

STATE OF MINNESOTA

# Journal of the Senate

EIGHTY-FIRST LEGISLATURE

NINETY-FOURTH DAY

St. Paul, Minnesota, Thursday, March 23, 2000

The Senate met at 9:00 a.m. and was called to order by the President.

## CALL OF THE SENATE

Senator Moe, R.D. imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. Bonnie M. Nash.

The roll was called, and the following Senators answered to their names:

Anderson	Hottinger	Laidig	Olson	Scheevel
Belanger	Janezich	Langseth	Ourada	Scheid
Berg	Johnson, D.E.	Larson	Pappas	Solon
Berglin	Johnson, D.H.	Lesewski	Pariseau	Spear
Betzold	Johnson, D.J.	Lessard	Piper	Stevens
Cohen	Junge	Limmer	Pogemiller	Stumpf
Day	Kelley, S.P.	Lourey	Price	Terwilliger
Dille	Kelly, R.C.	Marty	Ranum	Vickerman
Fischbach	Kierlin	Metzen	Ring	Wiener
Flynn	Kinkel	Moe, R.D.	Robertson	Wiger
Foley	Kiscaden	Murphy	Robling	Ziegler
Frederickson	Kleis	Neuville	Runbeck	
Hanson	Knutson	Novak	Sams	
Higgins	Krentz	Oliver	Samuelson	

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

## EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communication was received and referred to the committee indicated.

August 3, 1999

The Honorable Allan H. Spear  
President of the Senate

Dear Sir:

The following appointments are hereby respectfully submitted to the Senate for confirmation as required by law:

### MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Kathryn Balstad Brewer, 321 Silver Lake Road, New Brighton, Minnesota 55112, in the county of Ramsey, effective July 5, 1999, to complete a four-year term expiring on January 6, 2003.

Gary Benson, 2064 Pleasantview Drive, New Brighton, Minnesota 55112, in the county of Ramsey, effective July 5, 1999, for a four-year term expiring on January 6, 2003.

(Referred to the Committee on Children, Families and Learning.)

Sincerely,  
Jesse Ventura, Governor

### MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos. 2652, 2756 and 3097.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 22, 2000

### SECOND READING OF SENATE BILLS

S.F. No. 3810 was read the second time.

### MOTIONS AND RESOLUTIONS

Senator Limmer moved that the name of Senator Novak be added as a co-author to S.F. No. 3259. The motion prevailed.

#### **Senator Lourey introduced--**

**Senate Resolution No. 139:** A Senate resolution congratulating Anthony Kramer of Carlton, Minnesota, for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

S.F. No. 2569 and the Conference Committee Report thereon were reported to the Senate.

### CONFERENCE COMMITTEE REPORT ON S.F. NO. 2569

A bill for an act relating to insurance; authorizing insurance coverage for vicarious liability for punitive and exemplary damages; regulating the terms of certain fraternal benefit society board members; amending Minnesota Statutes 1998, sections 60A.06, by adding a subdivision; and 64B.03.

March 17, 2000

The Honorable Allan H. Spear  
President of the Senate

The Honorable Steve Sviggum  
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 2569, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment.

We request adoption of this report and repassage of the bill.

Senate Conferees: (Signed) Linda Scheid, John C. Hottinger, Dave Kleis

House Conferees: (Signed) Bill Haas, Gregory M. Davids, Thomas Pugh

Senator Scheid moved that the foregoing recommendations and Conference Committee Report on S.F. No. 2569 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 2569 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 49 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Kleis	Murphy	Solon
Belanger	Hanson	Knutson	Oliver	Spear
Berg	Higgins	Langseth	Pariseau	Stevens
Berglin	Janezich	Larson	Piper	Stumpf
Betzold	Johnson, D.E.	Lesewski	Price	Terwilliger
Cohen	Junge	Limmer	Ranum	Vickerman
Day	Kelly, R.C.	Lourey	Ring	Wiener
Fischbach	Kierlin	Marty	Robertson	Wiger
Flynn	Kinkel	Metzen	Sams	Ziegler
Foley	Kiscaden	Moe, R.D.	Scheid	

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

### RECESS

Senator Moe, R.D. moved that the Senate do now recess until 10:00 a.m. The motion prevailed.

The hour of 10:00 a.m. having arrived, the President called the Senate to order.

### CALL OF THE SENATE

Senator Betzold imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

### MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Messages From the House and First Reading of House Bills.

### MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate Files, herewith returned: S.F. Nos. 2365, 2691, 3161, 3253 and 3330.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 22, 2000

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 2656, 3122, 3209 and 3312.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 22, 2000

### FIRST READING OF HOUSE BILLS

The following bills were read the first time and referred to the committees indicated.

**H.F. No. 2656:** A bill for an act relating to consumer protection; regulating auto glass repair and replacement; restricting certain rebates and incentives; appropriating money; amending Minnesota Statutes 1998, section 72A.201, subdivision 6; proposing coding for new law in Minnesota Statutes, chapter 325F.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 3441, now on General Orders.

**H.F. No. 3122:** A bill for an act relating to human services; modifying provisions in health care programs; requiring group residential review; amending Minnesota Statutes 1999 Supplement, sections 256B.0945, subdivisions 1, 2, 4, 5, 6, 7, 8, and 9; 256D.03, subdivision 3; and 256L.03, subdivision 5; Laws 1999, chapter 245, article 8, section 84; repealing Laws 1998, chapter 407, article 5, section 44.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 2901, now on General Orders.

**H.F. No. 3209:** A bill for an act relating to health care; modifying the major commitment expenditure report requirements; amending Minnesota Statutes 1998, section 62J.17, by adding a subdivision.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 2699, now on General Orders.

**H.F. No. 3312:** A bill for an act relating to agriculture; changing the scope of the value-added agricultural product processing and marketing grant program; establishing a certification pilot program; changing meeting provisions and duties of the board of grain standards; changing certain fees; making technical changes to pesticide and fertilizer laws; clarifying the scope of certain regulation of wholesale produce dealers; updating certain food standards; simplifying certain language; providing for uniformity in meat and poultry inspection; changing certain reporting requirements; increasing the amount of livestock dealer bonds; clarifying status of certain grain buying transactions; changing certain grain storage provisions; changing the corporate and partnership farming law; amending Minnesota Statutes 1998, sections 17.101, subdivision 5; 17A.05, subdivision 2; 17B.07; 17B.12; 18C.005, subdivision 34, and by adding a subdivision; 18C.215, subdivisions 1, 2, and by adding a subdivision; 18C.411, subdivision 1; 18C.421, subdivision 1; 18D.201, subdivision 3; 27.01, subdivision 8; 27.19, subdivision 1; 31.101, as amended; 31.102, subdivision 1; 31.103, subdivision 1; 31.104; 31.632; 31.633, subdivision 1; 31.651; 31A.02, subdivisions 5, 6, 10, 13, and 14; 31A.03; 31A.05; 31A.06; 31A.07, subdivisions 1 and 2; 31A.08; 31A.10; 31A.13; 31A.16; 31A.17; 223.16, subdivision 5; 223.17, subdivision 5; 223.175; 232.21, by adding a subdivision; 232.23, subdivisions 1, 3, and 6; 500.24, subdivisions 3a, 3b, 4, and 5; and 500.245, subdivision 2; Minnesota Statutes 1999 Supplement, sections 17B.15, subdivision 1; 28A.075; 31A.01; 31A.15, subdivision 1; 31B.07, subdivision 3; 500.24, subdivisions 2 and 3; and 500.245, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 17.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 3223, now on General Orders.

**MOTIONS AND RESOLUTIONS - CONTINUED**

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate proceeded to the Order of Business of the Calendar.

**CALENDAR**

**S.F. No. 3455:** A bill for an act relating to crime prevention; limiting the liability of financial institutions that provide information in good faith on stolen, forged, or fraudulent checks in the course of an investigation; making it a crime to falsely report stolen checks to a financial institution or to possess, sell, receive, or transfer stolen or counterfeit checks; providing criminal penalties and forfeiture remedies for such conduct; expanding the racketeering crime to include organized criminal activity involving stolen or counterfeit checks; making technical corrections to certain penalties; amending Minnesota Statutes 1998, section 299A.61, subdivision 3; Minnesota Statutes 1999 Supplement, sections 609.527, subdivision 3; 609.531, subdivision 1; and 609.902, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 609.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 62 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Knutson	Olson	Scheevel
Belanger	Hottinger	Krentz	Pappas	Scheid
Berg	Janezich	Langseth	Pariseau	Solon
Berglin	Johnson, D.E.	Lesewski	Piper	Spear
Betzold	Johnson, D.H.	Lessard	Pogemiller	Stevens
Cohen	Johnson, D.J.	Limmer	Price	Stumpf
Day	Junge	Lourey	Ranum	Terwilliger
Dille	Kelley, S.P.	Marty	Ring	Vickerman
Fischbach	Kelly, R.C.	Metzen	Robertson	Wiener
Flynn	Kierlin	Moe, R.D.	Robling	Wiger
Foley	Kinkel	Murphy	Runbeck	
Frederickson	Kiscaden	Neuville	Sams	
Hanson	Kleis	Oliver	Samuelson	

So the bill passed and its title was agreed to.

**MOTIONS AND RESOLUTIONS - CONTINUED**

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Order of Business of Messages From the House.

**MESSAGES FROM THE HOUSE**

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

**S.F. No. 2946:** A bill for an act relating to motor fuels; limiting the use of certain oxygenates in gasoline sold in Minnesota; amending Minnesota Statutes 1998, section 239.761, subdivision 6; Minnesota Statutes 1999 Supplement, section 239.791, subdivision 1.

Senate File No. 2946 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned March 22, 2000

Senator Vickerman moved that the Senate do not concur in the amendments by the House to S.F. No. 2946, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee to be appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 3047:

**H.F. No. 3047 :** A bill for an act relating to real property; title insurance; modifying mortgage release certificate language to include assignment of rents and profits; amending Minnesota Statutes 1998, sections 507.401, subdivisions 1, 3, and 6; and 559.17, by adding a subdivision; repealing Minnesota Statutes 1998, section 507.401, subdivision 7.

The House respectfully requests that a Conference Committee of 3 members be appointed thereon.

Kuisle, Bishop and Mullery have been appointed as such committee on the part of the House.

House File No. 3047 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 22, 2000

Senator Scheid moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 3047, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

### MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate proceeded to the Order of Business of Introduction and First Reading of Senate Bills.

### INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bill was read the first time and referred to the committee indicated.

#### Senators Berglin, Langseth and Cohen introduced--

**S.F. No. 3811:** A bill for an act relating to capital improvements; authorizing spending to acquire and to better public land and buildings and other public improvements of a capital nature with certain conditions; authorizing state bonds; appropriating money; amending Minnesota Statutes 1998, sections 16A.641, subdivision 1; 16A.642, subdivision 1; 16A.67, subdivisions 1 and 5; 16A.6701, subdivision 2; 16A.671, subdivisions 1 and 2; 103F.161, subdivision 2; 103G.511, subdivision 9; 116.182, subdivision 1; 134.45; 136A.29, subdivision 9; 136F.98, subdivision 1; 193.143; 240A.04; 246.18, subdivision 7; 349A.10, subdivision 5; and 462A.202; Minnesota Statutes 1999 Supplement, sections 16B.616, subdivision 1; and 446A.072, subdivision 4; Laws 1984, chapter 597, section 22; Laws 1987, chapter 400, section 25, subdivisions 1 and 5; Laws 1989, chapter 300, article 1, section 23, subdivision 1; Laws 1990, chapter 610, article 1, section 30; Laws 1991, chapter 354, article 11, section 2, subdivision 1; Laws 1992, chapter 558, section 28; Laws 1994, chapter 639, article 3, section 5; chapter 643, section 19, subdivision 9, as

amended, and section 31; Laws 1995 First Special Session chapter 2, article 1, section 14; Laws 1996, chapter 463, section 27; Laws 1997, chapter 246, section 10; Laws 1998, chapter 404, section 3, subdivision 24, and section 27; and Laws 1999, chapter 240, article 1, section 8, subdivision 2, section 12, and section 13; and article 2, section 16; proposing coding for new law in Minnesota Statutes, chapters 41B; 115; 240A; and 446A; repealing Minnesota Statutes 1999 Supplement, section 16C.065.

### SUSPENSION OF RULES

Senator Moe, R.D. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to S.F. No. 3811 and that the rules of the Senate be so far suspended as to give S.F. No. 3811 its second and third reading and place it on its final passage. The motion prevailed.

S.F. No. 3811 was read the second time.

Senator Olson moved to amend S.F. No. 3811 as follows:

Page 43, delete section 39

Re-number the sections in sequence and correct the internal references

Amend the title accordingly

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 22 and nays 41, as follows:

Those who voted in the affirmative were:

Anderson	Limmer	Olson	Runbeck	Terwilliger
Belanger	Lourey	Ourada	Samuelson	Wiener
Day	Metzen	Pariseau	Scheevel	
Frederickson	Neuville	Robertson	Spear	
Knutson	Oliver	Robling	Stevens	

Those who voted in the negative were:

Berg	Higgins	Kierlin	Novak	Solon
Berglin	Hottinger	Kinkel	Pappas	Stumpf
Betzold	Janezich	Laidig	Piper	Vickerman
Cohen	Johnson, D.E.	Langseth	Pogemiller	Wiger
Dille	Johnson, D.H.	Lesewski	Price	Ziegler
Fischbach	Johnson, D.J.	Lessard	Ranum	
Flynn	Junge	Marty	Ring	
Foley	Kelley, S.P.	Moe, R.D.	Sams	
Hanson	Kelley, R.C.	Murphy	Scheid	

The motion did not prevail. So the amendment was not adopted.

Senator Anderson moved to amend S.F. No. 3811 as follows:

Page 36, line 3, after the period, insert "The city of Minneapolis must consult and cooperate with other cities that have neighborhoods affected by these projects including, without limitation, on issues related to noise mitigation and traffic flow."

The motion prevailed. So the amendment was adopted.

Senator Kelley, S.P. moved to amend S.F. No. 3811 as follows:

Page 43, after line 10, insert:

"Sec. 39. [16B.325] [RESOURCE EFFICIENCY STANDARDS.]

Subdivision 1. [CONTENT OF STANDARDS.] By July 1, 2001, the commissioner must develop resource efficiency standards for new construction and major renovations of buildings owned by the state of Minnesota or its agencies, including the Minnesota state colleges and universities and the University of Minnesota.

The resource efficiency standards must require:

(1) the reduction of net energy use by at least 30 percent from the average energy use in 2000 for comparable buildings;

(2) the use of building products that minimize lifetime costs and incorporate renewable, recycled, and recyclable materials;

(3) the elimination or minimization of the use of toxic chemicals in building materials;

(4) a work environment that enhances employee productivity and health;

(5) the promotion of site selection that maximizes use of existing public infrastructure and accommodates a range of transportation options; and

(6) preservation, conservation, or enhancement of the on-site natural landscape and habitat.

Subd. 2. [APPLICATION OF STANDARDS.] Proposed new construction and major renovations of buildings owned by the state of Minnesota or its agencies, including the Minnesota state colleges and universities and the University of Minnesota, that meet the standards developed under subdivision 1, shall be given priority in consideration for funding in 2002 and subsequent years. By January 1, 2008, all new construction and major renovations subject to the standards and funded wholly or partly by the state must meet or exceed the commissioner's standards for resource efficiency.

Agencies that receive funding for planning and design are requested to incorporate the standards into plans and designs for major renovation or new construction receiving funds after the effective date of this section."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Kelley, S.P. then moved to amend the Kelley, S.P. amendment to S.F. No. 3811 as follows:

Page 1, line 24, delete "Proposed new"

Page 1, delete lines 25 to 33

Page 1, line 34, delete the paragraph coding

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the adoption of the Kelley, S.P. amendment, as amended. The motion did not prevail. So the amendment, as amended, was not adopted.

Senator Pogemiller moved to amend S.F. No. 3811 as follows:

Page 29, line 37, delete "13,000,000" and insert "10,000,00"

Page 35, after line 28, insert:

"Subd. 2. Redevelopment Account	1,000,000
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For transfer to the redevelopment account created in Minnesota Statutes, section 116J.561."

Page 35, line 29, delete "2" and insert "3"

Page 35, line 36, delete "3" and insert "4"

Page 35, line 37, delete "2,800,000" and insert "3,500,000"

Page 35, line 52, delete "4" and insert "5"

Page 35, line 53, delete "7,500,000" and insert "8,800,000"

Correct the section totals and the appropriation summary

The motion prevailed. So the amendment was adopted.

Senator Berglin moved to amend S.F. No. 3811 as follows:

Page 70, line 8, delete "\$571,958,000" and insert "\$572,053,000"

The motion prevailed. So the amendment was adopted.

Senator Cohen moved to amend S.F. No. 3811 as follows:

Page 14, line 9, delete "93,285,000" and insert "93,435,000"

Page 21, line 41, delete "2,800,000" and insert "2,000,000"

Page 21, line 56, delete "3,000,000" and insert "2,800,000"

Page 25, line 57, delete "18" and insert "40"

Page 27, after line 37, insert:

"\$200,000 of this appropriation is from the general fund."

Page 74, line 16, after "DATE" insert a semicolon

The motion prevailed. So the amendment was adopted.

Senator Cohen then moved to amend S.F. No. 3811 as follows:

Page 26, delete line 52

Page 27, delete line 1

Correct the section total, the appropriation summary, and the bond sale authorization

The motion prevailed. So the amendment was adopted.

Senator Stevens moved to amend S.F. No. 3811 as follows:

Page 22, line 32, delete "200,000" and insert "2,300,000"

Page 29, line 53, delete "4,000,000" and insert "1,900,000"

Correct the section total and the appropriation summary

### **CALL OF THE SENATE**

Senator Stevens imposed a call of the Senate for the balance of the proceedings on the Stevens amendment to S.F. No. 3811. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 30 and nays 36, as follows:

Those who voted in the affirmative were:

Belanger	Kierlin	Larson	Ourada	Scheevel
Berg	Kinkel	Lesewski	Pariseau	Stevens
Day	Kiscaden	Limmer	Ring	Stumpf
Dille	Kleis	Neuville	Robling	Terwilliger
Fischbach	Knutson	Oliver	Runbeck	Vickerman
Frederickson	Langseth	Olson	Samuelson	Ziegler

Those who voted in the negative were:

Anderson	Hottinger	Laidig	Pappas	Solon
Berglin	Janezich	Lessard	Piper	Spear
Betzold	Johnson, D.E.	Lourey	Pogemiller	Wiener
Cohen	Johnson, D.H.	Marty	Price	Wiger
Flynn	Johnson, D.J.	Metzen	Ranum	
Foley	Junge	Moe, R.D.	Robertson	
Hanson	Kelly, R.C.	Murphy	Sams	
Higgins	Krentz	Novak	Scheid	

The motion did not prevail. So the amendment was not adopted.

Senator Krentz moved to amend S.F. No. 3811 as follows:

Page 69, after line 5, insert:

"Sec. 71. Laws 1998, chapter 404, section 7, subdivision 23, as amended by Laws 1999, chapter 231, section 194, and Laws 1999, chapter 240, article 1, section 20, is amended to read:

Subd. 23. Metro Regional Trails 5,000,000

For grants to the metropolitan council for acquisition and development of a capital nature of trail connections in the metropolitan area as specified in this subdivision. The purpose of the grants is to improve trails in the metropolitan park and open space system and connect them with existing state and regional trails. Priority shall be given to matching funds for an ISTEAA grant.

The funds shall be allocated by the council as follows:

(1) \$1,050,000 is allocated to Ramsey county as follows:

(i) \$400,000 to complete six miles of trails between the Burlington Northern Regional Trail and Bald Eagle-Otter Lake Regional Park;

(ii) \$150,000 to complete a one-mile connection between Birch Lake and the Lake Tamarack segment of Bald Eagle-Otter Lake Regional Park;

(iii) \$500,000 to acquire real property and design and construct or renovate recreation facilities along the Mississippi River in cooperation with the city of St. Paul;

(2) \$1,050,000 is allocated to the city of St. Paul as follows:

(i) \$250,000 to construct a bridge over Lexington Parkway in Como Regional Park; and

(ii) \$800,000 to enhance amenities for the trailhead at the Lilydale-Harriet Island Regional Park pavilion;

(3) \$1,400,000 is allocated to Anoka county to construct:

(i) a pedestrian tunnel under Highway 65 on the Rice Creek West Regional Trail in the city of Fridley; and

(ii) restrooms, trailhead, signs, and amenities at the trailhead to the Rice Creek West Regional Trail; and

(iii) a pedestrian bridge on the Mississippi River Regional Trail crossing over Mississippi Street in the city of Fridley; and

(4) \$1,500,000 is allocated to the suburban Hennepin regional park district as follows:

(i) \$1,000,000 to connect North Hennepin Regional Trail to Luce Line State Trail and Medicine Lake; and

(ii) \$500,000 is for the cost of development and acquisition of the Southwest regional trail in the city of St. Louis Park. The trail must connect the Minneapolis regional trail system at Cedar Lake park to the Hennepin parks regional trail system at the Hopkins trail head."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Cohen moved to amend S.F. No. 3811 as follows:

Page 37, line 49, delete "section 19, subdivision 11" and insert "section 23, subdivision 31, as added by Laws 1997, chapter 246, section 25"

The motion prevailed. So the amendment was adopted.

Senator Stevens moved to amend S.F. No. 3811 as follows:

Page 28, delete lines 16 to 22

### CALL OF THE SENATE

Senator Moe, R.D. imposed a call of the Senate for the balance of the proceedings on S.F. No. 3811. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Stevens amendment.

The roll was called, and there were yeas 22 and nays 45, as follows:

Those who voted in the affirmative were:

Belanger	Fischbach	Kleis	Limmer	Ourada
Day	Frederickson	Larson	Neuville	Pariseau
Dille	Kierlin	Lesewski	Olson	Robling

Runbeck  
SamsSamuelson  
Scheevel

Stevens

Vickerman

Ziegler

Those who voted in the negative were:

Anderson	Hottinger	Kiscaden	Moe, R.D.	Ring
Berg	Janezich	Knutson	Murphy	Robertson
Berglin	Johnson, D.E.	Krentz	Novak	Scheid
Betzold	Johnson, D.H.	Laidig	Oliver	Solon
Cohen	Johnson, D.J.	Langseth	Pappas	Spear
Flynn	Junge	Lessard	Piper	Stumpf
Foley	Kelley, S.P.	Lourey	Pogemiller	Terwilliger
Hanson	Kelly, R.C.	Marty	Price	Wiener
Higgins	Kinkel	Metzen	Ranum	Wiger

The motion did not prevail. So the amendment was not adopted.

Senator Kelley, R.C. moved to amend S.F. No. 3811 as follows:

Page 28, line 16, after "may" insert "spend nonstate money to"

The motion prevailed. So the amendment was adopted.

