section 14. Individual tax identification number.** Amends Minnesota Statutes, section 270C.72, subdivision 4, to clarify that for purposes of the license clearance program, a licensing authority may accept an individual tax identification number in addition to social security and Minnesota business identification numbers. Effective the day following final enactment

**Section 25. Deed tax on school forest.** Amends Minnesota Statutes, section 287.2205 by clarifying that the deed tax for a conveyance of tax-forfeited land for a governmental subdivision for a school forest is \$1.65. Effective the day following final enactment.

NBP/ESS:tg/gc