Senator Ranum moved to amend S.F. No. 3811 as follows:

Page 12, line 15, after the period, insert "Priority must be given to school attendance areas with high concentrations of children eligible for free or reduced school lunch and to government units demonstrating a commitment to collaborative youth efforts."

The motion prevailed. So the amendment was adopted.

Senator Frederickson moved to amend S.F. No. 3811 as follows:

Page 32, delete line 16 and insert:

"Sec. 21. HEALTH

Subdivision 1. To the commissioner of administration or another named official for the purposes specified in this section

14,000,000

Subd. 2. Gillette Children's Hospital

8,000,000"

Page 32, after line 30, insert:

"Subd. 3. Rural Hospital Capital Improvement Loan Program

6,000,000

This appropriation is from the health care access fund.

To the commissioner of health for loans to rural hospitals for capital improvements as provided in section 81, to be available until June 30, 2002."

Page 73, after line 11, insert:

"Sec. 81. [RURAL HOSPITAL CAPITAL IMPROVEMENT LOAN PROGRAM.]

Subdivision 1. [DEFINITION.] (a) For purposes of this section, the following definitions apply.

(b) "Commissioner" means the commissioner of health.

(c) "Eligible rural hospital" means a hospital that:

(1) is the only hospital in a county;

(2) has 25 or fewer licensed hospital beds with a net hospital operating margin not greater than two percent in the three fiscal years before application;

(3) is located in a medically underserved area (MUA) or a health practitioner shortage area (HPSA); and

(4) is located in a county that serves a migrant population.

(d) "Eligible project" means a modernization project to update, remodel, or replace aging hospital facilities and equipment necessary to maintain the operations of a hospital.

Subd. 2. [PROGRAM.] The commissioner shall award rural hospital capital improvement loans to eligible rural hospitals. A loan must not exceed \$1,500,000 per hospital and is interest free. The state loan must be matched by an equal amount of nonstate money.

Subd. 3. [APPLICATIONS.] Eligible hospitals seeking a loan must apply to the commissioner. Applications must include a description of the health care access problem that the proposed project will address, a description of the project, including construction and remodeling drawings or specifications, sources of nonstate money for the project, uses of money for the project, the results expected, and a plan to maintain or operate any facility or equipment included in the project. The application must describe achievable objectives, a timetable, and the qualifications and capabilities of the individuals and organization responsible for the project. Applicants must use competitive bidding to select contractors for the project.

Subd. 4. [CONSIDERATION OF APPLICATIONS.] The commissioner shall review each application to determine whether the hospital's application is complete and whether the hospital and the project are eligible for a loan. In evaluating applications, the commissioner shall score each application on a 100 point scale, assigning: a maximum of 40 points for an applicant's clarity and thoroughness in meeting the health care access problem the project addresses; a maximum of 40 points for the extent to which the applicant has demonstrated that it has made adequate provisions to ensure proper and efficient operation of the facility once the project is completed; and a maximum of 20 points for the extent to which the proposed project is consistent with the hospital's capital improvement plan or strategic plan. The commissioner may also take into account other relevant factors. During application review, the commissioner may request additional information about a proposed project, including information on project cost. Failure to provide the information requested disqualifies a loan applicant.

Subd. 5. [PROGRAM OVERSIGHT.] The commissioner shall review audited financial statements and schedules of the hospital to assess eligibility. The commissioner shall determine the amount of a loan to be given to an eligible rural hospital based on the relative score of each eligible hospital's application and the money available to the commissioner. The loan must be used to update, remodel, or replace aging facilities and equipment necessary to maintain the operations of the hospital.

Subd. 6. [LOAN PAYMENT.] A loan must be repaid as provided in this subdivision over a period of 15 years. In the years when an eligible rural hospital experiences a positive net operating margin in excess of two percent, the eligible rural hospital shall pay to the state one-half of the excess above two percent, up to the yearly payment amount based upon a loan period of 15 years. If the amount repaid in any year is less than the yearly payment amount, or if no payment is required because the eligible rural hospital does not experience a positive net operating margin in excess of two percent, the amount unpaid for that year is forgiven by the state without any financial penalty. As a condition of receiving a loan under this program, an eligible hospital must agree to collection efforts the commissioner finds necessary to collect loan payments in the years a payment is due.

Subd. 7. [ACCOUNTING TREATMENT.] The commissioner of finance shall record as grants in the state accounting system money obligated under this section. Loan payments received under this section must be deposited in the state treasury and credited to the health care access fund.

Subd. 8. [EXPIRATION.] This section expires June 30, 2002."

Correct the section total, the appropriation summary, and the bond sale authorization

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion did not prevail. So the amendment was not adopted.

Senator Moe, R.D. moved to amend S.F. No. 3811 as follows:

Page 25, line 57, delete everything after the period

Page 25, line 58, delete "80" and insert "Fifty"

The motion prevailed. So the amendment was adopted.

Senator Wiener moved to amend S.F. No. 3811 as follows:

Page 20, line 49, delete "32,640,000" and insert "32,290,000"

Page 23, line 12, delete "2,450,000" and insert "2,800,000"

Correct the section totals and the appropriation summary

The motion prevailed. So the amendment was adopted.

Senator Johnson, D.E. moved to amend S.F. No. 3811 as follows:

Pages 48 and 49, delete sections 43 and 44

Page 59, delete section 54

Page 73, delete section 81 and insert:

"Sec. 78. [REPORT ON WASTEWATER TREATMENT SYSTEM EVALUATION PROCESS.]

By January 15, 2001, the pollution control agency, in conjunction with the public facilities authority and other interested state agencies, shall recommend and report to the chairs of the legislative committees with jurisdiction over environmental policy and finance issues which agency, if any, should be responsible for: evaluating wastewater treatment alternatives in unsewered areas, including regional alternatives to assure cost-effective alternatives have been evaluated; when in the process should the evaluation and recommendation be made; and to what extent state grant funding should be used as an incentive and/or disincentive, for municipalities seeking financial assistance. The report must recommend the factors to be considered in the evaluation of alternatives, level of technical assistance that should be provided, and must include a cost estimate for performing the tasks."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

Senator Johnson, D.E. then moved to amend the Johnson, D.E. amendment to S.F. No. 3811 as follows:

Page 1, delete lines 2 and 3

Page 1, line 5, delete "78" and insert "81"

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the adoption of the Johnson, D.E. amendment, as amended. The motion prevailed. So the amendment, as amended, was adopted.

Senator Johnson, D.J. moved to amend S.F. No. 3811 as follows:

Page 74, after line 12, insert:

"Sec. 84. [RUDY PERPICH SPORTS CENTER.]

The national sports center in Blaine is renamed the Rudy Perpich sports center."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed. So the amendment was adopted.

Senator Dille moved to amend S.F. No. 3811 as follows:

Page 38, delete lines 34 to 36

Page 39, delete line 1

Page 39, line 2, delete "(k)" and insert "(j)"

Page 39, line 7, delete "(l)" and insert "(k)"

Correct the appropriation summary

The motion prevailed. So the amendment was adopted.

Senator Scheevel moved to amend S.F. No. 3811 as follows:

Page 17, line 4, delete "750,000" and insert "740,000"

Page 17, after line 7, insert:

"Subd. 20. Shooting Star Trail

10,000

For completion of the portion of the Shooting Star Trail between Taopi and Lake Louise state park."

Renumber the subdivisions in sequence and correct the internal references

The motion prevailed. So the amendment was adopted.

Senator Vickerman moved to amend S.F. No. 3811 as follows:

Page 48, delete section 43 and insert:

"Sec. 43. [115.445] [NOTIFICATION REQUIREMENTS.]

Before the pollution control agency may issue a permit for a new wastewater treatment system that requires a national pollutant discharge elimination system permit or a state disposal system permit, and before construction of the system may begin, the following requirements must be met:

(1) the project proposer must provide notice to other political subdivisions as required by section 116.182, subdivision 3a, unless section 116.182, subdivisions 3a, does not apply to the project; and

(2) the agency shall evaluate wastewater treatment alternatives to the proposed project that are included in the facilities plan, and any comments received on the facilities plan, considering environmental and cost factors, and shall make the information available to the public and may make written findings regarding its evaluation."

Page 49, after line 1, insert:

"Sec. 45. Minnesota Statutes 1998, section 115.58, is amended by adding a subdivision to read:

Subd. 4. [ACTIVITIES IN AREAS SURROUNDING CITIES.] Permittees authorized under subdivision 2 may conduct activities and exercise powers affecting real property located within two miles of the boarder of any home rule charter or statutory city only after approval adopted by resolution by the city council and the placing of a certified copy of the resolution on record with the county recorder or registrar of deeds."

Page 59, delete section 54 and insert:

"Sec. 55. [446A.065] [WASTEWATER TREATMENT SYSTEM EVALUATION; FUNDING ELIGIBILITY REQUIREMENT.]

Except for grants that match United States Department of Agriculture Rural Development, before a project may receive any financial assistance under section 446A.072, the authority, in consultation with the agency, shall evaluate the wastewater treatment alternatives to the proposed project, taking environmental and cost factors into consideration. The authority shall make written findings regarding its evaluation and make the findings available to the public. The authority and the agency shall not approve a project for funding unless they find that the proposed project is environmentally protective and cost-effective. This section applies to projects eligible to receive funding under section 446A.072 after July 1, 2001, except for:

(1) projects included on the intended use plan required by section 446A.07, subdivision 4, as of July 1, 2001; or

(2) projects under the authority of the metropolitan council."

Re-number the sections in sequence and correct the internal references

Amend the title accordingly

Senator Vickerman then moved to amend the Vickerman amendment to S.F. No. 3811 as follows:

Page 1, line 34, after "Development" insert "grants"

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the adoption of the Vickerman amendment, as amended. The motion prevailed. So the amendment, as amended, was adopted.

Pursuant to Rule 22, Senator Krentz moved that she be excused from voting on all questions pertaining to S.F. No. 3811. The motion prevailed.

S.F. No. 3811 was read the third time, as amended, and placed on its final passage.

The question was taken on the passage of the bill, as amended.

The roll was called, and there were yeas 60 and nays 6, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Knutson	Novak	Sams
Belanger	Hottinger	Laidig	Oliver	Scheevel
Berg	Janezich	Langseth	Olson	Scheid
Berglin	Johnson, D.E.	Larson	Pappas	Solon
Betzold	Johnson, D.H.	Lesewski	Pariseau	Spear
Cohen	Johnson, D.J.	Lessard	Piper	Stevens
Day	Junge	Lourey	Pogemiller	Stumpf
Dille	Kelley, S.P.	Marty	Price	Terwilliger
Flynn	Kelly, R.C.	Metzen	Ranum	Vickerman
Foley	Kierlin	Moe, R.D.	Ring	Wiener
Frederickson	Kinkel	Murphy	Robertson	Wiger
Hanson	Kiscaden	Neuville	Robling	Ziegler

Those who voted in the negative were:

Fischbach  
Kleis

Limmer

Ourada

Runbeck

Samuelson

So the bill, as amended, was passed and its title was agreed to.

Senator Berglin moved that S.F. No. 3811 be laid on the table. The motion prevailed.

### MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Messages From the House, Reports of Committees, Second Reading of Senate Bills and Second Reading of House Bills.

### MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 2891:

**H.F. No. 2891:** A bill for an act relating to transportation; appropriating money for state road construction, public transit, and other purposes; establishing an intergovernmental cooperative facilities loan fund; establishing a major transportation projects commission; restricting expenditures for commuter rail and light rail transit; canceling bonding authorization for light rail transit; directing a study of freeway ramp meters in the metropolitan area; providing for a grant to the University of Minnesota for design and engineering of personal rapid transit; directing a study of high-occupancy vehicle lane use by certain vehicles; providing for approval of and payment under supplemental goods or services agreements of the commissioner of transportation; authorizing suspension of motor vehicle registration when tax is paid by dishonored check; exempting dealers in firefighting equipment from motor vehicle dealer licensing; providing for commuter rail plan dispute resolution; providing for inspection of vehicles of motor carriers; requiring the budget for light rail transit to include cost of utility relocation; requiring a municipality to issue permits for a specific business or use that uses river transportation as a major mode of transportation once a special permit has been issued and an environmental assessment worksheet has been completed; expanding eligibility for replacement transit service program; requiring a report on metro mobility; establishing working group to assess impact of DM&E rail line project; requiring study and legislative report on statewide public safety radio system; clarifying a definition of state license and service fees; sunsetting a department fee and an account; amending Minnesota Statutes 1998, sections 16A.6701, subdivision 1; 161.32, by adding a subdivision; 168.27, subdivision 8; 168A.29, subdivision 1; 169.781, by adding a subdivision; 174.35; 216B.16, by adding a subdivision; 221.131, subdivision 4; 221.132; and 473.388, subdivision 2; Minnesota Statutes 1999 Supplement, sections 168.17; 174.88; 174.86, subdivision 2, and by adding a subdivision; and 221.0252, subdivision 7; proposing coding for new law in Minnesota Statutes, chapters 161; 174; and 462; repealing Minnesota Statutes 1998, section 299A.70.

The House respectfully requests that a Conference Committee of 5 members be appointed thereon.

Molnau, Rifenberg, Workman, Wenzel and Lieder have been appointed as such committee on the part of the House.

House File No. 2891 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted March 23, 2000

Senator Johnson, D.E. moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 2891, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

## REPORTS OF COMMITTEES

### SUSPENSION OF RULES

Senator Moe, R.D. moved that Joint Rule 2.03 be suspended as it relates to the Committee Report on H.F. No. 2688. The motion prevailed.

Senator Moe, R.D. moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

#### **Senator Johnson, D.J. from the Committee on Taxes, to which was referred**

**S.F. No. 2657:** A bill for an act relating to taxation; providing a sales tax rebate payable in 2000; extending the 1999 sales tax rebate to certain taxpayers; limiting the amount of the passenger automobile registration tax; extending levy limits for one year; making certain changes in health care premium taxes; providing for tax relief and reform; appropriating money; amending Minnesota Statutes 1998, sections 60A.15, subdivision 1; 168.013, subdivision 1a; and 275.72, subdivision 1; Minnesota Statutes 1999 Supplement, sections 16A.1522, subdivisions 1, 4, and by adding subdivisions; 275.71, subdivisions 2, 3, and 4; Laws 1997, chapter 231, article 3, section 9, as amended; Laws 1998, chapter 389, article 4, sections 14, subdivision 2; and 18; and Laws 1999, chapter 243, article 1, section 2; article 6, sections 12, subdivision 4; 13, subdivision 2; and 18; repealing Minnesota Statutes 1998, section 16A.1521.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

#### "ARTICLE 1

#### 2000 SALES TAX REBATE

Section 1. [STATEMENT OF PURPOSE.]

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

(b) It is fair and reasonable to refund the existing state budget surplus in the form of a rebate of nonbusiness consumer sales taxes paid by individuals in calendar year 1998.

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

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

Sec. 2. [SALES TAX REBATE.]

(a) An individual who:

(1) was eligible for a credit under Laws 1998, chapter 389, article 1, section 1, and who filed for or received that credit on or before November 30, 2000; or

(2) was a resident of Minnesota for any part of 1998, and filed a 1998 Minnesota income tax return on or before November 30, 2000, and had a tax liability before refundable credits on that return of at least \$1 but did not file the claim for credit authorized under Laws 1998, chapter 389, article 1, section 1, and who was not allowed to be claimed as a dependent on a 1998 federal income tax return filed by another person; or

(3) had the property taxes payable on his or her homestead abated to zero under Laws 1998, chapter 383, section 20,  
shall receive a sales tax rebate.

(b) The sales tax rebate for taxpayers who qualify under paragraph (a) as married filing joint or head of household must be computed according to the following schedule:

Income	Sales Tax Rebate
less than \$2,500	\$ 91
at least \$2,500 but less than \$5,000	\$ 118
at least \$5,000 but less than \$10,000	\$ 126
at least \$10,000 but less than \$15,000	\$ 138
at least \$15,000 but less than \$20,000	\$ 150
at least \$20,000 but less than \$25,000	\$ 163
at least \$25,000 but less than \$30,000	\$ 170
at least \$30,000 but less than \$35,000	\$ 184
at least \$35,000 but less than \$40,000	\$ 201
at least \$40,000 but less than \$45,000	\$ 216
at least \$45,000 but less than \$50,000	\$ 227
at least \$50,000 but less than \$60,000	\$ 242
at least \$60,000 but less than \$70,000	\$ 259
at least \$70,000 but less than \$80,000	\$ 285
at least \$80,000 but less than \$90,000	\$ 306
at least \$90,000 but less than \$100,000	\$ 338
at least \$100,000 but less than \$120,000	\$ 366
at least \$120,000 but less than \$140,000	\$ 401
at least \$140,000 but less than \$160,000	\$ 433
at least \$160,000 but less than \$180,000	\$ 464
at least \$180,000 but less than \$200,000	\$ 493
at least \$200,000 but less than \$400,000	\$ 630
at least \$400,000 but less than \$600,000	\$ 829
at least \$600,000 but less than \$800,000	\$ 995
at least \$800,000 but less than \$1,000,000	\$1,140
\$1,000,000 and over	\$1,500

(c) The sales tax rebate for individuals who qualify under paragraph (a) as single or married filing separately must be computed according to the following schedule:

Income	Sales Tax Rebate
less than \$2,500	\$ 52
at least \$2,500 but less than \$5,000	\$ 63
at least \$5,000 but less than \$10,000	\$ 74
at least \$10,000 but less than \$15,000	\$ 100
at least \$15,000 but less than \$20,000	\$ 114
at least \$20,000 but less than \$25,000	\$ 124
at least \$25,000 but less than \$30,000	\$ 129
at least \$30,000 but less than \$40,000	\$ 141
at least \$40,000 but less than \$50,000	\$ 158
at least \$50,000 but less than \$70,000	\$ 186
at least \$70,000 but less than \$100,000	\$ 237

<u>at least \$100,000 but less than \$140,000</u>	<u>\$ 285</u>
<u>at least \$140,000 but less than \$200,000</u>	<u>\$ 344</u>
<u>at least \$200,000 but less than \$400,000</u>	<u>\$ 467</u>
<u>at least \$400,000 but less than \$600,000</u>	<u>\$ 614</u>
<u>\$600,000 and over</u>	<u>\$ 875</u>

(d) Individuals who:

(1) were residents of Minnesota in 1998;

(2) attained the age of 18 on or before December 31, 1998;

(3) had at least \$500 of qualifying income in 1998; and

(4) do not otherwise qualify for a rebate either individually or as the spouse of an individual who receives a rebate on the basis of a married joint filing status,

qualify for a rebate under this paragraph only. If required to do so by the commissioner, claimants under this paragraph must file a claim for a rebate on a form prescribed by the commissioner before the later of June 15, 2001, or 30 days after the date of enactment of this act. The commissioner shall verify the information provided and rebate the minimum amount for which the claimant would have been eligible as determined under paragraph (b), as adjusted by paragraph (p), if the taxpayer would have met the requirements to file a 1998 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under paragraph (c), as adjusted by paragraph (p), for other taxpayers. Qualified claims for rebate under this paragraph not paid by October 1, 2001, bear interest at the rate specified in Minnesota Statutes, section 270.75. As used in this paragraph only, "qualifying income" means the sum of:

(1) self-employment income subject to the tax under section 1401(b) of the Internal Revenue Code of 1986, as amended through December 31, 1997; plus

(2) wages subject to tax under section 3101(b) of the Internal Revenue Code of 1986, as amended through December 31, 1997; plus

(3) amounts described in Minnesota Statutes, section 290A.03, subdivision 3, paragraph (b), clauses (iv), (v), (vi), (vii), (viii), (ix), (x), and (xii).

As used in this paragraph, "qualifying income" does not include any compensation paid to inmates at a state, local, federal, or privately operated correctional facility as pay for services performed by the inmate at the facility.

If the Social Security Administration or Railroad Retirement Board is paying benefits to a recipient by electronic funds transfers in 2000, the rebate under this paragraph must be paid by the commissioner through electronic funds transfer to the same financial institution and into the same account into which the Social Security Administration or Railroad Retirement Board transfers social security benefits in calendar year 2000.

(e) Individuals who were not residents of Minnesota for any part of 1998 and who paid more than \$10 in Minnesota sales tax under Minnesota Statutes, chapters 297A and 297B, on nonbusiness consumer purchases in that year qualify for a rebate under this paragraph only. Qualifying nonresidents must file a claim for rebate on a form prescribed by the commissioner before November 30, 2000. The claim must include receipts showing the Minnesota sales tax paid and the date of the sale. Taxes paid on purchases allowed in the computation of federal taxable income or reimbursed by an employer are not eligible for the rebate. The commissioner shall determine the qualifying taxes paid and rebate the lesser of:

(1) 16.18 percent of that amount; or

(2) the maximum amount for which the claimant would have been eligible as determined under paragraph (b) if the taxpayer filed the 1998 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under paragraph (c) for other taxpayers.

(f) "Income," for purposes of this section other than paragraph (e), is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1997, plus the sum of any additions to federal taxable income for the taxpayer under Minnesota Statutes, section 290.01, subdivision 19a, and reported on the original 1998 income tax return including subsequent adjustments to that return made within the time limits specified in paragraph (i). For an individual who was a resident of Minnesota for less than the entire year, income as determined under this paragraph must be multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1998 income tax return including subsequent adjustments to that return made within the time limits specified in paragraph (i). For purposes of paragraph (e), "income" is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1997, and reported on the taxpayer's original federal tax return for the first taxable year beginning after December 31, 1997.

(g) For a fiscal year taxpayer, the November 30, 2000, dates in paragraphs (a) through (e) are extended one month for each month in calendar year 1998 that occurred prior to the start of the individual's 1998 fiscal tax year.

(h) Sales tax rebates not paid by April 1, 2001, bear interest at the rate specified in Minnesota Statutes, section 270.75.

(i) A sales tax rebate shall not be adjusted based on changes to a 1998 income tax return that are made by order of assessment after June 15, 2000, or made by the taxpayer by amended return that are filed with the commissioner of revenue after June 15, 2000.

(j) Individuals who filed a joint income tax return for 1998 shall receive a joint sales tax rebate. After the sales tax rebate has been issued, but before the check has been cashed, either joint claimant may request a separate check for one-half of the joint sales tax rebate. Notwithstanding anything in this section to the contrary, if, prior to payment, the commissioner has been notified that persons who filed a joint 1998 income tax return are living at separate addresses, as indicated on their 1999 income tax return or otherwise, the commissioner may issue separate checks to each person. The amount payable to each person is one-half of the total joint rebate.

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

(k) The sales tax rebate is a "Minnesota tax law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

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

(m) If the commissioner of revenue cannot locate an individual entitled to a sales tax rebate by July 1, 2002, or if an individual to whom a sales tax rebate was issued has not cashed the check by July 1, 2002, the right to the sales tax rebate lapses and the check must be deposited in the general fund.

(n) Individuals entitled to a sales tax rebate pursuant to paragraph (a), but who did not receive one, and individuals who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2001, in a form prescribed by the commissioner. These claims must be treated as if they are a claim for refund under Minnesota Statutes, section 289A.50, subdivisions 4 and 7.

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

(p) Before payment, the rebates calculated in paragraphs (b), (c), (d), and (e) must be proportionately reduced to account for 1998 income tax returns that are filed on or after January 1, 2000, but before July 1, 2000, so that the amount of sales tax rebates payable under paragraphs (b), (c), (d), and (e) does not exceed \$453,000,000, less the amount of the rebates paid under article 2.

The adjustments under this paragraph are not rules subject to Minnesota Statutes, chapter 14.

(q) The rebate is a reduction of fiscal year 2000 sales tax revenues. The amount necessary to make the sales tax rebates and interest provided in this section is appropriated from the general fund to the commissioner of revenue in fiscal year 2000 and is available until June 30, 2002.

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

(s) Notwithstanding Minnesota Statutes, sections 9.031, 16A.40, 16B.49, 16B.50, and any other law to the contrary, the commissioner of revenue may take whatever actions the commissioner deems necessary to pay the rebates required by this section, and may, in consultation with the commissioner of finance and the state treasurer, contract with a private vendor or vendors to process, print, and mail the rebate checks or warrants required under this section and receive and disburse state funds to pay those checks or warrants.

(t) The commissioner may pay rebates required by this section by electronic funds transfer to individuals who requested that their 1999 individual income tax refund be paid through electronic funds transfer. The commissioner may make the electronic funds transfer payments to the same financial institution and into the same account as the 1999 individual income tax refund.

(u) For purposes of this section, "resident" has the meaning given in Minnesota Statutes, section 290.01, subdivision 7.

### Sec. 3. [APPROPRIATION.]

\$4,000,000 is appropriated from the general fund to the commissioner of revenue to be used to pay the costs of administering section 2 and articles 2 and 3.

**EFFECTIVE DATE:** Sections 1 and 2 are effective the day following final enactment.

## ARTICLE 2

### 1999 SALES TAX REBATE

Section 1. Laws 1999, chapter 243, article 1, section 2, is amended to read:

#### Sec. 2. [SALES TAX REBATE.]

(a) An individual who:

(1) was eligible for a credit under Laws 1997, chapter 231, article 1, section 16, as amended by Laws 1997, First Special Session chapter 5, section 35, and Laws 1997, Third Special Session chapter 3, section 11, and Laws 1998, chapter 304, and Laws 1998, chapter 389, article 1, section 3, and who filed for or received that credit on or before June 15, ~~1999~~ 2000; or

(2) was a resident of Minnesota for any part of 1997, and filed a 1997 Minnesota income tax return on or before June 15, ~~1999~~ 2000, and had a tax liability before refundable credits on that

return of at least \$1 but did not file the claim for credit authorized under Laws 1997, chapter 231, article 1, section 16, as amended, and who was not allowed to be claimed as a dependent on a 1997 federal income tax return filed by another person; or

(3) had the property taxes payable on his or her homestead abated to zero under Laws 1997, chapter 231, article 2, section 64, shall receive a sales tax rebate.

(b) The sales tax rebate for taxpayers who qualify under paragraph (a) as married filing joint or head of household must be computed according to the following schedule:

Income	Sales Tax Rebate
less than \$2,500	\$ 358
at least \$2,500 but less than \$5,000	\$ 469
at least \$5,000 but less than \$10,000	\$ 502
at least \$10,000 but less than \$15,000	\$ 549
at least \$15,000 but less than \$20,000	\$ 604
at least \$20,000 but less than \$25,000	\$ 641
at least \$25,000 but less than \$30,000	\$ 690
at least \$30,000 but less than \$35,000	\$ 762
at least \$35,000 but less than \$40,000	\$ 820
at least \$40,000 but less than \$45,000	\$ 874
at least \$45,000 but less than \$50,000	\$ 921
at least \$50,000 but less than \$60,000	\$ 969
at least \$60,000 but less than \$70,000	\$1,071
at least \$70,000 but less than \$80,000	\$1,162
at least \$80,000 but less than \$90,000	\$1,276
at least \$90,000 but less than \$100,000	\$1,417
at least \$100,000 but less than \$120,000	\$1,535
at least \$120,000 but less than \$140,000	\$1,682
at least \$140,000 but less than \$160,000	\$1,818
at least \$160,000 but less than \$180,000	\$1,946
at least \$180,000 but less than \$200,000	\$2,067
at least \$200,000 but less than \$400,000	\$2,644
at least \$400,000 but less than \$600,000	\$3,479
at least \$600,000 but less than \$800,000	\$4,175
at least \$800,000 but less than \$1,000,000	\$4,785
\$1,000,000 and over	\$5,000

(c) The sales tax rebate for individuals who qualify under paragraph (a) as single or married filing separately must be computed according to the following schedule:

Income	Sales Tax Rebate
less than \$2,500	\$ 204
at least \$2,500 but less than \$5,000	\$ 249
at least \$5,000 but less than \$10,000	\$ 299
at least \$10,000 but less than \$15,000	\$ 408
at least \$15,000 but less than \$20,000	\$ 464
at least \$20,000 but less than \$25,000	\$ 496
at least \$25,000 but less than \$30,000	\$ 515
at least \$30,000 but less than \$40,000	\$ 570
at least \$40,000 but less than \$50,000	\$ 649
at least \$50,000 but less than \$70,000	\$ 776
at least \$70,000 but less than \$100,000	\$ 958
at least \$100,000 but less than \$140,000	\$1,154
at least \$140,000 but less than \$200,000	\$1,394

at least \$200,000 but less than \$400,000	\$1,889
at least \$400,000 but less than \$600,000	\$2,485
\$600,000 and over	\$2,500

(d) Individuals who were not residents of Minnesota for any part of 1997 and who paid more than \$10 in Minnesota sales tax on nonbusiness consumer purchases in that year qualify for a rebate under this paragraph only. Qualifying nonresidents must file a claim for rebate on a form prescribed by the commissioner before the later of June 15, 1999 2000, or 30 days after the date of enactment of this act. The claim must include receipts showing the Minnesota sales tax paid and the date of the sale. Taxes paid on purchases allowed in the computation of federal taxable income or reimbursed by an employer are not eligible for the rebate. The commissioner shall determine the qualifying taxes paid and rebate the lesser of:

(1) 69.0 percent of that amount; or

(2) the maximum amount for which the claimant would have been eligible as determined under paragraph (b) if the taxpayer filed the 1997 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under paragraph (c) for other taxpayers.

(e) "Income," for purposes of this section other than paragraph (d), is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, plus the sum of any additions to federal taxable income for the taxpayer under Minnesota Statutes, section 290.01, subdivision 19a, and reported on the original 1997 income tax return including subsequent adjustments to that return made within the time limits specified in paragraph (h). For an individual who was a resident of Minnesota for less than the entire year, ~~the sales tax rebate equals the sales tax rebate calculated under paragraph (b) or (c) income as determined under this paragraph must be multiplied by the percentage determined pursuant to Minnesota Statutes, section 290.06, subdivision 2c, paragraph (e), as calculated on the original 1997 income tax return including subsequent adjustments to that return made within the time limits specified in paragraph (h).~~ For purposes of paragraph (d), "income" is taxable income as defined in section 63 of the Internal Revenue Code of 1986, as amended through December 31, 1996, and reported on the taxpayer's original federal tax return for the first taxable year beginning after December 31, 1996.

(f) For a fiscal year taxpayer, the June 15, 1999, dates in paragraphs (a) through (d) are extended one month for each month in calendar year 1997 that occurred prior to the start of the individual's 1997 fiscal tax year.

(g) Before payment, the commissioner of revenue shall adjust the rebate as follows:

(1) the rebates calculated in paragraphs (b), (c), and (d) must be proportionately reduced to account for 1997 income tax returns that are filed on or after January 1, 1999, but before July 1, 1999, so that the amount of sales tax rebates payable under paragraphs (b), (c), and (d) does not exceed \$1,250,000,000; and

(2) the commissioner of finance shall certify by July 15, 1999, preliminary fiscal year 1999 general fund net nondedicated revenues. The certification shall exclude the impact of any legislation enacted during the 1999 regular session. If certified net nondedicated revenues exceed the amount forecast in February 1999, up to \$50,000,000 of the increase shall be added to the total amount rebated. The commissioner of revenue shall adjust all rebates proportionally to reflect any increases. The total amount of the rebate shall not exceed \$1,300,000,000.

The adjustments under this paragraph are not rules subject to Minnesota Statutes, chapter 14.

~~(g)~~ (h) The commissioner of revenue may begin making sales tax rebates by August 1, 1999. Sales tax rebates not paid by October 1, 1999, bear interest at the rate specified in Minnesota Statutes, section 270.75. Sales tax rebates paid to:

(1) taxpayers who file their original 1997 Minnesota income tax return after June 15, 1999;

(2) individuals qualifying under paragraph (s); and

(3) qualifying nonresidents who file a claim for rebate after June 15, 1999, bear interest at the rate specified in Minnesota Statutes, section 270.75, beginning October 1, 2000.

~~(h)~~ (i) A sales tax rebate shall not be adjusted based on changes to a 1997 income tax return that are made by order of assessment after June 15, 1999, or made by the taxpayer that are filed with the commissioner of revenue after June 15, 1999.

~~(i)~~ (j) Individuals who filed a joint income tax return for 1997 shall receive a joint sales tax rebate. After the sales tax rebate has been issued, but before the check has been cashed, either joint claimant may request a separate check for one-half of the joint sales tax rebate. Notwithstanding anything in this section to the contrary, if prior to payment, the commissioner has been notified that persons who filed a joint 1997 income tax return are living at separate addresses, as indicated on their 1998 income tax return or otherwise, the commissioner may issue separate checks to each person. The amount payable to each person is one-half of the total joint rebate. If a rebate is received by the estate of a deceased individual after the probate estate has been closed, and if the original rebate check is returned to the commissioner with a copy of the decree of descent or final account of the estate, social security numbers, and addresses of the beneficiaries, the commissioner may issue separate checks in proportion to their share in the residuary estate in the names of the residuary beneficiaries of the estate.

~~(j)~~ (k) The sales tax rebate is a "Minnesota tax law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

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

~~(l)~~ (m) If the commissioner of revenue cannot locate an individual entitled to a sales tax rebate by July 1, 2001, or if an individual to whom a sales tax rebate was issued has not cashed the check by July 1, 2001, the right to the sales tax rebate lapses and the check must be deposited in the general fund.

~~(m)~~ (n) Individuals entitled to a sales tax rebate pursuant to paragraph (a), but who did not receive one, and individuals who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2000, in a form prescribed by the commissioner. Taxpayers who file their original 1997 Minnesota income tax return after June 15, 1999, and qualifying nonresidents who file a claim for rebate after June 15, 1999, and who do not receive it or who receive a sales tax rebate that was not correctly computed, must file a claim with the commissioner before July 1, 2001, in a form prescribed by the commissioner. These claims must be treated as if they are a claim for refund under Minnesota Statutes, section 289A.50, subdivisions 4 and 7.

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

~~(o)~~ (p) The rebate is a reduction of fiscal year 1999 sales tax revenues. The amount necessary to make the sales tax rebates and interest provided in this section is appropriated from the general fund to the commissioner of revenue in fiscal year 1999 and is available until June 30, 2001.

~~(p)~~ (q) If a sales tax rebate check is cashed by someone other than the payee or payees of the check, and the commissioner of revenue determines that the check has been forged or improperly endorsed or the commissioner determines that a rebate was overstated or erroneously issued, the commissioner may issue an order of assessment for the amount of the check or the amount the check is overstated against the person or persons cashing it. The assessment must be made within two years after the check is cashed, but if cashing the check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment can be made at any time. The assessment may be appealed administratively and judicially. The

commissioner may take action to collect the assessment in the same manner as provided by Minnesota Statutes, chapter 289A, for any other order of the commissioner assessing tax.

~~(q)~~ (r) Notwithstanding Minnesota Statutes, sections 9.031, 16A.40, 16B.49, 16B.50, and any other law to the contrary, the commissioner of revenue may take whatever actions the commissioner deems necessary to pay the rebates required by this section, and may, in consultation with the commissioner of finance and the state treasurer, contract with a private vendor or vendors to process, print, and mail the rebate checks or warrants required under this section and receive and disburse state funds to pay those checks or warrants.

~~(r)~~ (s) The commissioner may pay rebates required by this section by electronic funds transfer to individuals who requested that their 1998 individual income tax refund be paid through electronic funds transfer. The commissioner may make the electronic funds transfer payments to the same financial institution and into the same account as the 1998 individual income tax refund.

(t) Individuals who:

(1) were residents of Minnesota in 1997;

(2) attained the age of 18 on or before December 31, 1997;

(3) had at least \$500 of qualifying income in 1997; and

(4) do not otherwise qualify for a rebate either individually or as the spouse of an individual who receives a rebate on the basis of a married joint filing status,

qualify for a rebate under this paragraph only. If required to do so by the commissioner, claimants under this paragraph must file a claim for a rebate on a form prescribed by the commissioner before the later of June 15, 2000, or 30 days after the date of enactment of this act. The commissioner shall verify the information provided and rebate the minimum amount for which the claimant would have been eligible as determined under paragraph (b), as adjusted by paragraph (f), if the taxpayer would have met the requirements to file a 1997 federal income tax return as a married taxpayer filing jointly or head of household, or as determined under paragraph (c), as adjusted by paragraph (f), for other taxpayers. Qualified claims for rebate under this paragraph not paid by October 1, 2000, bear interest at the rate specified in Minnesota Statutes, section 270.75. As used in this paragraph only, "qualifying income" means the sum of:

(1) self-employment income subject to the tax under section 1401(b) of the Internal Revenue Code of 1986, as amended through December 31, 1997; plus

(2) wages subject to tax under section 3101(b) of the Internal Revenue Code of 1986, as amended through December 31, 1997; plus

(3) amounts described in Minnesota Statutes, section 290A.03, subdivision 3, paragraph (b), clauses (iv), (v), (vi), (vii), (viii), (ix), (x), and (xii).

As used in this paragraph, "qualifying income" does not include any compensation paid to inmates at a state, local, federal, or privately operated correctional facility as pay for services performed by the inmate at the facility.

If the Social Security Administration or Railroad Retirement Board is paying benefits to a recipient by electronic funds transfers in 2000, the rebate under this paragraph must be paid by the commissioner through electronic funds transfer to the same financial institution and into the same account into which the Social Security Administration or Railroad Retirement Board transfers social security benefits in calendar year 1999.

## Sec. 2. [APPLICATION OF LAW.]

The limitation on the total amount of rebates in Laws 1999, chapter 243, article 1, section 2, paragraph (f), does not apply to rebates issued under section 1. To the extent applicable, all other provisions of Laws 1999, chapter 243, article 1, section 2, apply to the rebates paid under section 1.

## Sec. 3. [APPROPRIATION.]

The amount necessary to pay the rebates under section 1 is appropriated from the general fund to the commissioner of revenue for fiscal years 2000 and 2001.

**EFFECTIVE DATE:** Sections 1 to 3 are effective the day following final enactment.

## ARTICLE 3

## AGRICULTURAL ASSISTANCE

Section 1. Laws 1999, chapter 112, section 1, subdivision 2, is amended to read:

Subd. 2. [PAYMENT TO FARMERS.] Every farm operator may apply on a separate form for each farm that they operate to the commissioner for payments as provided under this subdivision. The payment shall be made to each farmer at risk for a farm operation and shall equal \$4, multiplied by the number of acres of the farm operation, multiplied by the percentage of the risk borne by that farmer for that farm operation. If total payments for a farm to all farmers at risk for that farm would exceed \$5,600, the payment to each farmer at risk shall be prorated so that the total payments to all farmers at risk for that farm do not exceed \$5,600.

Applications shall be based on information reported to the farm service agency for crop year 1998 by December 31, 1998. The applications shall include the social security number or federal employer identification number or a producer number assigned by the farm service agency for each farmer and the farm service agency farm number from form 156EZ. The commissioner shall prepare application forms for the payment and ensure that they are available throughout the state. The commissioner shall make payments by June 30, 1999, to each eligible farmer who applies by May 31, 1999, or within 30 days of the application if the application is received after May 31, 1999. In no case will applications be accepted after ~~September~~ June 30, 1999 2000.

Sec. 2. Laws 1999, chapter 112, section 1, subdivision 7, is amended to read:

Subd. 7. [CERTIFICATION AND PAYMENT.] Any person eligible for the refund under subdivisions 4 to 8 shall send the commissioner a copy of the certification that the taxpayer received from the county auditor. In no case will applications be accepted after ~~November~~ June 30, 1999 2000. The commissioner shall issue a refund by July 15, 1999, to each qualifying taxpayer who applied by June 15, 1999, or within 30 days of receipt of the application if received after June 15, 1999.

Sec. 3. Laws 1999, chapter 112, section 2, is amended to read:

## Sec. 2. [APPROPRIATION.]

(a) The amount necessary to fund the payments required under section 1, subdivisions 2 and 7, is appropriated in fiscal year years 1999 and 2000 from the general fund to the commissioner of revenue. This appropriation is available until ~~June 30~~ December 31, 2000.

(b) \$68,000 is appropriated in fiscal year 1999 to the commissioner of revenue for distribution to counties for the costs of administering section 1, subdivisions 4 to 8. This appropriation is available until June 30, 2000. The distribution to counties shall be based on the number of refunds received under the provisions of section 1, subdivisions 4 to 8.

## Sec. 4. [AGRICULTURAL ASSISTANCE IN 2000.]

Subdivision 1. [DEFINITIONS.] (a) The definitions in this subdivision apply to this section.

(b) "Acre" means an acre of effective agricultural use land within the state of Minnesota as reported to the Farm Service Agency on form 156EZ.

(c) "Commissioner" means the commissioner of revenue.

(d) "Disaster county" means a county in Minnesota that:

(1) received a presidential major disaster declaration in 1999; or

(2) was named as a contiguous county under a presidential major disaster declaration in 1999.

(e) "Effective agricultural use land" means land suitable for growing an agricultural crop and excludes land enrolled in the conservation reserve program established by Minnesota Statutes, section 103F.515, or the water bank program established by Minnesota Statutes, section 103F.601.

(f) "Farm" or "farm operation" means an agricultural production operation located wholly or in part within a disaster county that:

(1) has a unique farm number as reported on form 156EZ to the Farm Service Agency and includes at least 40 acres of effective agricultural use land; or

(2) has produced at least \$10,000 in sales of unprocessed livestock or unprocessed dairy products as reported on schedule F or form 1065, 1120, or 1120S of the farmer's federal income tax return for the taxable year beginning in either calendar year 1998 or 1999.

(g) "Farm operator" means a person who is identified as the operator of a farm on form 156EZ filed with the Farm Service Agency, provided that if both spouses in a married couple are so identified, only one will be deemed to be a farm operator for purposes of this article.

(h) "Farm Service Agency" means the United States Department of Agriculture, Farm Service Agency.

(i) "Farmer" or "farmer at risk" means a person who:

(1) produces an agricultural crop or livestock and is reported to the Farm Service Agency as bearing a percentage of the risk for the farm operation; or

(2) owns or resides on property homesteaded under Minnesota Statutes, section 273.124, subdivision 1, paragraph (c), and operates a livestock production facility.

(j) "Livestock" means cattle, hogs, poultry, and sheep.

(k) "Person" includes individuals, fiduciaries, estates, trusts, partnerships, joint ventures, and corporations.

Subd. 2. [PAYMENT TO FARMERS.] (a) A farm operator may apply on a separate form for each farm that the person operates to the commissioner for payments as provided under this subdivision. The payment must be made to each farmer at risk for a farm operation and must equal \$4, multiplied by the number of acres of the farm operation, multiplied by the percentage of the risk borne by that farmer for that farm operation.

(b) Applications must be based on information reported to the Farm Service Agency for crop year 1999, by December 31, 1999, and must include the social security number or federal employer identification number, or a producer number assigned by the Farm Service Agency for each farmer and the Farm Service Agency farm number from form 156EZ. The commissioner shall prepare application forms for the payment and ensure that they are available throughout the state. The commissioner shall make payments by June 30, 2000, to each eligible farmer who applies by May 31, 2000, or within 30 days of the application if the application is received after May 31, 2000. In no case will applications be accepted after September 30, 2000.

Subd. 3. [ALTERNATE QUALIFICATION.] (a) If an agricultural production operation does not meet the definition of a farm under subdivision 1 solely because:

(1) the farm operator had not filed a form 156EZ with the Farm Service Agency;

(2) there was an error in the Farm Service Agency's records; or

(3) an operator operates more than one farm and the acres of effective agricultural use land of a farm is less than 40 acres, but the combined acres of effective agricultural use land of all land operated by that operator is at least 40 acres,

the commissioner may allow the farm operator to apply for payment under subdivision 2 after providing the information the commissioner requires to determine the number of acres that would be comparable to the effective agricultural use land listed on form 156EZ.

(b) If the number of acres of effective agricultural use land for crop year 1999 for a farm is greater than indicated in the Farm Service Agency's records, the commissioner may allow a farm operator to apply for payment on the greater acreage after providing the information the commissioner requires.

(c) If a person who produced an agricultural crop or livestock in 1999 and bore a portion of the risk for the farm operation does not meet the definition of a farmer under subdivision 1 solely because that information was not reported to the Farm Service Agency or because there was an error in the Farm Service Agency's records, the commissioner may allow the farmer to be included on an application for payment under subdivision 2 after the farmer provides the information the commissioner requires to determine the farmer was at risk for that farm.

Subd. 4. [LIMIT.] No person and no married couple may receive a payment under subdivision 2 that exceeds \$5,600.

Subd. 5. [APPLICATION OF OTHER LAWS.] The payments under subdivision 2 are a "Minnesota tax law" for purposes of Minnesota Statutes, section 270B.01, subdivision 8.

Subd. 6. [REMEDIES.] A farmer denied a payment under subdivision 2 may appeal that denial under Minnesota Statutes, section 289A.50, subdivision 7.

Subd. 7. [INTEREST.] Payments under subdivision 2 bear interest at the rate specified in Minnesota Statutes, section 289A.55, subdivision 1, from the later of the payment dates specified under subdivision 2 or 75 days after a complete payment application was filed with the commissioner.

Subd. 8. [PENALTIES.] If the commissioner determines that claims for payments under subdivision 2 are or were excessive and were filed with fraudulent intent, the claim must be disallowed in full. If the claim has been paid, the amount disallowed must be recovered by assessment and collection under Minnesota Statutes, chapter 289A. The assessment must be made within two years after a check is cashed, but if cashing a check constitutes theft under Minnesota Statutes, section 609.52, or forgery under Minnesota Statutes, section 609.631, the assessment may be made at any time. The assessment may be appealed administratively and judicially.

Sec. 5. [APPROPRIATION.]

The amount necessary to fund the payments required under section 4, subdivision 2, is appropriated in fiscal year 2000 from the general fund to the commissioner of revenue. This appropriation is available until June 30, 2001.

**EFFECTIVE DATE:** Sections 1 to 5 are effective the day following final enactment.

#### ARTICLE 4

### INCOME AND FRANCHISE TAXES

Section 1. Minnesota Statutes 1998, section 289A.08, is amended by adding a subdivision to read:

Subd. 16. [TAX REFUND OR RETURN PREPARERS.] (a) A "tax refund or return preparer," as defined in section 289A.60, subdivision 13, paragraph (g), who prepared more than 500 Minnesota individual income tax returns for the prior calendar year must file all Minnesota individual income tax returns prepared for the current calendar year by electronic means.

(b) For tax returns prepared for the tax year beginning in 2001, the "500" in paragraph (a) is reduced to 250.

(c) For tax returns prepared for tax years beginning after December 31, 2001, the "500" in paragraph (a) is reduced to 100.

(d) Paragraph (a) does not apply to a return if the taxpayer has indicated on the return that the taxpayer did not want the return filed by electronic means.

**EFFECTIVE DATE:** This section is effective for tax returns prepared for taxable years beginning after December 31, 1999.

Sec. 2. Minnesota Statutes 1998, section 289A.60, subdivision 1, is amended to read:

Subdivision 1. [PENALTY FOR FAILURE TO PAY TAX.] If a tax other than a withholding or sales or use tax is not paid within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is three percent of the tax not paid on or before the date specified for payment of the tax if the failure is for not more than 30 days, with an additional penalty of three percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 24 percent in the aggregate.

If an individual files a state individual income tax return and pays all of the state individual income tax with the filing of a return within six months of the date the return is due and the amount paid by the due date of the return is at least 90 percent of the amount of tax due, as shown on the return, the individual is presumed to have reasonable cause for the late payment.

If a withholding or sales or use tax is not paid within the time specified for payment, a penalty must be added to the amount required to be shown as tax. The penalty is five percent of the tax not paid on or before the date specified for payment of the tax if the failure is for not more than 30 days, with an additional penalty of five percent of the amount of tax remaining unpaid during each additional 30 days or fraction of 30 days during which the failure continues, not exceeding 15 percent in the aggregate.

**EFFECTIVE DATE:** This section is effective for taxable years beginning after December 31, 1999.

Sec. 3. Minnesota Statutes 1999 Supplement, section 290.01, subdivision 19b, is amended to read:

Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

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

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

(3) the amount paid to others, less the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the

subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) contributions made in taxable years beginning after December 31, 1981, and before January 1, 1985, to a qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income, less any amount allowed to be subtracted as a distribution under this subdivision or a predecessor provision in taxable years that began before January 1, 2000. This subtraction applies only for taxable years beginning after December 31, 1999, and before January 1, 2001;

(5) income as provided under section 290.0802;

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;

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

(8) to the extent not deducted in determining federal taxable income, the amount paid for health insurance of self-employed individuals as determined under section 162(1) of the Internal Revenue Code, except that the percent limit does not apply. If the taxpayer deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or

(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);

(9) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;

(10) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, section 5011(d), as amended;

(11) to the extent not deducted in determining federal taxable income by an individual who does not itemize deductions for federal income tax purposes for the taxable year, an amount equal to 50 percent of the excess of charitable contributions allowable as a deduction for the taxable year under section 170(a) of the Internal Revenue Code over \$500; and

(12) to the extent included in federal taxable income, holocaust victims' settlement payments for any injury incurred as a result of the holocaust, if received by an individual who was persecuted for racial or religious reasons by Nazi Germany or any other Axis regime or an heir of such a person;

(13) an amount equal to \$360 for each of the taxpayer's personal exemptions, as defined in section 151 of the Internal Revenue Code, and allowed on the taxpayer's federal tax return for the tax year. For taxable years beginning after December 31, 2000, the commissioner shall adjust the subtraction amount by the percentage determined under section 290.06, subdivision 2d, for the taxable year; and

(14) an amount equal to \$360 for each of the taxpayer's dependent exemptions, as defined in section 152 of the Internal Revenue Code, and allowed on the taxpayer's federal tax return for the tax year. For taxable years beginning after December 31, 2000, the commissioner shall adjust the

subtraction amount by the percentage determined under section 290.06, subdivision 2d, for the taxable year. The subtraction in this clause is not allowed to taxpayers who claim the credit in section 290.0676.

**EFFECTIVE DATE:** This section is effective for taxable years beginning after December 31, 1999.

Sec. 4. Minnesota Statutes 1998, section 290.01, is amended by adding a subdivision to read:

Subd. 33. [DOMICILE.] For corporations, "domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.

**EFFECTIVE DATE:** This section is effective for taxable years beginning after December 31, 1999.

Sec. 5. [290.0676] [CHILD TAX CREDIT.]

Subdivision 1. [CREDIT ALLOWED.] An individual is allowed a credit against the tax imposed by this chapter equal to \$20 for each dependent exemption as defined in section 152 of the Internal Revenue Code, and allowed on the taxpayer's federal tax return for the tax year. The credit is not allowed to an individual who claims the subtraction in section 290.01, subdivision 19b, clause (14).

For a nonresident or part-year resident, the credit determined under this section must be allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph (e).

For taxable years beginning after December 31, 2000, the commissioner shall adjust the credit amount by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 2. [CREDIT REFUNDABLE.] If the amount of credit which the claimant is eligible to receive under this section exceeds the claimant's tax liability under this chapter, the commissioner shall refund the excess to the claimant.

**EFFECTIVE DATE:** This section is effective for taxable years beginning after December 31, 1999.

Sec. 6. Minnesota Statutes 1999 Supplement, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the Minnesota charitable contribution deduction;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction;

(iv) the impairment-related work expenses of a disabled person; and

(v) holocaust victims' settlement payments to the extent allowed under section 290.01, subdivision 19b;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the

extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E); and

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1);

less the sum of the amounts determined under the following:

(1) interest income as defined in section 290.01, subdivision 19b, clause (1);

(2) an overpayment of state income tax as provided by section 290.01, subdivision 19b, clause (2), to the extent included in federal alternative minimum taxable income; ~~and~~

(3) the amount of investment interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed net investment income, as defined in section 163(d)(4) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income; and

(4) amounts subtracted from federal taxable income as provided by section 290.01, subdivision 19b, clauses (4), (6), (13), and (14).

In the case of an estate or trust, alternative minimum taxable income must be computed as provided in section 59(c) of the Internal Revenue Code.

(b) "Investment interest" means investment interest as defined in section 163(d)(3) of the Internal Revenue Code.

(c) "Tentative minimum tax" equals 6.5 percent of alternative minimum taxable income after subtracting the exemption amount determined under subdivision 3.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section and section 290.032), reduced by the sum of the nonrefundable credits allowed under this chapter plus the credit allowed under section 290.0676.

(e) "Net minimum tax" means the minimum tax imposed by this section.

(f) "Minnesota charitable contribution deduction" means a charitable contribution deduction under section 170 of the Internal Revenue Code to or for the use of an entity described in section 290.21, subdivision 3, clauses (a) to (e). When the federal deduction for charitable contributions is limited under section 170(b) of the Internal Revenue Code, the allowable contributions in the year of contribution are deemed to be first contributions to entities described in section 290.21, subdivision 3, clauses (a) to (e).

**EFFECTIVE DATE:** This section is effective for taxable years beginning after December 31, 1999.

Sec. 7. Minnesota Statutes 1998, section 290.17, subdivision 2, is amended to read:

Subd. 2. [INCOME NOT DERIVED FROM CONDUCT OF A TRADE OR BUSINESS.] The income of a taxpayer subject to the allocation rules that is not derived from the conduct of a trade or business must be assigned in accordance with paragraphs (a) to (f):

(a)(1) Subject to paragraphs (a)(2) and (a)(3), income from ~~labor or personal or professional services~~ wages as defined in section 3401(a) and (f) of the Internal Revenue Code is assigned to this state if, and to the extent that, ~~the labor or services are work of the employee~~ is performed within it; all other income from such sources is treated as income from sources without this state.

Severance pay shall be considered income from labor or personal or professional services.

(2) In the case of an individual who is a nonresident of Minnesota and who is an athlete or entertainer, income from compensation for labor or personal services performed within this state shall be determined in the following manner:

(i) The amount of income to be assigned to Minnesota for an individual who is a nonresident salaried athletic team employee shall be determined by using a fraction in which the denominator contains the total number of days in which the individual is under a duty to perform for the employer, and the numerator is the total number of those days spent in Minnesota. For purposes of this paragraph, off-season training activities, unless conducted at the team's facilities as part of a team imposed program, are not included in the total number of duty days. Bonuses earned as a result of play during the regular season or for participation in championship, play-off, or all-star games must be allocated under the formula. Signing bonuses are not subject to allocation under the formula if they are not conditional on playing any games for the team, are payable separately from any other compensation, and are nonrefundable; and

(ii) The amount of income to be assigned to Minnesota for an individual who is a nonresident, and who is an athlete or entertainer not listed in clause (i), for that person's athletic or entertainment performance in Minnesota shall be determined by assigning to this state all income from performances or athletic contests in this state.

(3) For purposes of this section, amounts received by a nonresident as "retirement income" as defined in section (b)(1) of the State Income Taxation of Pension Income Act, Public Law Number 104-95, are not considered income derived from carrying on a trade or business or from performing personal or professional services in Minnesota, and are not taxable under this chapter.

(b) Income or gains from tangible property located in this state that is not employed in the business of the recipient of the income or gains must be assigned to this state.

(c) Income or gains from intangible personal property not employed in the business of the recipient of the income or gains must be assigned to this state if the recipient of the income or gains is a resident of this state or is a resident trust or estate.

Gain on the sale of a partnership interest is allocable to this state in the ratio of the original cost of partnership tangible property in this state to the original cost of partnership tangible property everywhere, determined at the time of the sale. If more than 50 percent of the value of the partnership's assets consists of intangibles, gain or loss from the sale of the partnership interest is allocated to this state in accordance with the sales factor of the partnership for its first full tax period immediately preceding the tax period of the partnership during which the partnership interest was sold.

Gain on the sale of goodwill or income from a covenant not to compete that is connected with a business operating all or partially in Minnesota is allocated to this state to the extent that the income from the business in the year preceding the year of sale was assignable to Minnesota under subdivision 3.

When an employer pays an employee for a covenant not to compete, the income allocated to this state is in the ratio of the employee's service in Minnesota in the calendar year preceding leaving the employment of the employer over the total services performed by the employee for the employer in that year.

(d) Income from winnings on Minnesota pari-mutuel betting tickets, the Minnesota state lottery, and lawful gambling as defined in section 349.12, subdivision 24, conducted within the boundaries of the state of Minnesota shall be assigned to this state.

(e) All items of gross income not covered in paragraphs (a) to (d) and not part of the taxpayer's income from a trade or business shall be assigned to the taxpayer's domicile.

(f) For the purposes of this section, working as an employee shall not be considered to be conducting a trade or business.

**EFFECTIVE DATE:** This section is effective for wages paid after the date of final enactment of this act, except that to the extent this section impacts an employer's requirement to withhold Minnesota tax under Minnesota Statutes, section 290.92, subdivision 4a, the requirement to withhold is effective for wages paid after December 31, 2000.

Sec. 8. [CITY OF LUVERNE.]

Subdivision 1. [AUTHORIZATION.] The governing body of the city of Luverne may designate between one and six areas of the city as border city development zones. The total area of the zones may not exceed 100 acres.

Subd. 2. [APPLICATION OF GENERAL LAW.] (a) The provisions of Minnesota Statutes, sections 469.1731 to 469.1735, apply to the border city development zones designated under this section. The governing body of the city may exercise the powers granted under Minnesota Statutes, sections 469.1731 to 469.1735, including powers that apply outside of the zones.

(b) The allocation under subdivision 3 for purposes of Minnesota Statutes, section 469.1735, subdivision 2, and the necessary amount of the allocation is appropriated to the commissioner of revenue.

Subd. 3. [ALLOCATION OF STATE TAX REDUCTIONS.] (a) The cumulative total amount of tax reductions for all years of the program under Minnesota Statutes, sections 469.1731 to 469.1735, is limited to \$183,000, and the maximum for any year is \$61,000.

(b) This allocation may be used for tax reductions provided in Minnesota Statutes, section 469.1732 or 469.1734, or for reimbursements under Minnesota Statutes, section 469.1735, subdivision 3, but only if the governing body of the city of Luverne determines that the tax reduction or offset is necessary to enable a business to expand within a city or to attract a business to the city.

(c) The commissioner of revenue may waive the limit under this subdivision using the same rules and standards provided in Minnesota Statutes, section 469.169, subdivision 12, paragraph (b).

**EFFECTIVE DATE:** This section is effective upon approval by the governing body of the city of Luverne and compliance with the requirements of Minnesota Statutes, section 645.021, subdivision 3.

Sec. 9. [TAX INFORMATION SAMPLE DATA STUDY.]

(a) One of the goals of a reengineered income tax system is to reduce the administrative burden for both taxpayers and tax administrators. In order to reduce the cost of handling paper returns and to explore electronic options for taxpayer filing of tax data, the department of revenue will explore eliminating the requirement of Minnesota Statutes, section 289A.08, subdivision 11, that the federal return be attached in filing a Minnesota individual income tax return. This federal return information is used for the purposes of ensuring the accurate calculation of individuals' Minnesota income tax liabilities and for the purposes of preparing the microdata samples under Minnesota Statutes, section 270.0681.

(b) To ensure the continued reliability of income tax data samples and to evaluate ways in which the quality of samples may be improved, the commissioner shall study and evaluate alternatives to requiring taxpayers to attach a copy of their federal return when filing Minnesota state income tax. The study must be prepared in consultation with the coordinating committee established in Minnesota Statutes, section 270.0681, subdivision 2. The study must:

(1) evaluate the quality of federal electronic data compared to sample data prepared from returns filed with the department;

(2) evaluate alternative sampling methodology, including preselection of sampled returns, panel data, and other sampling methods; and

(3) evaluate and test whether alternative methods can

(i) provide a data sample that is as accurate and reliable as one prepared from federal returns that are filed with or attached to Minnesota individual income tax returns; and

(ii) result in a data sample that will continue to be available to staff of both the department of finance and the legislature on the same basis as one prepared from returns required to be attached to or filed with the Minnesota tax returns.

(c) The commissioner of revenue shall report the findings of the study to the house tax committee chair, the senate tax committee chair, and the commissioner of finance.

(d) The commissioner of revenue shall prepare a bill for introduction in the 2001 legislative session that eliminates, for some or all taxpayers, the requirement that a copy of the federal return be filed with the individual income tax return, if the commissioner determines as a result of the study that:

(1) an alternative method would provide a data sample that is as accurate and reliable as one prepared from federal returns required to be filed with the Minnesota return; and

(2) the sample will continue to be available to the staff of both the department of finance and the legislature on the same basis as one prepared from returns required to be filed with Minnesota tax returns.

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

Sec. 10. [COMMISSIONER OF REVENUE; TEMPORARY POWERS.]

Subdivision 1. [APPLICABILITY.] This section gives the commissioner of revenue certain temporary powers. These powers apply only to taxes imposed under Minnesota Statutes, sections 290.032, 290.06, and 290.091 administered by the commissioner under Minnesota Statutes, chapters 289A and 290.

Subd. 2. [PAYMENT OF TAXES.] The commissioner may establish additional due dates, applicable to certain groups of taxpayers, for the payment of taxes. Unless the commissioner has the written consent of the taxpayer, the additional payment dates must not require the taxpayer to pay the tax earlier than the payment dates provided by statute or rule. The commissioner may accept various forms of payment, including, but not limited to, financial transaction cards and electronic funds transfer.

Subd. 3. [FILING OF RETURN.] The commissioner may establish additional due dates, applicable to certain groups of taxpayers, for the filing of tax returns. Unless the commissioner has the written consent of the taxpayer, the return due date must not be earlier than the due date provided by statute or rule. In conducting pilot studies, the commissioner may use tax return forms with varying formats, accept electronic filed returns, and waive the taxpayer signature requirements.

Subd. 4. [AGREEMENTS.] The commissioner may enter written agreements with taxpayers that provide for the payment of taxes or the filing of returns at dates earlier than provided by statute or rule. The commissioner and the taxpayer may also agree in writing to other changes from the statutory or rule requirements related to the administration of these taxes. If the taxpayer agrees to pay taxes at a date earlier than that provided by statute, the commissioner may negotiate payments to the taxpayer to compensate in part or in full for the loss incurred as a result of the accelerated payment.

Subd. 5. [PROCEDURE; APPROVAL.] Pilot studies proposed under these authorities must be presented to the chairs of the house of representatives tax committee and the senate committee on taxes and to the chairs of the committees on state government finance of the house of representatives and the senate. No study may be undertaken without the approval of both tax committee chairs. If either chair fails to respond within 15 days after the proposal is presented, that chair is considered to have approved the study. If the study is approved, the commissioner shall initially seek participation on a voluntary basis from within the targeted taxpayer group.

Subd. 6. [EXPIRATION DATE.] This section expires June 30, 2002, and all pilot projects under this section must be completed by June 30, 2002.

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

ARTICLE 5  
FEDERAL UPDATE

Section 1. Minnesota Statutes 1999 Supplement, section 289A.02, subdivision 7, is amended to read:

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, 1998 1999.

Sec. 2. Minnesota Statutes 1999 Supplement, section 290.01, subdivision 19, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating any elections made by the taxpayer in accordance with the Internal Revenue Code in determining federal taxable income for federal income tax purposes, and with the modifications provided in subdivisions 19a to 19f.

In the case of a regulated investment company or a fund thereof, as defined in section 851(a) or 851(g) of the Internal Revenue Code, federal taxable income means investment company taxable income as defined in section 852(b)(2) of the Internal Revenue Code, except that:

(1) the exclusion of net capital gain provided in section 852(b)(2)(A) of the Internal Revenue Code does not apply;

(2) the deduction for dividends paid under section 852(b)(2)(D) of the Internal Revenue Code must be applied by allowing a deduction for capital gain dividends and exempt-interest dividends as defined in sections 852(b)(3)(C) and 852(b)(5) of the Internal Revenue Code; and

(3) the deduction for dividends paid must also be applied in the amount of any undistributed capital gains which the regulated investment company elects to have treated as provided in section 852(b)(3)(D) of the Internal Revenue Code.

The net income of a real estate investment trust as defined and limited by section 856(a), (b), and (c) of the Internal Revenue Code means the real estate investment trust taxable income as defined in section 857(b)(2) of the Internal Revenue Code.

The net income of a designated settlement fund as defined in section 468B(d) of the Internal Revenue Code means the gross income as defined in section 468B(b) of the Internal Revenue Code.

~~The Internal Revenue Code of 1986, as amended through December 31, 1986, shall be in effect for taxable years beginning after December 31, 1986. The provisions of sections 10104, 10202, 10203, 10204, 10206, 10212, 10221, 10222, 10223, 10226, 10227, 10228, 10611, 10631, 10632, and 10711 of the Omnibus Budget Reconciliation Act of 1987, Public Law Number 100-203, the provisions of sections 1001, 1002, 1003, 1004, 1005, 1006, 1008, 1009, 1010, 1011, 1011A, 1011B, 1012, 1013, 1014, 1015, 1018, 2004, 3041, 4009, 6007, 6026, 6032, 6137, 6277, and 6282 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7811, 7816, and 7831 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provisions of sections 1305, 1704(r), and 1704(e)(1) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections 975 and 1604(d)(2) and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, and the provisions of section 4004 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277 shall be effective at the time they become effective for federal income tax purposes.~~

The Internal Revenue Code of 1986, as amended through December 31, 1987, shall be in effect for taxable years beginning after December 31, 1987. The provisions of sections 4001, 4002, 4011, 5021, 5041, 5053, 5075, 6003, 6008, 6011, 6030, 6031, 6033, 6057, 6064, 6066, 6079, 6130, 6176, 6180, 6182, 6280, and 6281 of the Technical and Miscellaneous Revenue Act of 1988, Public Law Number 100-647, the provisions of sections 7815 and 7821 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, and the provisions of section 11702 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1988, shall be in effect for taxable years beginning after December 31, 1988. The provisions of sections 7101, 7102, 7104, 7105, 7201, 7202, 7203, 7204, 7205, 7206, 7207, 7210, 7211, 7301, 7302, 7303, 7304, 7601, 7621, 7622, 7641, 7642, 7645, 7647, 7651, and 7652 of the Omnibus Budget Reconciliation Act of 1989, Public Law Number 101-239, the provision of section 1401 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law Number 101-73, the provisions of sections 11701 and 11703 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 1702(g) and 1704(f)(2)(A) and (B) of the Small Business Job Protection Act, Public Law Number 104-188, shall become effective at the time they become effective for federal tax purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1989, shall be in effect for taxable years beginning after December 31, 1989. The provisions of sections 11321, 11322, 11324, 11325, 11403, 11404, 11410, and 11521 of the Revenue Reconciliation Act of 1990, Public Law Number 101-508, and the provisions of sections 13224 and 13261 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1990, shall be in effect for taxable years beginning after December 31, 1990.

The provisions of section 13431 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, shall become effective at the time they became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1991, shall be in effect for taxable years beginning after December 31, 1991.

The provisions of sections 1936 and 1937 of the Comprehensive National Energy Policy Act of 1992, Public Law Number 102-486, the provisions of sections 13101, 13114, 13122, 13141, 13150, 13151, 13174, 13239, 13301, and 13442 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, and the provisions of section 1604(a)(1), (2), and (3) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1992, shall be in effect for taxable years beginning after December 31, 1992.

The provisions of sections 13116, 13121, 13206, 13210, 13222, 13223, 13231, 13232, 13233, 13239, 13262, and 13321 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66, the provisions of sections 1703(a), 1703(d), 1703(i), 1703(l), and 1703(m) of the Small Business Job Protection Act, Public Law Number 104-188, and the provision of section 1604(e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1993, shall be in effect for taxable years beginning after December 31, 1993.

The provision of section 741 of Legislation to Implement Uruguay Round of General Agreement on Tariffs and Trade, Public Law Number 103-465, the provisions of sections 1, 2, and 3, of the Self-Employed Health Insurance Act of 1995, Public Law Number 104-7, the provision

~~of section 501(b)(2) of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, the provisions of sections 1604 and 1704(p)(1) and (2) of the Small Business Job Protection Act, Public Law Number 104-188, and the provisions of sections 1011, 1211(b)(1), and 1602(f) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1994, shall be in effect for taxable years beginning after December 31, 1994.~~

~~The provisions of sections 1119(a), 1120, 1121, 1202(a), 1444, 1449(b), 1602(a), 1610(a), 1613, and 1805 of the Small Business Job Protection Act, Public Law Number 104-188, the provision of section 511 of the Health Insurance Portability and Accountability Act, Public Law Number 104-191, and the provisions of sections 1174 and 1601(i)(2) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, shall become effective at the time they become effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through March 22, 1996, is in effect for taxable years beginning after December 31, 1995.~~

~~The provisions of sections 1113(a), 1117, 1206(a), 1313(a), 1402(a), 1403(a), 1443, 1450, 1501(a), 1605, 1611(a), 1612, 1616, 1617, 1704(l), and 1704(m) of the Small Business Job Protection Act, Public Law Number 104-188, the provisions of Public Law Number 104-117, the provisions of sections 313(a) and (b)(1), 602(a), 913(b), 941, 961, 971, 1001(a) and (b), 1002, 1003, 1012, 1013, 1014, 1061, 1062, 1081, 1084(b), 1086, 1087, 1111(a), 1131(b) and (c), 1211(b), 1213, 1530(c)(2), 1601(f)(5) and (h), and 1604(d)(1) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of section 6010 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, and the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, shall become effective at the time they become effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1996, shall be in effect for taxable years beginning after December 31, 1996.~~

~~The provisions of sections 202(a) and (b), 221(a), 225, 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306, 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528, 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002, and 7003 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, and the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, and the provisions of section 3001 of the Miscellaneous Trade and Technical Corrections Act of 1999, Public Law Number 106-36, shall become effective at the time they become effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1997, shall be in effect for taxable years beginning after December 31, 1997.~~

~~The provisions of sections 5002, 6009, 6011, and 7001 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law Number 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, and the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law Number 105-369, and the provisions of sections 532, 534, 536, 537, and 538 of the Ticket to Work and Work Incentives Improvement Act of 1999, Public Law Number 106-170, shall become effective at the time they become effective for federal purposes.~~

~~The Internal Revenue Code of 1986, as amended through December 31, 1998, shall be in effect for taxable years beginning after December 31, 1998.~~

The Internal Revenue Code of 1986, as amended through December 31, 1999, shall be in effect for taxable years beginning after December 31, 1999.

Except as otherwise provided, references to the Internal Revenue Code in subdivisions 19a to 19g mean the code in effect for purposes of determining net income for the applicable year.

Sec. 3. Minnesota Statutes 1999 Supplement, section 290.01, subdivision 31, is amended to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1998~~ 1999.

Sec. 4. Minnesota Statutes 1999 Supplement, section 290A.03, subdivision 15, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through December 31, ~~1998~~ 1999.

Sec. 5. Minnesota Statutes 1999 Supplement, section 291.005, subdivision 1, is amended to read:

Subdivision 1. Unless the context otherwise clearly requires, the following terms used in this chapter shall have the following meanings:

(1) "Federal gross estate" means the gross estate of a decedent as valued and otherwise determined for federal estate tax purposes by federal taxing authorities pursuant to the provisions of the Internal Revenue Code.

(2) "Minnesota gross estate" means the federal gross estate of a decedent after (a) excluding therefrom any property included therein which has its situs outside Minnesota and (b) including therein any property omitted from the federal gross estate which is includable therein, has its situs in Minnesota, and was not disclosed to federal taxing authorities.

(3) "Personal representative" means the executor, administrator or other person appointed by the court to administer and dispose of the property of the decedent. If there is no executor, administrator or other person appointed, qualified, and acting within this state, then any person in actual or constructive possession of any property having a situs in this state which is included in the federal gross estate of the decedent shall be deemed to be a personal representative to the extent of the property and the Minnesota estate tax due with respect to the property.

(4) "Resident decedent" means an individual whose domicile at the time of death was in Minnesota.

(5) "Nonresident decedent" means an individual whose domicile at the time of death was not in Minnesota.

(6) "Situs of property" means, with respect to real property, the state or country in which it is located; with respect to tangible personal property, the state or country in which it was normally kept or located at the time of the decedent's death; and with respect to intangible personal property, the state or country in which the decedent was domiciled at death.

(7) "Commissioner" means the commissioner of revenue or any person to whom the commissioner has delegated functions under this chapter.

(8) "Internal Revenue Code" means the United States Internal Revenue Code of 1986, as amended through December 31, ~~1998~~ 1999.

**EFFECTIVE DATE:** Sections 1, 2, 4, and 5 are effective the day following final enactment, except that the striking of language in section 2 is effective for tax years beginning after December 31, 1999. Section 3 is effective for tax years beginning after December 31, 1999.

ARTICLE 6  
MOTOR VEHICLE REGISTRATION TAX

Section 1. Minnesota Statutes 1998, section 168.013, subdivision 1a, is amended to read:

Subd. 1a. [PASSENGER AUTOMOBILE; HEARSE.] (a) On passenger automobiles as defined in section 168.011, subdivision 7, and hearses, except as otherwise provided, the tax shall be is \$10 plus an additional tax equal to ~~1.25~~ 1.2 percent of the base value.

(b) Subject to the classification provisions ~~herein~~ in this subdivision, "base value" means the manufacturer's suggested retail price of the vehicle, including destination charge, using list price information published by the manufacturer or determined by the registrar if no suggested retail price exists, ~~and shall~~. Base value does not include the cost of each accessory or item of optional equipment separately added to the vehicle and the suggested retail price.

(c) If the manufacturer's list price information contains a single vehicle identification number followed by various descriptions and suggested retail prices, the registrar shall select from those listings only the lowest price for determining base value.

(d) If unable to determine the base value because the vehicle is specially constructed, or ~~for~~ due to any other reason, the registrar may establish ~~such~~ the value upon the cost price to the purchaser or owner as evidenced by a certificate of cost but not including Minnesota sales or use tax or any local sales or other local tax.

(e) The registrar shall classify every vehicle in its proper base value class as follows:

FROM	TO
\$ 0	\$199.99
200	399.99

and thereafter, consisting of a series of classes successively set in brackets having a spread of \$200 ~~consisting of such~~, with that number of classes as will required to permit classification of all vehicles.

(f) The base value for purposes of this section ~~shall be~~ is the middle point between the extremes of its class.

(g) The registrar shall establish the base value, when new, of every passenger automobile and hearse registered ~~prior to the effective date of Extra Session Laws 1971, chapter 31~~, using list price information published by the manufacturer or any nationally recognized firm or association compiling such data for the automotive industry. If unable to ascertain the base value of any registered vehicle in the ~~foregoing~~ this manner, the registrar may use any other available source or method. The tax on all previously registered vehicles ~~shall~~ must be computed upon the base value thus determined taking into account the depreciation provisions of paragraph (h).

(h) ~~Except as provided in paragraph (i),~~ The annual additional tax computed upon the base value ~~as provided herein~~ of a passenger automobile or hearse, during the first ~~and second~~ years year of vehicle life ~~shall be~~ is computed upon 100 percent of the base value; for the ~~third and fourth~~ years second year, 90 percent of ~~such that~~ value; for the ~~fifth and sixth~~ years, ~~75~~ third year, 85 percent of that value; for the fourth year, ~~75~~ seventh percent of ~~such that~~ value; for the ~~seventh~~ fifth year, ~~60~~ 65 percent of ~~such that~~ value; for the sixth year, 55 percent of that value; for the ~~eighth~~ seventh year, ~~40~~ 45 percent of ~~such that~~ value; for the ~~ninth~~ eighth year, ~~30~~ 35 percent of ~~such that~~ value; for the ninth year, 25 percent of that value; for the tenth year, ten percent of ~~such that~~ value; for the 11th and each succeeding year, the sum of \$25 \$20.

~~In no event shall~~ The annual additional tax must not be less than \$25 \$20.

(i) ~~The annual additional tax under paragraph (h) on a motor vehicle on which the first annual tax was paid before January 1, 1990, must not exceed the tax that was paid on that vehicle the year before.~~

## Sec. 2. [TRANSFER.]

\$75,700,000 is appropriated from the general fund to the commissioner of finance for transfer to the highway user tax distribution fund.

**EFFECTIVE DATE:** Section 1 is effective July 1, 2000, for registrations due on or after that date. Section 2 is effective July 1, 2000. Section 1 is repealed the day after the 2000 general election if an amendment proposed to the Minnesota Constitution dedicating at least 15 percent of the motor vehicle sales tax proceeds to the highway user tax distribution fund is not adopted.

## ARTICLE 7

## SALES TAX

Section 1. Minnesota Statutes 1998, section 297A.01, subdivision 3, is amended to read:

Subd. 3. A "sale" and a "purchase" includes, but is not limited to, each of the following transactions:

(a) Any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, and the leasing of or the granting of a license to use or consume tangible personal property other than manufactured homes used for residential purposes for a continuous period of 30 days or more, for a consideration in money or by exchange or barter;

(b) The production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing;

(c) The furnishing, preparing, or serving for a consideration of food, meals, or drinks. "Sale" or "purchase" does not include:

(1) meals or drinks served to patients, inmates, or persons residing at hospitals, sanitariums, nursing homes, senior citizens homes, and correctional, detention, and detoxification facilities;

(2) meals or drinks purchased for and served exclusively to individuals who are 60 years of age or over and their spouses or to the handicapped and their spouses by governmental agencies, nonprofit organizations, agencies, or churches or pursuant to any program funded in whole or part through 42 USCA sections 3001 through 3045, wherever delivered, prepared or served; or

(3) meals and lunches served at public and private schools, universities, or colleges.

Notwithstanding section 297A.25, subdivision 2, taxable food or meals include, but are not limited to, the following:

(i) food or drinks sold by the retailer for immediate consumption on the retailer's premises. Food and drinks sold within a building or grounds which require an admission charge for entrance are presumed to be sold for consumption on the premises;

(ii) food or drinks prepared by the retailer for immediate consumption either on or off the retailer's premises. For purposes of this subdivision, "food or drinks prepared for immediate consumption" includes any food product upon which an act of preparation including, but not limited to, cooking, mixing, sandwich making, blending, heating, or pouring has been performed by the retailer so the food product may be immediately consumed by the purchaser;

(iii) ice cream, ice milk, frozen yogurt products, or frozen novelties sold in single or individual servings including cones, sundaes, and snow cones. For purposes of this subdivision, "single or individual servings" does not include products when sold in bulk containers or bulk packaging;

(iv) soft drinks and other beverages including all carbonated and noncarbonated beverages or drinks sold in liquid form except beverages or drinks which contain milk or milk products, beverages or drinks containing 15 or more percent fruit juice, and noncarbonated and noneffervescent bottled water sold in individual containers of one-half gallon or more in size;

(v) gum, candy, and candy products, except when sold for fundraising purposes by a nonprofit organization that provides educational and social activities primarily for young people 18 years of age and under;

(vi) ice;

(vii) all food sold from vending machines, except:

(A) beverages or drinks which contain milk or milk products;

(B) beverages or drinks which contain 15 or more percent fruit juice;

(C) fruit and fruit products;

(D) vegetables;

(E) granola bars, breakfast bars, energy bars, and similar items; and

(F) yogurt and pudding;

(viii) all food for immediate consumption sold from concession stands and vehicles;

(ix) party trays;

(x) all meals and single servings of packaged snack food sold in restaurants and bars; and

(xi) bakery products:

(A) prepared by the retailer for consumption on the retailer's premises;

(B) sold at a place that charges admission;

(C) sold from vending machines; or

(D) sold in single or individual servings from concession stands, vehicles, bars, and restaurants. For purposes of this subdivision, "single or individual servings" does not include products when sold in bulk containers or bulk packaging.

For purposes of this subdivision, "premises" means the total space and facilities, including buildings, grounds, and parking lots that are made available or that are available for use by the retailer or customer for the purpose of sale or consumption of prepared food and drinks. The premises of a caterer is the place where the catered food or drinks are served;

(d) The granting of the privilege of admission to places of amusement, recreational areas, or athletic events, except a world championship football game sponsored by the national football league, and the privilege of having access to and the use of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(e) The furnishing for a consideration of lodging and related services by a hotel, rooming house, tourist court, motel or trailer camp and of the granting of any similar license to use real property other than the renting or leasing thereof for a continuous period of 30 days or more;

(f) The furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state, or local exchange telephone service, intrastate toll service, and interstate toll service, if that service originates from and is charged to a telephone located in this state. Telephone service does not include services purchased with prepaid telephone calling cards. Telephone service includes paging services and private communication service, as defined in United States Code, title 26, section 4252(d), as amended through December 31, 1991, except for private communication service purchased by an agent acting on behalf of the state lottery. The furnishing for a consideration of access to telephone services by a hotel to its guests is a sale under this clause. Sales by municipal corporations in a proprietary capacity are included in the provisions of this clause. The furnishing of water and sewer services for residential use shall not be considered a sale. The sale of natural gas to be used as a fuel in vehicles propelled by natural gas shall not be considered a sale for the purposes of this section;

(g) The furnishing for a consideration of cable television services, including charges for basic service, charges for premium service, and any other charges for any other pay-per-view, monthly, or similar television services;

(h) The furnishing for a consideration of parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(i) The furnishing for a consideration of services listed in this paragraph:

(i) (1) laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer;

(ii) (2) motor vehicle washing, waxing, and cleaning services, including services provided by coin-operated facilities operated by the customer, and rustproofing, undercoating, and towing of motor vehicles;

(iii) (3) building and residential cleaning, maintenance, and disinfecting and exterminating services;

(iv) (4) detective services, security services, burglar, fire alarm, and armored car services; but not including services performed within the jurisdiction they serve by off-duty licensed peace officers as defined in section 626.84, subdivision 1, or services provided by a nonprofit organization for monitoring and electronic surveillance of persons placed on in-home detention pursuant to court order or under the direction of the Minnesota department of corrections;

(v) (5) pet grooming services;

(vi) (6) lawn care, fertilizing, mowing, spraying and sprigging services; garden planting and maintenance; tree, bush, and shrub pruning, bracing, spraying, and surgery; indoor plant care; tree, bush, shrub and stump removal; and tree trimming for public utility lines. Services performed under a construction contract for the installation of shrubbery, plants, sod, trees, bushes, and similar items are not taxable;

(vii) (7) massages, except when provided by a licensed health care facility or professional or upon written referral from a licensed health care facility or professional for treatment of illness, injury, or disease; and

(viii) (8) the furnishing for consideration of lodging, board and care services for animals in kennels and other similar arrangements, but excluding veterinary and horse boarding services.

The services listed in this paragraph are taxable under section 297A.02 if the service is performed wholly within Minnesota or if the service is performed partly within and partly without Minnesota and the greater proportion of the service is performed in Minnesota, based on the cost of performance. In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable under this paragraph. Services performed by a partnership or association for another partnership or association are not taxable under this paragraph if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as a member of an affiliated group under United States Code, title 26, section 1504, as amended through December 31, 1987, and who are eligible to file a consolidated tax return for federal income tax purposes;

(j) A "sale" and a "purchase" includes the transfer of computer software, meaning information and directions that dictate the function performed by data processing equipment. A "sale" and a "purchase" does not include the design, development, writing, translation, fabrication, lease, or transfer for a consideration of title or possession of a custom computer program; and

(k) The granting of membership in a club, association, or other organization if:

(1) the club, association, or other organization makes available for the use of its members sports and athletic facilities (without regard to whether a separate charge is assessed for use of the facilities); and

(2) use of the sports and athletic facilities is not made available to the general public on the same basis as it is made available to members.

Granting of membership includes both one-time initiation fees and periodic membership dues. Sports and athletic facilities include golf courses, tennis, racquetball, handball and squash courts, basketball and volleyball facilities, running tracks, exercise equipment, swimming pools, and other similar athletic or sports facilities. The provisions of this paragraph do not apply to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1992, for educational and social activities for young people primarily age 18 and under.

**EFFECTIVE DATE:** This section is effective for sales after June 30, 2000.

Sec. 2. Minnesota Statutes 1998, section 297A.01, subdivision 15, is amended to read:

Subd. 15. "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the production for sale, but not including the processing, of livestock, dairy animals, dairy products, poultry and poultry products, fruits, vegetables, trees, shrubs, forage, grains and bees and apiary products. "Farm machinery" includes:

(1) machinery for the preparation, seeding or cultivation of soil for growing agricultural crops and sod, harvesting and threshing of agricultural products, harvesting or mowing of sod, and certain machinery for dairy, livestock and poultry farms;

(2) barn cleaners, milking systems, grain dryers, automatic feeding systems and similar installations, whether or not the equipment is installed by the seller and becomes part of the real property;

(3) irrigation equipment sold for exclusively agricultural use, including pumps, pipe fittings, valves, sprinklers and other equipment necessary to the operation of an irrigation system when sold as part of an irrigation system, whether or not the equipment is installed by the seller and becomes part of the real property;

(4) logging equipment, including chain saws used for commercial logging;

(5) fencing used for the containment of farmed cervidae, as defined in section 17.451, subdivision 2;

(6) primary and backup generator units used to generate electricity for the purpose of operating farm machinery, as defined in this subdivision, or providing light or space heating necessary for the production of livestock, dairy animals, dairy products, or poultry and poultry products; and

(7) aquaculture production equipment as defined in subdivision 19.

Repair or replacement parts for farm machinery shall not be included in the definition of farm machinery.

Tools, shop equipment, grain bins, feed bunks, fencing material except fencing material covered by clause (5), communication equipment and other farm supplies shall not be considered to be farm machinery. "Farm machinery" does not include motor vehicles taxed under chapter 297B, snowmobiles, snow blowers, lawn mowers except those used in the production of sod for sale, garden-type tractors or garden tillers and the repair and replacement parts for those vehicles and machines.

**EFFECTIVE DATE:** This section is effective for sales and purchases occurring after June 30, 2000.

Sec. 3. Minnesota Statutes 1998, section 297A.15, is amended by adding a subdivision to read:

Subd. 8. [REFUND; APPROPRIATION; COMMUTER RAIL FUEL.] If fuel described in section 297A.25, subdivision 7, clause (6), is purchased by the operator of the commuter rail system, a refund equal to the taxes paid on the fuel must be paid to the operator of the commuter rail system. The tax must be imposed and collected as if the sales were taxable and the rate under section 297A.02, subdivision 1, applied. An application for refund must be submitted by the operator of the commuter rail system and must include sufficient information to permit the commissioner to verify the sales taxes paid. The amount required to make the refunds is annually appropriated to the commissioner. Interest must be paid on the refund at the rate in section 270.76 from 60 days after the date the refund claim is filed with the commissioner.

**EFFECTIVE DATE:** This section is effective for purchases after June 30, 2000.

Sec. 4. Minnesota Statutes 1998, section 297A.25, subdivision 5, is amended to read:

Subd. 5. [OUTSTATE TRANSPORT OR DELIVERY.] The gross receipts from the following sales of, and storage, use, or consumption of, tangible personal property are exempt:

(1) property which, without intermediate use, is shipped or transported outside Minnesota by the purchaser and thereafter used in a trade or business or is stored, processed, fabricated or manufactured into, attached to or incorporated into other tangible personal property transported or shipped outside Minnesota and thereafter used in a trade or business outside Minnesota, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce (storage shall not constitute intermediate use); provided that the property is not subject to tax in that state or country to which it is transported for storage or use and provided further that sales of tangible personal property to be used in other states or countries as part of a maintenance contract shall be specifically exempt; or

(2) property which the seller delivers to a common carrier for delivery outside Minnesota, places in the United States mail or parcel post directed to the purchaser outside Minnesota, or delivers to the purchaser outside Minnesota by means of the seller's own delivery vehicles, and which is not thereafter returned to a point within Minnesota, except in the course of interstate commerce; or

(3) aircraft, as defined in section 360.511 and approved by the Federal Aviation Administration, and which the seller delivers to a purchaser outside Minnesota or which, without intermediate use, is shipped or transported outside Minnesota by the purchaser, but only if the purchaser is not a resident of Minnesota and provided that the aircraft is not thereafter returned to a point within Minnesota, except in the course of interstate commerce or isolated and occasional use and will be registered in another state or country upon its removal from Minnesota; this exemption applies even if the purchaser takes possession of the aircraft in Minnesota and uses the aircraft in the state exclusively for training purposes for a period not to exceed ten days prior to removing the aircraft from this state.

**EFFECTIVE DATE:** This section is effective for purchases made after the date of final enactment.

Sec. 5. Minnesota Statutes 1998, section 297A.25, subdivision 7, is amended to read:

Subd. 7. [PETROLEUM PRODUCTS.] The gross receipts from the sale of and storage, use or consumption of the following petroleum products are exempt:

(1) products upon which a tax has been imposed and paid under the provisions of chapter 296A, and no refund has been or will be allowed because the buyer used the fuel for nonhighway use;

(2) products which are used in the improvement of agricultural land by constructing,

maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment, and other erosion control structures;

(3) products purchased by a transit system receiving financial assistance under section 174.24 or 473.384;

(4) products used in a passenger snowmobile, as defined in section 296A.01, subdivision 39, for off-highway business use as part of the operations of a resort as provided under section 296A.16, subdivision 2, clause (2); or

(5) products purchased by a state or a political subdivision of a state for use in motor vehicles exempt from registration under section 168.012, subdivision 1, paragraph (b); or

(6) products purchased for use as fuel for a commuter rail system operating under sections 174.80 to 174.90, provided that the tax must be paid on these purchases and a refund of the tax applied for as provided in section 297A.15, subdivision 8.

**EFFECTIVE DATE:** This section is effective for purchases after June 30, 2000.

Sec. 6. Minnesota Statutes 1999 Supplement, section 297A.25, subdivision 9, is amended to read:

Subd. 9. [MATERIALS CONSUMED IN PRODUCTION.] The gross receipts from the sale of and the storage, use, or consumption of all materials, including chemicals, fuels, petroleum products, lubricants, packaging materials, including returnable containers used in packaging food and beverage products, feeds, seeds, fertilizers, electricity, gas and steam, used or consumed in agricultural or industrial production of personal property intended to be sold ultimately at retail, whether or not the item so used becomes an ingredient or constituent part of the property produced are exempt. Seeds, trees, fertilizers, and herbicides purchased for use by farmers in the Conservation Reserve Program under United States Code, title 16, section 590h, as amended through December 31, 1991, the Integrated Farm Management Program under section 1627 of Public Law Number 101-624, the Wheat and Feed Grain Programs under sections 301 to 305 and 401 to 405 of Public Law Number 101-624, and the conservation reserve program under sections 103F.505 to 103F.531, are included in this exemption. Sales to a veterinarian of materials used or consumed in the care, medication, and treatment of horses and agricultural production animals are exempt under this subdivision. Chemicals used for cleaning food processing machinery and equipment are included in this exemption. Materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural or industrial production to treat waste generated as a result of the production process are included in this exemption. Such production shall include, but is not limited to, research, development, design or production of any tangible personal property, manufacturing, processing (other than by restaurants and consumers) of agricultural products whether vegetable or animal, commercial fishing, refining, smelting, reducing, brewing, distilling, printing, mining, quarrying, lumbering, generating electricity and the production of road building materials. Such production shall not include painting, cleaning, repairing or similar processing of property except as part of the original manufacturing process. Machinery, equipment, implements, tools, accessories, appliances, contrivances, furniture and fixtures, used in such production and fuel, electricity, gas or steam used for space heating or lighting, are not included within this exemption; however, accessory tools, equipment and other short lived items, which are separate detachable units used in producing a direct effect upon the product, where such items have an ordinary useful life of less than 12 months, are included within the exemption provided herein. The following materials, tools, and equipment used in metalcasting are exempt under this subdivision: crucibles, thermocouple protection sheaths and tubes, stalk tubes, refractory materials, molten metal filters and filter boxes, and degassing lances, and base blocks. Electricity used to make snow for outdoor use for ski hills, ski slopes, or ski trails is included in this exemption. Petroleum and special fuels used in producing or generating power for propelling ready-mixed concrete trucks on the public highways of this state are not included in this exemption.

**EFFECTIVE DATE:** This section is effective for sales and purchases made after June 30, 2000.

Sec. 7. Minnesota Statutes 1999 Supplement, section 297A.25, subdivision 11, is amended to read:

Subd. 11. [SALES TO GOVERNMENT.] The gross receipts from all sales, including sales in which title is retained by a seller or a vendor or is assigned to a third party under an installment sale or lease purchase agreement under section 465.71, of tangible personal property to, and all storage, use or consumption of such property by, the United States and its agencies and instrumentalities, the University of Minnesota, state universities, community colleges, technical colleges, state academies, the Perpich center for arts education, an instrumentality of a political subdivision that is accredited as an optional/special function school by the North Central Association of Colleges and Schools, school districts, public libraries, public library systems, multicounty, multitype library systems as defined in section 134.001, county law libraries under chapter 134A, state agency libraries, the state library under section 480.09, and the legislative reference library are exempt.

As used in this subdivision, "school districts" means public school entities and districts of every kind and nature organized under the laws of the state of Minnesota, including, without limitation, school districts, intermediate school districts, education districts, service cooperatives, secondary vocational cooperative centers, special education cooperatives, joint purchasing cooperatives, telecommunication cooperatives, regional management information centers, and any instrumentality of a school district, as defined in section 471.59.

Sales exempted by this subdivision include sales under section 297A.01, subdivision 3, paragraph (f).

Sales to hospitals and nursing homes owned and operated by political subdivisions of the state are exempt under this subdivision.

Sales of supplies and equipment used in the operation of an ambulance service owned and operated by a political subdivision of the state are exempt under this subdivision provided that the supplies and equipment are used in the course of providing medical care. Sales to a political subdivision of repair and replacement parts for emergency rescue vehicles and fire trucks and apparatus are exempt under this subdivision.

Sales to a political subdivision of machinery and equipment, except for motor vehicles, used directly for mixed municipal solid waste management services at a solid waste disposal facility as defined in section 115A.03, subdivision 10, are exempt under this subdivision.

Sales to political subdivisions of chore and homemaking services to be provided to elderly or disabled individuals are exempt.

Sales to a town of gravel and of machinery, equipment, and accessories, except motor vehicles, used exclusively for road and bridge maintenance, and leases of motor vehicles exempt from tax under section 297B.03, clause (10), are exempt.

Sales of telephone services to the department of administration that are used to provide telecommunications services through the intertechnologies revolving fund are exempt under this subdivision.

This exemption shall not apply to building, construction or reconstruction materials purchased by a contractor or a subcontractor as a part of a lump-sum contract or similar type of contract with a guaranteed maximum price covering both labor and materials for use in the construction, alteration, or repair of a building or facility except for facilities the construction materials of which are exempt under subdivision 65. This exemption does not apply to construction materials purchased by tax exempt entities or their contractors to be used in constructing buildings or facilities which will not be used principally by the tax exempt entities.

This exemption does not apply to the leasing of a motor vehicle as defined in section 297B.01, subdivision 5, except for leases entered into by the United States or its agencies or instrumentalities.

The tax imposed on sales to political subdivisions of the state under this section applies to all political subdivisions other than those explicitly exempted under this subdivision, notwithstanding section 115A.69, subdivision 6, 116A.25, 360.035, 458A.09, 458A.30, 458D.23, 469.101, subdivision 2, 469.127, 473.448, 473.545, or 473.608 or any other law to the contrary enacted before 1992.

Sales exempted by this subdivision include sales made to other states or political subdivisions of other states, if the sale would be exempt from taxation if it occurred in that state, but do not include sales under section 297A.01, subdivision 3, paragraphs (c) and (e).

**EFFECTIVE DATE:** This section is effective for purchases after June 30, 2000.

Sec. 8. Minnesota Statutes 1998, section 297A.25, subdivision 65, is amended to read:

Subd. 65. [CONSTRUCTION MATERIALS FOR CORRECTIONAL FACILITIES.] The gross receipts from the sale of and storage, use, or consumption of construction materials and supplies are exempt from the tax imposed under this chapter if purchased for use in a project to construct or improve an adult or juvenile correctional facility in a county, home rule charter city, or statutory city, and if the project is mandated by state or federal law, rule, or regulation. Construction materials and supplies used in a project to construct or improve a building used in part as an adult or juvenile correctional facility are exempt to the extent they are used for the correctional facility and for court facilities related to the detention and arraignment process. The exemption applies regardless of whether the materials and supplies are purchased by the city or county, or by a contractor, subcontractor, or builder under a contract with the city or county.

**EFFECTIVE DATE:** This section is effective for purchases after December 31, 1998.

Sec. 9. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 84. [PATENT, TRADEMARK, AND COPYRIGHT DRAWINGS AND DOCUMENTS.] The gross receipts from sales of, and use, storage, distribution, or consumption of, drawings, diagrams, or other documents or copies are exempt if they are: (1) produced and sold by patent drafters for use in patent, trademark, or copyright applications to be filed with government agencies; or (2) used in judicial or quasi-judicial proceedings, including mediations and arbitrations.

**EFFECTIVE DATE:** This section is retroactively effective for sales, use, storage, distribution, or consumption occurring on or after January 1, 1993.

Sec. 10. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 85. [CONSTRUCTION MATERIALS FOR QUALIFIED LOW-INCOME HOUSING PROJECTS.] Purchases of materials and supplies used or consumed in and equipment incorporated into the construction, improvement, or expansion of qualified low-income housing projects are exempt from the tax imposed under this chapter if the owner of the qualified low-income housing project is the public housing agency or housing and redevelopment authority of a political subdivision.

This exemption applies regardless of whether the purchases are made by the owner of the facility or a contractor.

For purposes of this exemption, "qualified low-income housing project" means:

(1) a housing or mixed use project in which at least 20 percent of the residential units meet the income requirements of low-income rental housing units as defined in section 273.126;

(2) a federally assisted low-income housing project financed by a mortgage insured or held by the United States Department of Housing and Urban Development under United States Code, title 12, section 1701s, 1715l(d)(3), 1715l(d)(4), or 1715z-1; United States Code, title 42, section 1437f; the Native American Housing Assistance and Self-Determination Act, United States Code, title 25, section 4101 et seq.; or any similar successor federal low-income housing program; or

(3) a project that meets the income requirements that apply to:

(i) a qualified low-income housing project as defined in United States Code, title 26, section 42(g); or

(ii) a project operated in compliance with Internal Revenue Service revenue procedure 96-32.

**EFFECTIVE DATE:** This section is effective for sales after June 30, 2000.

Sec. 11. Minnesota Statutes 1998, section 297A.25, is amended by adding a subdivision to read:

Subd. 86. [MACHINERY AND EQUIPMENT FOR SKI AREAS.] The gross receipts from the sale, storage, use, or consumption of tangible personal property used or consumed primarily and directly for tramways or in snowmaking or snow-grooming operations at ski hills, ski slopes, or ski trails, including machinery, equipment, fuel, electricity, and water additives used in the production and maintenance of machine-made snow, are exempt.

**EFFECTIVE DATE:** This section is effective for sales after June 30, 2000.

Sec. 12. Laws 1995, chapter 264, article 2, section 44, as amended by Laws 1996, chapter 471, article 2, section 27, and Laws 1998, chapter 389, article 8, section 33, is amended to read:

Sec. 44. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment.

Sections 3 and 4 are effective June 1, 1995. Section 4 is repealed June 1, 2000.

Sections 5 to 21 and 43, paragraph (a), are effective July 1, 1995.

Sections 23, 28, 33, 40, 42, and the part of section 22 amending language in paragraph (i), clause (vii), are effective the day following final enactment.

Sections 24 and 34 are effective for sales made after December 31, 1996.

Section 25 is effective beginning with leases or rentals made after June 30, 1995.

Section 26 is effective retroactively for sales after May 31, 1992.

Section 27 is effective for sales made after June 30, 1995.

Section 29 and the part of section 22 striking the language after paragraph (h) are effective for sales after June 30, 1995.

Section 32 is effective for sales made after June 30, 1995, and before July 1, 1999 2000.

Sections 35 and 36 are effective for sales or transfers made after June 30, 1995.

Section 38 is effective the day after the governing body of the city of Winona complies with Minnesota Statutes, section 645.021, subdivision 3.

Section 39 is effective upon compliance by the Minneapolis city council with Minnesota Statutes, section 645.021, subdivision 3.

Section 43, paragraph (b), is effective for sales of 900 information services made after June 30, 1995.

**EFFECTIVE DATE:** This section is retroactively effective for sales and purchases on or after July 1, 1999.

Sec. 13. [LOCAL TAXES ON MOTOR VEHICLES PROHIBITED.]

(a) Except as provided in paragraph (b), after June 30, 2000, no home rule charter or statutory

city, county, or other political subdivision may impose a tax on the sale, transfer, or use of a motor vehicle that exceeds the tax authorized under section 14.

(b) If, on March 8, 2000, a tax was in effect in a home rule charter or statutory city, county, or other political subdivision that exceeded the limit imposed under section 2, the rate of that tax is reduced as follows:

(1) for sales or transfers after December 31, 2000, and before January 1, 2002, the tax rate in effect on March 8, 2000, is reduced by 25 percent;

(2) for sales or transfers after December 31, 2001, and before January 1, 2003, the tax rate in effect on March 8, 2000, is reduced by 50 percent; and

(3) for sales or transfers after December 31, 2002, and before January 1, 2004, the tax rate in effect on March 8, 2000, is reduced by 75 percent.

For sales or transfers after December 31, 2003, the political subdivision may impose no tax except as authorized under section 14.

Sec. 14. [LOCAL EXCISE TAX ON MOTOR VEHICLES AUTHORIZED.]

Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if a sales and use tax on motor vehicles that was imposed by a political subdivision is terminated under section 13, the political subdivision may impose by ordinance an excise tax of up to \$20 per motor vehicle, as defined by ordinance, that was purchased or acquired from any person engaged within the territory of the political subdivision in the business of selling motor vehicles at retail. The proceeds of the tax must be used for the purposes for which the tax terminated under section 13 was used.

**EFFECTIVE DATE:** This section and section 13 are effective July 1, 2000.

Sec. 15. [DEVELOPMENT OF SALES AND USE TAX COLLECTION SYSTEM.]

Subdivision 1. [AUTHORIZATION TO ENTER INTO MULTISTATE DISCUSSIONS.] The commissioner of revenue may enter into discussions with states regarding development of a multistate, voluntary, streamlined system for sales and use tax collection and administration. These discussions will focus on development of a system that is capable of determining whether a transaction is taxable or exempt, the appropriate tax rate applied to the transaction, and the total tax due on the transaction, and shall provide a method for collecting and remitting sales and use taxes to the state. The system may provide compensation for the costs of collecting and remitting sales and use taxes. Discussions between the department and other states may result in developing and issuing a joint request for information from public and private potential parties. The commissioner must publish the notices in the State Register.

Subd. 2. [LIMITED TEST AUTHORIZATION.] (a) The commissioner may participate in a sales tax pilot project with other states and selected businesses to test a means for simplifying sales and use tax administration, and may enter into joint agreements for that purpose.

(b) Agreements to participate in the test will establish provisions for the administration, imposition, and collection of sales and use taxes resulting in revenues paid by the taxpayer that are the same as would be paid under existing law.

(c) Parties to the agreements are excused from complying with the provisions of Minnesota Statutes, chapters 289A and 297A, to the extent a different procedure is required by the agreements.

(d) Agreements authorized under this section terminate no later than December 31, 2001.

Subd. 3. [DISCLOSURE.] Any agreements entered into under subdivision 1 or 2 are subject to the provisions of Minnesota Statutes, chapter 270B.

Subd. 4. [REPORT ON PROJECT.] By March 1, 2002, the commissioner shall report to the

chairs of the house of representatives tax committee and the senate committee on taxes. The report must describe the status of multistate discussions conducted under subdivision 1 and, if a proposed system has been agreed upon by participating states, must also recommend whether the state should participate in the system.

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

Sec. 16. [REPEALER.]

Minnesota Statutes 1998, section 297A.15, subdivision 7, is repealed.

ARTICLE 8  
SPECIAL TAXES

Section 1. Minnesota Statutes 1998, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. [DOMESTIC AND FOREIGN COMPANIES.] (a) On or before April 1, June 1, and December 1 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies, domestic mutual insurance companies, marine insurance companies, health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. Except as provided in paragraphs (d), (e), (h), and (i), installments must be based on a sum equal to two percent of the premiums described in paragraph (b).

(b) Installments under paragraph (a), (d), or (e) are percentages of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise, during such year.

(c) Failure of a company to make payments of at least one-third of either (1) the total tax paid during the previous calendar year or (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section, unless the total tax for the current tax year is \$500 or less.

(d) For health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks, the installments must be based on an amount determined under paragraph (h) or (i).

(e) For purposes of computing installments for town and farmers' mutual insurance companies and for mutual property casualty companies with total assets on December 31, 1989, of \$1,600,000,000 or less, the following rates apply:

(1) for all life insurance, two percent;

(2) for town and farmers' mutual insurance companies and for mutual property and casualty companies with total assets of \$5,000,000 or less, on all other coverages, one percent; and

(3) for mutual property and casualty companies with total assets on December 31, 1989, of \$1,600,000,000 or less, on all other coverages, 1.26 percent.

(f) If the aggregate amount of premium tax payments under this section and the fire marshal tax payments under section 299F.21 made during a calendar year is equal to or exceeds \$120,000, all tax payments in the subsequent calendar year must be paid by means of a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the payment is due. If the date the payment is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the payment is due.

(g) Premiums under medical assistance, general assistance medical care, the MinnesotaCare program, and the Minnesota comprehensive health insurance plan and all payments, revenues, and

reimbursements received from the federal government for Medicare-related coverage as defined in section 62A.31, subdivision 3, paragraph (e), are not subject to tax under this section.

(h) For calendar years 1997, 1998, and 1999, the installments for health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations must be based on an amount equal to one percent of premiums described under paragraph (b). Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1996 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1997, and before April 1, 1998. Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1997 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1998, and before April 1, 1999. Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1998 are exempt from payment of the tax imposed under this section for premiums paid after March 30, 1999, and before January 1, 2000.

(i) Health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations are exempt from the tax imposed under this section on premiums received in calendar years 2000 and 2001.

~~(i) For calendar years after 1999, The commissioner of finance shall determine the balance of the health care access fund on September 1 of each year beginning September 1, 1999 2000. If the commissioner determines that there is no structural deficit for the next fiscal year, no tax shall be imposed under paragraph (d) for the following calendar year beginning six months after the fiscal year has begun. If the commissioner determines that there will be a structural deficit in the fund for the following fiscal year, then the commissioner, in consultation with the commissioner of revenue, shall determine the amount needed to eliminate the structural deficit and a tax shall be imposed under paragraph (d) for the following calendar year beginning six months after that fiscal year has begun. The commissioner shall determine the rate of the tax as either one-quarter of one percent, one-half of one percent, three-quarters of one percent, or one percent of premiums described in paragraph (b), whichever is the lowest of those rates that the commissioner determines will produce sufficient revenue to eliminate the projected structural deficit. The commissioner of finance shall publish in the State Register by October 1 of each year the amount of tax to be imposed for the following calendar year. In determining the structural balance of the health care access fund for fiscal years 2000 and 2001, the commissioner shall disregard the transfer amount from the health care access fund to the general fund for expenditures associated with the services provided to pregnant women and children under the age of two enrolled in the MinnesotaCare program.~~

(j) In approving the premium rates as required in sections 62L.08, subdivision 8, and 62A.65, subdivision 3, the commissioners of health and commerce shall ensure that any exemption from the tax as described in paragraphs (h) and (i) is reflected in the premium rate.

**EFFECTIVE DATE:** This section is effective for taxes on premiums received after December 31, 1999.

Sec. 2. Minnesota Statutes 1998, section 295.50, subdivision 9b, is amended to read:

Subd. 9b. [PATIENT SERVICES.] (a) "Patient services" means inpatient and outpatient services and other goods and services provided by hospitals, surgical centers, or health care providers. They include the following health care goods and services provided to a patient or consumer:

- (1) bed and board;
- (2) nursing services and other related services;

- (3) use of hospitals, surgical centers, or health care provider facilities;
- (4) medical social services;
- (5) drugs, biologicals, supplies, appliances, and equipment;
- (6) other diagnostic or therapeutic items or services;
- (7) medical or surgical services;
- (8) items and services furnished to ambulatory patients not requiring emergency care;
- (9) emergency services; and
- (10) covered services listed in section 256B.0625 and in Minnesota Rules, parts 9505.0170 to 9505.0475.

(b) "Patient services" does not include:

- (1) services provided to nursing homes licensed under chapter 144A; and
- (2) examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviews of medical records for those purposes.

**EFFECTIVE DATE:** This section is effective for payments received on or after January 1, 2000.

Sec. 3. Minnesota Statutes 1999 Supplement, section 295.53, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTIONS.] (a) The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.57:

- (1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and copayments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10). Payments for services not covered by Medicare are taxable;
- (2) medical assistance payments including payments received directly from the government or from a prepaid plan;
- (3) payments received for home health care services;
- (4) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (2), (7), (8), (10), ~~or (13)~~, or (20);
- (5) payments received from health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (2), (7), (8), (10), ~~or (13)~~, or (20);
- (6) amounts paid for legend drugs, other than nutritional products, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs under clauses (1), (2), (7), and (8);
- (7) payments received under the general assistance medical care program including payments received directly from the government or from a prepaid plan;
- (8) payments received for providing services under the MinnesotaCare program including payments received directly from the government or from a prepaid plan and enrollee deductibles, coinsurance, and copayments. For purposes of this clause, coinsurance means the portion of payment that the enrollee is required to pay for the covered service;

(9) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota;

(10) payments received from the chemical dependency fund under chapter 254B;

(11) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

(12) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;

(13) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer;

(14) payments received for services provided by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0690, community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, and community mental health centers as defined in section 245.62, subdivision 2;

(15) government payments received by a regional treatment center;

(16) payments received for hospice care services;

(17) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota;

(18) payments received by an educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants. Fee for service payments and payments for extended coverage are taxable;

(19) payments received for services provided by: assisted living programs and congregate housing programs; and

~~(20) payments received from nursing homes licensed under chapter 144A for services provided to a nursing home; and~~

~~(21) payments received for examinations for purposes of utilization reviews, insurance claims or eligibility, litigation, and employment, including reviews of medical records for those purposes.~~

(20) payments received under the federal Employees Health Benefits Act, United States Code, title 5, section 8909(f), as amended by the Omnibus Reconciliation Act of 1990.

(b) Payments received by wholesale drug distributors for legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

**EFFECTIVE DATE:** This section is effective for payments received on or after January 1, 2000.

Sec. 4. Minnesota Statutes 1999 Supplement, section 297E.02, subdivision 1, is amended to read:

Subdivision 1. [IMPOSITION.] A tax is imposed on all lawful gambling other than (1) pull-tab deals or games; (2) tipboard deals or games; and (3) items listed in section 297E.01, subdivision 8, clauses (4) and (5), at the rate of 9 8.75 percent on the gross receipts as defined in section 297E.01, subdivision 8, less prizes actually paid. The tax imposed by this subdivision is in lieu of the tax imposed by section 297A.02 and all local taxes and license fees except a fee authorized under section 349.16, subdivision 8, or a tax authorized under subdivision 5.

The tax imposed under this subdivision is payable by the organization or party conducting, directly or indirectly, the gambling.

Sec. 5. Minnesota Statutes 1999 Supplement, section 297E.02, subdivision 4, is amended to read:

Subd. 4. [PULL-TAB AND TIPBOARD TAX.] (a) A tax is imposed on the sale of each deal of pull-tabs and tipboards sold by a distributor. The rate of the tax is ~~1.8~~ 1.75 percent of the ideal gross of the pull-tab or tipboard deal. The sales tax imposed by chapter ~~297A~~ on the sale of the pull-tabs and tipboards by the distributor is imposed on the retail sales price less the tax imposed by this subdivision. The retail sale of pull-tabs or tipboards by the organization is exempt from taxes imposed by chapter 297A and is exempt from all local taxes and license fees except a fee authorized under section 349.16, subdivision 8.

(b) The liability for the tax imposed by this section is incurred when the pull-tabs and tipboards are delivered by the distributor to the customer or to a common or contract carrier for delivery to the customer, or when received by the customer's authorized representative at the distributor's place of business, regardless of the distributor's method of accounting or the terms of the sale.

The tax imposed by this subdivision is imposed on all sales of pull-tabs and tipboards, except the following:

- (1) sales to the governing body of an Indian tribal organization for use on an Indian reservation;
- (2) sales to distributors licensed under the laws of another state or of a province of Canada, as long as all statutory and regulatory requirements are met in the other state or province;
- (3) sales of promotional tickets as defined in section 349.12; and
- (4) pull-tabs and tipboards sold to an organization that sells pull-tabs and tipboards under the exemption from licensing in section 349.166, subdivision 2. A distributor shall require an organization conducting exempt gambling to show proof of its exempt status before making a tax-exempt sale of pull-tabs or tipboards to the organization. A distributor shall identify, on all reports submitted to the commissioner, all sales of pull-tabs and tipboards that are exempt from tax under this subdivision.

(c) A distributor having a liability of \$120,000 or more during a fiscal year ending June 30 must remit all liabilities in the subsequent calendar year by a funds transfer as defined in section 336.4A-104, paragraph (a). The funds transfer payment date, as defined in section 336.4A-401, must be on or before the date the tax is due. If the date the tax is due is not a funds transfer business day, as defined in section 336.4A-105, paragraph (a), clause (4), the payment date must be on or before the funds transfer business day next following the date the tax is due.

(d) Any customer who purchases deals of pull-tabs or tipboards from a distributor may file an annual claim for a refund or credit of taxes paid pursuant to this subdivision for unsold pull-tab and tipboard tickets. The claim must be filed with the commissioner on a form prescribed by the commissioner by March 20 of the year following the calendar year for which the refund is claimed. The refund must be filed as part of the customer's February monthly return. The refund or credit is equal to ~~1.8~~ 1.75 percent of the face value of the unsold pull-tab or tipboard tickets, provided that the refund or credit will be ~~1.85~~ 1.775 percent of the face value of the unsold pull-tab or tipboard tickets for claims for a refund or credit of taxes filed on the February ~~2000~~ 2001 monthly return. The refund claimed will be applied as a credit against tax owing under this chapter on the February monthly return. If the refund claimed exceeds the tax owing on the February monthly return, that amount will be refunded. The amount refunded will bear interest pursuant to section 270.76 from 90 days after the claim is filed.

Sec. 6. Minnesota Statutes 1999 Supplement, section 297E.02, subdivision 6, is amended to read:

Subd. 6. [COMBINED RECEIPTS TAX.] In addition to the taxes imposed under subdivisions 1 and 4, a tax is imposed on the combined receipts of the organization. As used in this section, "combined receipts" is the sum of the organization's gross receipts from lawful gambling less gross receipts directly derived from the conduct of bingo, raffles, and paddlewheels, as defined in section 297E.01, subdivision 8, for the fiscal year. The combined receipts of an organization are subject to a tax computed according to the following schedule:

If the combined receipts for the fiscal year are:	The tax is:
Not over \$500,000	zero
Over \$500,000, but not over \$700,000	1.8 <u>1.75</u> percent of the amount over \$500,000, but not over \$700,000
Over \$700,000, but not over \$900,000	<del>\$3,600</del> \$3,500 plus 3.6 <u>3.5</u> percent of the amount over \$700,000, but not over \$900,000
Over \$900,000	<del>\$10,800</del> \$10,500 plus 5.4 <u>5.25</u> percent of the amount over \$900,000

**EFFECTIVE DATE:** Sections 4 to 6 are effective July 1, 2000.

Sec. 7. Minnesota Statutes 1998, section 297F.01, subdivision 17, is amended to read:

Subd. 17. [STAMP.] "Stamp" means the adhesive stamp supplied by the commissioner of revenue for use on cigarette packages or any other indicia adopted by the commissioner to indicate that the tax has been paid.

Sec. 8. Minnesota Statutes 1998, section 297F.08, subdivision 2, is amended to read:

Subd. 2. [TAX DUE; CIGARETTES.] Notwithstanding any other provisions of this chapter, the tax due on the return is based upon actual ~~heat-applied~~ stamps purchased during the reporting period.

Sec. 9. Minnesota Statutes 1998, section 297F.08, subdivision 4, is amended to read:

Subd. 4. [STAMPS; DESIGN, PRINTING.] The commissioner shall adopt the design of two stamps. One stamp must be designed for application to cigarette packages destined for retail sale on an Indian reservation which is a party to an agreement under section 270.60, subdivision 2, and only to those packages. A second stamp must be designed for all other cigarette packages subject to the provisions of this chapter. The commissioner shall arrange for the printing of stamps in such amounts and denominations as the commissioner deems necessary. All stamps prescribed by the commissioner shall be designed and furnished so as to permit identification of the distributor that affixed the stamp to the particular package of cigarettes, by means of a serial number or other mark on the stamp. The commissioner shall maintain for not less than three years information identifying which distributor affixed the tax stamp to each package of cigarettes, which information shall not be confidential or exempt from disclosure to the public.

Sec. 10. Minnesota Statutes 1998, section 297F.08, subdivision 5, is amended to read:

Subd. 5. [DEPOSIT OF PROCEEDS.] The commissioner shall use the amounts appropriated by law to purchase ~~heat-applied~~ stamps for resale. The commissioner shall charge the purchasers for the costs of the stamps along with the tax value plus shipping costs. The costs recovered along with shipping costs must be deposited into the general fund.

Sec. 11. Minnesota Statutes 1998, section 297F.08, subdivision 8, is amended to read:

Subd. 8. [SALE OF STAMPS.] The commissioner may sell ~~heat-applied~~ stamps on a credit basis under conditions prescribed by the commissioner. The commissioner shall sell the stamps at a price which includes the tax after giving effect to the discount provided in subdivision 7. The commissioner shall recover the actual costs of the stamps from the distributor. The commissioner shall annually establish the maximum amount of ~~heat-applied~~ stamps that may be purchased each month.

Sec. 12. Minnesota Statutes 1999 Supplement, section 297F.08, subdivision 8a, is amended to read:

Subd. 8a. [REVOLVING ACCOUNT.] A ~~heat-applied~~ cigarette tax stamp revolving account is created. The commissioner shall use the amounts in this fund to purchase ~~heat-applied~~ stamps for resale. The commissioner shall charge distributors for the tax value of the stamps they receive along with the commissioner's cost to purchase the stamps and ship them to the distributor. The stamp purchase and shipping costs recovered must be credited to the revolving account and are appropriated to the commissioner for the further purchases and shipping costs. The revolving account is initially funded by a \$40,000 transfer from the department of revenue.

**EFFECTIVE DATE:** Sections 7 to 11 are effective the day following final enactment.

Sec. 13. [297F.085] [CIGARETTE ENFORCEMENT.]

Subdivision 1. [PROHIBITIONS.] (a) It is unlawful for any person to sell or distribute in this state; to acquire, hold, own, possess, or transport, for sale or distribution in this state; or to import, or cause to be imported, into this state for sale or distribution in this state, any cigarettes:

(1) the package of which:

(i) bears any statement, label, stamp, sticker, or notice indicating that the manufacturer did not intend the cigarettes to be sold, distributed, or used in the United States, including, but not limited to, labels stating "For Export Only," "U.S. Tax-Exempt," "For Use Outside U.S.," or similar wording; or

(ii) does not comply with all requirements imposed by or pursuant to federal law regarding warnings and other information on packages of cigarettes manufactured, packaged, or imported for sale, distribution, or use in the United States, including, but not limited to, the precise warning labels specified in the federal Cigarette Labeling and Advertising Act, United States Code, title 15, section 1333;

(2) imported into the United States in violation of United States Code, title 26, section 5754, or any other federal law or regulation;

(3) that the person otherwise knows or has reason to know the manufacturer did not intend to be sold, distributed, or used in the United States; or

(4) for which there has not been submitted to the secretary of the United States Department of Health and Human Services the list or lists of the ingredients added to tobacco in the manufacture of the cigarettes required by the federal Cigarette Labeling and Advertising Act, United States Code, title 15, section 1335a.

(b) It is unlawful for any person to alter the package of any cigarettes, prior to sale or distribution to the ultimate consumer, so as to remove, conceal, or obscure:

(1) any statement, label, stamp, sticker, or notice described in paragraph (a), clause (1), item (i);  
or

(2) any health warning that is not specified in, or does not conform with the requirements of the federal Cigarette Labeling and Advertising Act, United States Code, title 15, section 1333.

It is unlawful for any person to affix any stamp required under this chapter to the package of any cigarettes described in paragraph (a) or altered in violation of paragraph (b).

Subd. 2. [ENFORCEMENT.] (a) The commissioner may revoke or suspend the license or licenses of any distributor or subjobber for a violation of subdivision 1 or any implementing rule promulgated by the commissioner pursuant to the procedures set forth in section 297F.04.

(b) A municipal or county authority that has licensed a retailer under section 461.12, subdivision 1, may impose administrative sanctions for violations of subdivision 1, including suspending or revoking the retailer's license, pursuant to the procedures in section 461.12, subdivision 7.

(c) Cigarettes acquired, held, owned, possessed, transported in, imported into, or sold or distributed in this state in violation of subdivision 1 shall be deemed contraband under section 297F.21, and are subject to seizure and forfeiture as provided therein; provided, however, that all such cigarettes so seized and forfeited shall be destroyed. Such cigarettes shall be deemed contraband whether or not the violation of subdivision 1 is knowing.

(d) In addition to any other remedy provided by law, any person that sustains economic damages or commercial injury as a result of any violation of subdivision 1 may bring an action for appropriate injunctive or other equitable relief, actual damages, if any, sustained by reason of the violation, and, as determined by the court, interest on the damages from the date of the complaint, taxable costs, and reasonable attorney fees. If the trier of fact finds that the violation is egregious, it may increase recovery to an amount not in excess of three times the actual damages sustained by reason of the violation.

Subd. 3. [UNFAIR TRADE PRACTICES.] A violation of subdivision 1 constitutes an unlawful trade practice as provided in section 325D.13, and, in addition to any remedies or penalties set forth in this section, is subject to any remedies or penalties available for a violation of that section.

Subd. 4. [UNFAIR CIGARETTE SALES.] For purposes of sections 325D.30 to 325D.42, cigarettes imported or reimported into the United States for sale or distribution under any trade name, trade dress, or trademark that is the same as, or is confusingly similar to, any trade name, trade dress, or trademark used for cigarettes manufactured in the United States for sale or distribution in the United States are presumed to have been purchased outside of the ordinary channels of trade.

Subd. 5. [APPLICABILITY.] This section does not apply to cigarettes imported or reimported into the United States for personal use and cigarettes sold or intended to be sold as duty-free merchandise by a duty-free sales enterprise in accordance with the provisions of United States Code, title 19, section 1555(b), and any implementing regulations; provided, however, that this section shall apply to any such cigarettes that are brought back into the customs territory for resale within the customs territory.

Subd. 6. [VIOLATION.] A violation of this section is a misdemeanor.

Sec. 14. Minnesota Statutes 1998, section 297F.21, subdivision 1, is amended to read:

Subdivision 1. [CONTRABAND DEFINED.] The following are declared to be contraband and therefore subject to civil and criminal penalties under this chapter:

(a) Cigarette packages which do not have stamps affixed to them as provided in this chapter, including but not limited to (i) packages with illegible stamps and packages with stamps that are not complete or whole even if the stamps are legible, and (ii) all devices for the vending of cigarettes in which packages as defined in item (i) are found, including all contents contained within the devices.

(b) A device for the vending of cigarettes and all packages of cigarettes, where the device does not afford at least partial visibility of contents. Where any package exposed to view does not carry the stamp required by this chapter, it shall be presumed that all packages contained in the device are unstamped and contraband.

(c) A device for the vending of cigarettes to which the commissioner or authorized agents have been denied access for the inspection of contents. In lieu of seizure, the commissioner or an agent may seal the device to prevent its use until inspection of contents is permitted.

(d) A device for the vending of cigarettes which does not carry the name and address of the owner, plainly marked and visible from the front of the machine.

(e) A device including, but not limited to, motor vehicles, trailers, snowmobiles, airplanes, and boats used with the knowledge of the owner or of a person operating with the consent of the owner for the storage or transportation of more than 5,000 cigarettes which are contraband under this

subdivision. When cigarettes are being transported in the course of interstate commerce, or are in movement from either a public warehouse to a distributor upon orders from a manufacturer or distributor, or from one distributor to another, the cigarettes are not contraband, notwithstanding the provisions of clause (a).

(f) Cigarette packages or tobacco products obtained from an unlicensed seller.

(g) Cigarette packages offered for sale or held as inventory in violation of section 297F.20, subdivision 7.

(h) Tobacco products on which the tax has not been paid by a licensed distributor.

(i) Any cigarette packages or tobacco products offered for sale or held as inventory for which there is not an invoice from a licensed seller as required under section 297F.13, subdivision 4.

(j) Cigarette packages which have been imported into the United States in violation of United States Code, title 26, section 5754. All cigarettes held in violation of that section shall be presumed to have entered the United States after December 31, 1999, in the absence of proof to the contrary.

**EFFECTIVE DATE:** This section, paragraph (i), is effective July 1, 2000, and this section, paragraph (j), is effective the day following final enactment.

Sec. 15. Minnesota Statutes 1998, section 297F.21, subdivision 3, is amended to read:

Subd. 3. [INVENTORY; JUDICIAL DETERMINATION; APPEAL; DISPOSITION OF SEIZED PROPERTY.] (a) Within ten days after the seizure of any alleged contraband, the person making the seizure shall make available an inventory of the property seized to the person from whom the seizure was made, if known, and file a copy with the commissioner. Within ten days after the date of service of the inventory, the person from whom the property was seized or any person claiming an interest in the property may file with the commissioner a demand for a judicial determination of the question as to whether the property was lawfully subject to seizure and forfeiture. The commissioner, within 60 days, shall institute an action in the district court of the county where the seizure was made to determine the issue of forfeiture. The court shall decide whether the alleged contraband is contraband, as defined in subdivision 1.

(b) The action must be brought in the name of the state and must be prosecuted by the county attorney or by the attorney general. The court shall hear the action without a jury and shall try and determine the issues of fact and law involved.

(c) When a judgment of forfeiture is entered, the commissioner may, unless the judgment is stayed pending an appeal, either:

(1) deliver the forfeited property to the commissioner of human services for use by patients in state institutions;

(2) cause it to be destroyed; or

(3) cause it to be sold at public auction as provided by law.

(d) If a demand for judicial determination is made and no action commenced as provided in this subdivision, the property must be released by the commissioner and returned to the person entitled to it. If no demand is made, the property seized is considered forfeited to the state by operation of law and may be disposed of by the commissioner as provided in the case of a judgment of forfeiture. ~~When the commissioner is satisfied that a person from whom property is seized was acting in good faith and without intent to evade the tax imposed by this chapter, the commissioner shall release the property seized without further legal proceedings.~~

**EFFECTIVE DATE:** This section is effective for alleged contraband seized on or after the day following final enactment.

Sec. 16. Minnesota Statutes 1998, section 297F.08, subdivision 9, is amended to read:

Subd. 9. [TAX STAMPING MACHINES.] The commissioner shall require any person licensed as a distributor to stamp packages with a heat-applied tax stamping machine, approved by the commissioner, which shall be provided by the distributor. The commissioner shall also supervise and check the operation of the machines and shall provide for the payment of the tax on any package so stamped, subject to the discount provided in subdivision 7. If the commissioner finds that a stamping machine is not affixing a legible stamp on the package, the commissioner may order the distributor to immediately cease the stamping process until the machine is functioning properly.

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

#### ARTICLE 9

#### PROPERTY TAXES AND AIDS

Section 1. Minnesota Statutes 1998, section 97A.061, is amended by adding a subdivision to read:

Subd. 4. [OFFSET OF PAYMENTS.] Payments to a county or town under this section must be reduced by the amount of payment to that county or town under section 477A.12 for the same lands in the same year.

**EFFECTIVE DATE:** This section is effective for payments made in calendar year 2001 and thereafter.

Sec. 2. Minnesota Statutes 1998, section 97A.061, is amended by adding a subdivision to read:

Subd. 5. [ALLOCATION OF PAYMENTS.] Notwithstanding section 477A.14, the amounts paid to a county under section 477A.14 for lands that are also subject to payment under this section shall be allocated within the county in accordance with subdivision 2.

**EFFECTIVE DATE:** This section is effective for payments made in calendar year 2001 and thereafter.

Sec. 3. Minnesota Statutes 1999 Supplement, section 123B.54, is amended to read:

123B.54 [DEBT SERVICE APPROPRIATION.]

(a) \$33,165,000 in fiscal year 2000, \$32,057,000 in fiscal year 2001, and \$31,280,000 in fiscal year 2002 and each year thereafter is appropriated from the general fund to the commissioner of children, families, and learning for payment of debt service equalization aid under section 123B.53. The 2002 appropriation includes \$3,201,000 for 2001 and \$29,079,000 for 2002.

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

(c) In addition to any other money specifically appropriated for this section, \$10,000,000 is appropriated from the general fund to the commissioner of children, families, and learning each year beginning in fiscal year 2002 for the purposes of this section. This represents 100 percent of the aid entitlement.

Sec. 4. Minnesota Statutes 1999 Supplement, section 272.02, subdivision 39, is amended to read:

Subd. 39. [ECONOMIC DEVELOPMENT; PUBLIC PURPOSE.] The holding of property by a political subdivision of the state for later resale for economic development purposes shall be considered a public purpose in accordance with subdivision 8 for a period not to exceed eight years for property located either:

(1) in the metropolitan area as defined in section 473.121; or

(2) in a city of over 10,000 population located outside of the metropolitan area,

and 15 years in the remainder of the state.

The holding of property by a political subdivision of the state for later resale (1) which is purchased or held for housing purposes, or (2) which meets the conditions described in section 469.174, subdivision 10, shall be considered a public purpose in accordance with subdivision 8.

The governing body of the political subdivision which acquires property which is subject to this subdivision shall after the purchase of the property certify to the city or county assessor whether the property is held for economic development purposes or housing purposes, or whether it meets the conditions of section 469.174, subdivision 10. If the property is acquired for economic development purposes and buildings or other improvements are constructed after acquisition of the property, and if more than one-half of the floor space of the buildings or improvements which is available for lease to or use by a private individual, corporation, or other entity is leased to or otherwise used by a private individual, corporation, or other entity the provisions of this subdivision shall not apply to the property. This subdivision shall not create an exemption from section 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of law providing for the taxation of or for payments in lieu of taxes for publicly held property which is leased, loaned, or otherwise made available and used by a private person.

**EFFECTIVE DATE:** This section is effective for taxes levied in 2000, payable in 2001, and thereafter.

Sec. 5. Minnesota Statutes 1999 Supplement, section 272.02, is amended by adding a subdivision to read:

Subd. 44. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 250 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

(1) utilize natural gas as a primary fuel;

(2) be located within 20 miles of parallel existing 16-inch and 12-inch (outside diameter) natural gas pipelines and a 345-kilovolt high-voltage electric transmission line; and

(3) be designed to provide peaking, emergency backup, or contingency services, and have received a certificate of need pursuant to section 216B.243 demonstrating demand for its capacity.

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

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

Sec. 6. Minnesota Statutes 1998, section 272.115, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENT.] Except as otherwise provided in subdivision 5, whenever any real estate is sold for a consideration in excess of \$1,000, whether by warranty deed, quitclaim deed, contract for deed or any other method of sale, the grantor, grantee or the legal agent of either shall file a certificate of value with the county auditor in the county in which the property is located when the deed or other document is presented for recording. This subdivision does not apply to a deed or other document which has been dated and acknowledged on or before December 31, 1997. Contract for deeds are subject to recording under section 507.235, subdivision 1. Value shall, in the case of any deed not a gift, be the amount of the full actual consideration thereof, paid or to be paid, including the amount of any lien or liens assumed. The items and value of personal property transferred with the real property must be listed and deducted from the sale price. The certificate of value shall include the classification to which the property belongs for the purpose of determining the fair market value of the property. The certificate shall include financing terms and conditions of the sale which are necessary to determine the actual,

present value of the sale price for purposes of the sales ratio study. The commissioner of revenue shall promulgate administrative rules specifying the financing terms and conditions which must be included on the certificate. Pursuant to the authority of the commissioner of revenue in section 270.066, the certificate of value must include the social security number or the federal employer identification number of the grantors and grantees. The identification numbers of the grantors and grantees are private data on individuals or nonpublic data as defined in section 13.02, subdivisions 9 and 12, but, notwithstanding that section, the private or nonpublic data may be disclosed to the commissioner of revenue for purposes of tax administration. The information required to be shown on the certificate of value is limited to the information required as of the date of the acknowledgment on the deed or other document to be recorded.

Sec. 7. Minnesota Statutes 1999 Supplement, section 273.124, subdivision 1, is amended to read:

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

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

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

Property of held by a trustee, beneficiary, or grantor of under a trust is not disqualified from receiving eligible for homestead benefits classification if the homestead requirements under this chapter are satisfied.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) in the case of a property owner who is not married, the owner is absent due to residence in a nursing home or boarding care facility and the property is not otherwise occupied; or

(2) in the case of a property owner who is married, the owner or the owner's spouse or both are absent due to residence in a nursing home or boarding care facility and the property is not occupied or is occupied only by the owner's spouse.

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

(h) If residential or agricultural real estate is occupied and used for purposes of a homestead by

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

**EFFECTIVE DATE:** This section is effective for taxes levied in 2000, payable in 2001, and thereafter.

Sec. 8. Minnesota Statutes 1999 Supplement, section 273.124, subdivision 14, is amended to read:

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

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

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

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

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

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

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

(1) the owner is actively farming the agricultural property;

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

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

(4) the owner does not live farther than four townships or cities, or a combination of four townships or cities, from the agricultural property.

As used in this paragraph, "owner" includes a shareholder of a family farm corporation that owns the property or a partner in a family farm partnership that owns the property.

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

(d) Agricultural land used for purposes of a homestead and actively farmed by a person holding a vested remainder interest in it must be classified as a homestead under section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a, any other dwellings on the

land used for purposes of a homestead by persons holding vested remainder interests who are actively engaged in farming the property, and up to one acre of the land surrounding each homestead and reasonably necessary for the use of the dwelling as a home, must also be assessed class 2a.

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

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

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

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

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

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

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

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

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

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

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

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

**EFFECTIVE DATE:** This section is effective for taxes levied in 2000, payable in 2001, and thereafter.

Sec. 9. Minnesota Statutes 1998, section 273.124, is amended by adding a subdivision to read:

Subd. 21. [TRUST PROPERTY; HOMESTEAD.] Real property held by a trustee under a trust is eligible for classification as homestead property if:

(1) the grantor or surviving spouse of the grantor of the trust occupies and uses the property as a homestead;

(2) a relative or surviving relative of the grantor who meets the requirements of subdivision 1,

paragraph (c), in the case of residential real estate; or subdivision 1, paragraph (d), in the case of agricultural property, occupies and uses the property as a homestead;

(3) a family farm corporation, a partnership operating a family farm, or a joint farm venture operating a family farm rents the property held by a trustee under a trust, and a shareholder or partner of the corporation, partnership, or joint farm venture occupies and uses the property as a homestead, and is actively farming the property on behalf of the corporation, partnership, or joint farm venture; or

(4) a person who has received homestead classification for property taxes payable in 2000 on the basis of an unqualified legal right under the terms of the trust agreement to occupy the property as that person's homestead and who continues to use the property as a homestead.

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

**EFFECTIVE DATE:** This section is effective for taxes levied in 2000, payable in 2001, and thereafter.

Sec. 10. Minnesota Statutes 1999 Supplement, section 273.13, subdivision 24, is amended to read:

Subd. 24. [CLASS 3.] (a) Commercial and industrial property and utility real and personal property is class 3a. Each parcel of real property has a class rate of 2.4 percent of the first tier of market value, and 3.4 percent of the remaining market value, except that in the case of contiguous parcels of property owned by the same person or entity, only the value equal to the first-tier value of the contiguous parcels qualifies for the reduced class rate. For the purposes of this subdivision, the first tier means the first \$150,000 of market value. Real property owned in fee by a utility for transmission line right-of-way shall be classified at the class rate for the higher tier. All personal property shall be classified at the class rate for the higher tier. For purposes of this subdivision "personal property" means tools, implements, and machinery of an electric generating, transmission, or distribution system, or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings, which are fixtures.

For purposes of this paragraph, parcels are considered to be contiguous even if they are separated from each other by a road, street, vacant lot, waterway, or other similar intervening type of property.

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

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

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

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

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

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

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

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

(III) one of the following requirements is met:

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

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

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

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

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

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

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

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

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

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

rate on the structure in any subsequent assessment years, at least 50 percent of the rentable square footage must be occupied by ~~the a qualifying entity or the parent entity that constructed the structure.~~ This reduced class rate ~~applies only if the a qualifying entity or the parent entity that constructed the structure continues to own the property.~~

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

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

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

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

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

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

**EFFECTIVE DATE:** This section is effective for property taxes payable in 2001 and thereafter.

Sec. 11. Minnesota Statutes 1999 Supplement, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. ~~Class 4a property in a city with a population of 5,000 or less, that is (1) located outside of the metropolitan area, as defined in section 473.121, subdivision 2, or outside any county contiguous to the metropolitan area, and (2) whose city boundary is at least 15 miles from the boundary of any city with a population greater than 5,000 has a class rate of 2.15 percent of market value. All other Class 4a property has a class rate of 2.4~~ 1.95 percent of market value. ~~For purposes of this paragraph, population has the same meaning given in section 477A.011, subdivision 3.~~

(b) Class 4b includes:

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

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

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

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

Class 4b property has a class rate of 1.65 percent of market value.

(c) Class 4bb includes:

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

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

Class 4bb has a class rate of 1.2 percent on the first \$76,000 of market value and a class rate of 1.65 percent of its market value that exceeds \$76,000.

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

(d) Class 4c property includes:

(1) except as provided in subdivision 22, paragraph (c), real property devoted to temporary and seasonal residential occupancy for recreation purposes, including real property devoted to temporary and seasonal residential occupancy for recreation purposes and not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property is used for residential occupancy, and a fee is charged for residential occupancy. In order for a property to be classified as class 4c, seasonal recreational residential for commercial purposes, at least 40 percent of the annual gross lodging receipts related to the property must be from business conducted during 90 consecutive days and either (i) at least 60 percent of all paid bookings by lodging guests during the year must be for periods of at least two consecutive nights; or (ii) at least 20 percent of the annual gross receipts must be from charges for rental of fish houses, boats and motors, snowmobiles, downhill or cross-country ski equipment, or charges for marina services, launch services, and guide services, or the sale of bait and fishing tackle. For purposes of this determination, a paid booking of five or more nights shall be counted as two bookings. Class 4c also includes commercial use real property used exclusively for recreational purposes in conjunction with class 4c property devoted to temporary and seasonal residential occupancy for recreational purposes, up to a total of two acres, provided the property is not devoted to commercial recreational use for more than 250 days in the year preceding the year of assessment and is located within two miles of the class 4c property with which it is used. Class 4c property classified in this clause also includes the remainder of class 1c resorts provided that the entire property including that portion of the property classified as class 1c also meets the requirements for class 4c under this clause; otherwise the entire property is classified as class 3. Owners of real property devoted to temporary and seasonal residential occupancy for recreation purposes and all or a portion of which was devoted to commercial purposes for not more than 250 days in the year preceding the year of assessment desiring classification as class 1c or 4c, must submit a declaration to the assessor designating the cabins or units occupied for 250 days or less in the year preceding the year of assessment by January 15 of the assessment year. Those cabins or units and a proportionate share of the land on which they are located will be designated class 1c or 4c as otherwise provided. The remainder of the cabins or units and a proportionate share of the land on which they are located will be designated as class 3a. The owner of property desiring designation as class 1c or 4c property must provide guest registers or other records demonstrating that the units for which class 1c or 4c designation is sought were not occupied for more than 250 days in the year preceding the assessment if so requested. The portion of a property operated as a (1) restaurant, (2) bar, (3) gift shop, and (4) other nonresidential facility operated on a commercial basis not directly related to temporary and seasonal residential occupancy for recreation purposes shall not qualify for class 1c or 4c;

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

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

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

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

(3) real property up to a maximum of one acre of land owned by a nonprofit community service oriented organization; provided that the property is not used for a revenue-producing activity for more than six days in the calendar year preceding the year of assessment and the property is not used for residential purposes on either a temporary or permanent basis. For purposes of this clause, a "nonprofit community service oriented organization" means any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, fraternal, civic, or educational purposes, and which is exempt from federal income taxation pursuant to section 501(c)(3), (10), or (19) of the Internal Revenue Code of 1986, as amended through December 31, 1990. For purposes of this clause, "revenue-producing activities" shall include but not be limited to property or that portion of the property that is used as an on-sale intoxicating liquor or 3.2 percent malt liquor establishment licensed under chapter 340A, a restaurant open to the public, bowling alley, a retail store, gambling conducted by organizations licensed under chapter 349, an insurance business, or office or other space leased or rented to a lessee who conducts a for-profit enterprise on the premises. Any portion of the property which is used for revenue-producing activities for more than six days in the calendar year preceding the year of assessment shall be assessed as class 3a. The use of the property for social events open exclusively to members and their guests for periods of less than 24 hours, when an admission is not charged nor any revenues are received by the organization shall not be considered a revenue-producing activity;

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

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

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

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

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

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

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

Class 4c property has a class rate of 1.65 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have ~~the same~~ a class rate as class 4b property of 1.2 percent, and (iii) property described in paragraph (d), clause (4), has the same class rate as the rate applicable to the first tier of class 4bb nonhomestead residential real estate under paragraph (c).

(e) Class 4d property is qualifying low-income rental housing certified to the assessor by the

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

Class 4d property has a class rate of one percent of market value.

**EFFECTIVE DATE:** The provisions of clause (7) are effective for taxes levied in 2000, payable in 2001 only. The remainder of this section is effective for taxes levied in 2000, payable in 2001, and thereafter.

Sec. 12. Minnesota Statutes 1999 Supplement, section 273.1382, subdivision 1b, is amended to read:

Subd. 1b. [EDUCATION AGRICULTURAL CREDIT.] Property classified as class 2a agricultural homestead or class 2b agricultural nonhomestead or timberland is eligible for education agricultural credit. The credit is equal to ~~54~~ 88.5 percent, ~~in the case of agricultural homestead property, or 50 percent, in the case of agricultural nonhomestead property or timberland,~~ of the property's net tax capacity times the education credit tax rate determined in subdivision 1. The net tax capacity of class 2a property attributable to the house, garage, and surrounding one acre of land is not eligible for the credit under this subdivision.

**EFFECTIVE DATE:** This section is effective for taxes payable in 2001, and thereafter.

Sec. 13. Minnesota Statutes 1999 Supplement, section 273.1398, subdivision 1a, is amended to read:

Subd. 1a. [TAX BASE DIFFERENTIAL.] (a) For aids payable in 2000, the tax base differential is:

(1) 0.45 percent of the assessment year 1998 taxable market value of class 2a agricultural homestead property, excluding the house, garage, and surrounding one acre of land, between \$115,000 and \$600,000 and over 320 acres, minus the value over \$600,000 that is less than 320 acres; plus

(2) 0.5 percent of the assessment year 1998 taxable market value of noncommercial seasonal recreational residential property over \$75,000 in value; plus

(3) for purposes of computing the fiscal disparity adjustment only, 0.2 percent of the assessment year 1998 taxable market value of class 3 commercial-industrial property over \$150,000.

(b) For the purposes of the distribution of homestead and agricultural credit aid for aids payable in 2000, the commissioner of revenue shall use the best information available as of June 30, 1999, to make an estimate of the value described in paragraph (a), clause (1). The commissioner shall adjust the distribution of homestead and agricultural credit aid for aids payable in 2001 and subsequent years if new information regarding the value described in paragraph (a), clause (1), becomes available after June 30, 1999.

(c) For aids payable in 2001, the tax base differential is:

(1) 0.45 percent of the assessment year 1999 taxable market value of class 4a property that had a class rate of 2.4 percent for taxes payable in 2000, plus 0.2 percent of the assessment year 1999 taxable market value of class 4a property that had a class rate of 2.15 percent of taxes payable in 2000; plus

(2) 0.45 percent of the assessment year 1999 taxable market value of manufactured home parks classified under section 273.13, subdivision 25, paragraph (d), clause (5).

**EFFECTIVE DATE:** This section is effective for aids payable in 2001, and thereafter.

Sec. 14. Minnesota Statutes 1998, section 273.1398, subdivision 4, is amended to read:

Subd. 4. [DISPARITY REDUCTION CREDIT.] (a) Beginning with taxes payable in 1989, class 4a, class 3a, and class 3b property qualifies for a disparity reduction credit if: (1) the property is located in a border city that has an enterprise zone designated pursuant to section 469.168, subdivision 4; (2) the property is located in a city with a population greater than 2,500 and less than 35,000 according to the 1980 decennial census; (3) the city is adjacent to a city in another state or immediately adjacent to a city adjacent to a city in another state; and (4) the adjacent city in the other state has a population of greater than 5,000 and less than 75,000.

(b) The credit is an amount sufficient to reduce (i) the taxes levied on class 4a property to ~~2.3~~ 1.95 percent of the property's market value and (ii) the tax on class 3a and class 3b property to 2.3 percent of market value.

(c) The county auditor shall annually certify the costs of the credits to the department of revenue. The department shall reimburse local governments for the property taxes foregone as the result of the credits in proportion to their total levies.

Sec. 15. Minnesota Statutes 1999 Supplement, section 273.1398, subdivision 4a, is amended to read:

Subd. 4a. [AID OFFSET FOR COURT COSTS.] (a) By July 15, 1999, the supreme court shall determine and certify to the commissioner of revenue for each county, other than counties located in the eighth judicial district, the county's share of the costs assumed under Laws 1999, chapter 216, article 7, during the fiscal year beginning July 1, 2000, less an amount equal to the county's share of transferred fines collected by the district courts in the county during calendar year 1998.

(b) Payments to a county under subdivision 2 or section 273.166 for calendar year 2000 must be permanently reduced by an amount equal to 75 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a).

(c) Payments to a county under subdivision 2 or section 273.166 for calendar year 2001 must be permanently reduced by an amount equal to 25 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a).

(d) Payments to a county under subdivision 2 for calendar year 2001 are permanently increased by an amount equal to 7.5 percent of the county's share of transferred fines collected by the district courts in the county during calendar year 1998, as determined under paragraph (a).

**EFFECTIVE DATE:** This section is effective for aids payable in 2001.

Sec. 16. Minnesota Statutes 1998, section 273.37, subdivision 3, is amended to read:

Subd. 3. Taxable wind energy conversion systems, as defined in section 216C.06, subdivision 12, which are not owned, operated, and exclusively controlled by the owner of the land upon which the system is situated, must be listed and assessed by the commissioner of revenue as personal property in the name of the owner of the system in the taxing district where it is situated.

**EFFECTIVE DATE:** This section is effective for the 2000 assessment and thereafter.

Sec. 17. [273.372] [PROCEEDINGS AND APPEALS; UTILITY VALUATIONS.]

An appeal by a utility company concerning the exemption, valuation, or classification on property for which the commissioner of revenue has provided the county with commissioner's orders or recommended values must be brought against the commissioner in tax court or in district court of the county where the property is located, and not against the county or taxing district where the property is located. If the appeal to a court is of an order of the commissioner, it must be brought under chapter 271. If the appeal is brought under chapter 278, the procedures in that chapter apply. This provision applies to the property contained under sections 273.33, 273.35, 273.36, and 273.37, but only if the appealed values have remained unchanged from those provided to the county by the commissioner. If the exemption, valuation, or classification being appealed has been changed by the county, then the action must be brought under chapter 278 in the county where the property is located.

Upon filing of any appeal by a utility company against the commissioner, the commissioner shall give notice by first class mail to each county which would be affected by the appeal.

Companies that submit the reports under section 273.371 by the date specified in that section, or by the date specified by the commissioner in an extension, may appeal administratively to the commissioner under the procedures in section 270.11, subdivision 6, prior to bringing an action in tax court or in district court, however, instituting an administrative appeal with the commissioner does not change or modify the deadline in section 278.01 for bringing an action in tax court or district court.

**EFFECTIVE DATE:** This section is effective for appeals made on property for assessment year 1999 and thereafter.

Sec. 18. Minnesota Statutes 1998, section 275.065, subdivision 3, is amended to read:

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

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

(c) The notice must inform taxpayers that it contains the amount of property taxes each taxing authority proposes to collect for taxes payable the following year. In the case of a town, or in the case of the state determined portion of the school district levy, the final tax amount will be its proposed tax. The notice must clearly state that each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy unless the taxing authority either: (1) elects to provide information under subdivision 9; or (2) is exempt under subdivision 6c. It must clearly state the time and place of each taxing authority's meeting and an address where comments will be received by mail.

(d) The notice must state for each parcel:

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

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

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

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

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

(iv) the proposed tax amount.

In the case of a town or the state determined school tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the

school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for the Minneapolis library board and the levy for Minneapolis park and recreation shall be listed separately from the remaining amount of the city's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

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

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

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

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, school district levy referenda, and levy limit increase referenda;

(3) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

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

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

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

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

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

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

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

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

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

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

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

(3) metropolitan mosquito control commission under section 473.711.

For purposes of this section, any levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A shall be included with the appropriate county's levy and shall be discussed at that county's public hearing or stated in the county's Internet posting as provided in subdivision 9.

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

Sec. 19. Minnesota Statutes 1999 Supplement, section 275.065, subdivision 5a, is amended to read:

Subd. 5a. [PUBLIC ADVERTISEMENT.] (a) Unless exempt under subdivision 6c, a city that has a population of more than 2,500, county, a metropolitan special taxing district as defined in subdivision 3, paragraph (i), a regional library district established under section 134.201, or school district shall advertise in a newspaper a notice of its intent to:

- (1) adopt a budget and property tax levy or, in the case of a school district, to review its current budget and proposed property taxes payable in the following year, at a public hearing; or
- (2) post information as provided in subdivision 9.

The notice must be published not less than two business days nor more than six business days before the hearing or the posting of information.

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

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

(b) The advertisement for school districts, metropolitan special taxing districts, and regional library districts that are not exempt under subdivision 6c and do not elect to post information as provided in subdivision 9 must be in the following form, except that the notice for a school district may include references to the current budget in regard to proposed property taxes.

"NOTICE OF  
 PROPOSED PROPERTY TAXES  
 (School District/Metropolitan  
 Special Taxing District/Regional  
 Library District) of .....

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

NOTICE OF PUBLIC HEARING:

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

(c) The advertisement for cities and counties that are not exempt under subdivision 6c and do not elect to post information as provided in subdivision 9 must be in the following form.

"NOTICE OF PROPOSED  
TOTAL BUDGET AND PROPERTY TAXES

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

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

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

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

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

ATTEND THE PUBLIC HEARING

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

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

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

(City/County)  
(Location/Address)"

(d) The advertisement for taxing authorities that elect to post information under subdivision 9 must be in the following form.

"NOTICE OF  
PROPOSED PROPERTY TAX INFORMATION

The governing body of ..... will provide detailed information on its proposed budget and property taxes for the upcoming calendar year on an Internet Web site. The address of that Web site is ..... This information is provided in lieu of conducting a public meeting on the budget and proposed property taxes. A resident of ..... or an owner of property located in ..... may request that a copy of the information provided at the Web site be mailed to the resident or property owner. This information may be requested by contacting:

name (name)  
at (mailing address)  
or (telephone number)  
or (e-mail address)"

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

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

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

(i) Minnesota family investment program under chapters 256J and 256K;

(ii) medical assistance under sections 256B.041, subdivision 5, and 256B.19, subdivision 1;

(iii) general assistance medical care under section 256D.03, subdivision 6;

(iv) general assistance under section 256D.03, subdivision 2;

(v) emergency assistance under section 256J.48;

(vi) Minnesota supplemental aid under section 256D.36, subdivision 1;

(vii) preadmission screening under section 256B.0911, and alternative care grants under section 256B.0913;

(viii) general assistance medical care claims processing, medical transportation and related costs under section 256D.03, subdivision 4;

(ix) medical transportation and related costs under section 256B.0625, subdivisions 17 to 18a;

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

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

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

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

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

Sec. 20. Minnesota Statutes 1998, section 275.065, is amended by adding a subdivision to read:

Subd. 6c. [EXEMPTION FROM PUBLIC HEARING REQUIREMENT.] A taxing authority is exempt from the requirement to hold a public hearing under this section if its total proposed tax does not exceed its total tax payable in the current year by more than one percent.

Sec. 21. Minnesota Statutes 1998, section 275.065, subdivision 8, is amended to read:

Subd. 8. [HEARING.] (a) Notwithstanding any other provision of law, Ramsey county, the city of St. Paul, and independent school district No. 625 ~~are authorized to and, except as provided in paragraph (b),~~ shall hold their initial public hearing jointly. The hearing must be held on the

second Tuesday of December each year. The advertisement required in subdivision 5a may be a joint advertisement. The hearing is otherwise subject to the requirements of this section.

Ramsey county is authorized to hold an additional initial hearing or hearings as provided under this section, provided that any additional hearings must not conflict with the initial or continuation hearing dates of the other taxing districts. However, if Ramsey county elects not to hold such additional initial hearing or hearings, the joint initial hearing required by this subdivision must be held in a St. Paul location convenient to residents of Ramsey county.

(b) Ramsey county, the city of St. Paul, and independent school district No. 625 may each be exempt from the requirement to participate in a joint public hearing under paragraph (a), if that entity qualifies under subdivision 6c or elects to post information under subdivision 9.

Sec. 22. Minnesota Statutes 1998, section 275.065, is amended by adding a subdivision to read:

Subd. 9. [ALTERNATIVE TO HEARING; INFORMATION POSTED ON INTERNET.] A taxing authority that proposes to increase its levy over the tax payable in the current year by no more than the percentage increase in the implicit price deflator may elect to provide information on an Internet Web site as required under this subdivision in lieu of conducting a hearing under subdivision 6 or 6b. The posted information must include the following information:

SPENDING: The total budget amounts below compare (the taxing authority's) (year) total actual budget with the amount the (taxing authority) proposes to spend in (year).

<u>(Year) Total Actual Budget</u>	<u>Proposed (Year) Budget</u>	<u>Change from (Year)-(Year)</u>
\$.....	\$.....	...%

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

<u>(Year) Property Taxes</u>	<u>Proposed (Year) Property Taxes</u>	<u>Change from (Year)-(Year)</u>
\$.....	\$.....	...%

The budget amounts have the meaning provided in subdivision 5a, paragraph (e). The specific purposes for which property tax revenues are being increased must be set forth.

The posting must also provide the name, mailing address, telephone number, and e-mail address of an individual who will respond to inquiries about the budget and tax information posted on the Web site. This information is required to be posted by the first business day after November 28.

Sec. 23. Minnesota Statutes 1998, section 275.066, is amended to read:

275.066 [SPECIAL TAXING DISTRICTS; DEFINITION.]

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

- (1) watershed districts under chapter 103D;
- (2) sanitary districts under sections 115.18 to 115.37;

- (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- (4) regional public library districts under section 134.201;
- (5) park districts under chapter 398;
- (6) regional railroad authorities under chapter 398A;
- (7) hospital districts under sections 447.31 to 447.38;
- (8) St. Cloud metropolitan transit commission under sections 458A.01 to 458A.15;
- (9) Duluth transit authority under sections 458A.21 to 458A.37;
- (10) regional development commissions under sections 462.381 to 462.398;
- (11) housing and redevelopment authorities under sections 469.001 to 469.047;
- (12) port authorities under sections 469.048 to 469.068;
- (13) economic development authorities under sections 469.090 to 469.1081;
- (14) metropolitan council under sections 473.123 to 473.549;
- (15) metropolitan airports commission under sections 473.601 to 473.680;
- (16) metropolitan mosquito control commission under sections 473.701 to 473.716;
- (17) Morrison county rural development financing authority under Laws 1982, chapter 437, section 1;
- (18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;
- (19) East Lake county medical clinic district under Laws 1989, chapter 211, sections 1 to 6;
- (20) Floodwood area ambulance district under Laws 1993, chapter 375, article 5, section 39;  
and
- (21) Middle Mississippi River Watershed Management Organization under sections 103B.211 and 103B.241; and
- (22) any other political subdivision of the state of Minnesota, excluding counties, school districts, cities, and towns, that has the power to adopt and certify a property tax levy to the county auditor, as determined by the commissioner of revenue.

**EFFECTIVE DATE:** This section is effective for taxes levied in 2000, payable in 2001, and thereafter.

Sec. 24. Minnesota Statutes 1999 Supplement, section 275.71, subdivision 4, is amended to read:

Subd. 4. [PROPERTY TAX LEVY LIMIT.] For taxes levied in ~~1998~~ and 1999, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 3 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (1) the total amount of aids that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, (2) homestead and agricultural aids it is certified to receive under section 273.1398, (3) local performance aid it is certified to receive under section 477A.05, (4) taconite aids under sections 298.28 and 298.282 including any aid which was required to be placed in a special fund for expenditure in the next succeeding year but excluding amounts allocated under section 298.28, subdivision 2, paragraph (b), (5) flood loss aid under section 273.1383, and (6) low-income housing aid under sections 477A.06 and 477A.065.

**EFFECTIVE DATE:** This section is effective for taxes levied in 1999, payable in 2000.

Sec. 25. Minnesota Statutes 1998, section 276.19, subdivision 1, is amended to read:

Subdivision 1. [NOTICE OF OVERPAYMENT.] If an overpayment of property tax arises on a parcel for any reason due to receipt of a payment that exceeds the total amount of the tax required to be paid on the property tax statement, the responsible county official shall promptly notify the payer by regular mail that the overpayment has occurred. The notice must state the amount of overpayment and identify the parcel on which the overpayment occurred. The notice must also instruct the payer how to claim the overpayment and advise that the overpayment is subject to forfeiture under this section. If the name or address of the payer is not known, the notice of unclaimed overpayment must be mailed to the taxpayer of record in the office of the county auditor.

**EFFECTIVE DATE:** This section is effective for overpayment of taxes made the day following final enactment and thereafter and applies only to taxes levied in 1999, payable in 2000, and thereafter.

Sec. 26. [278.14] [REFUNDS OF MISTAKENLY BILLED TAXES.]

Subdivision 1. [APPLICABILITY.] A county must pay a refund of a mistakenly billed tax as provided in this section. As used in this section, "mistakenly billed tax" means an amount of property tax that was billed, to the extent the amount billed exceeds the accurate tax amount due to a misclassification of property or a mathematical error in the calculation of the tax, together with any penalty or interest paid on that amount. This section applies only to taxes payable in the current year and the two prior years. As used in this section, "mathematical error" is limited to an error in:

- (1) converting the market value of a property to tax capacity;
- (2) application of the tax rate to the property's tax capacity; or
- (3) calculation of or eligibility for a credit.

Subd. 2. [PROCEDURE.] A refund of mistakenly billed tax must be paid upon verification of a claim made in a written application by the owner of the property or upon discovery of the mistakenly billed tax by the county. Refunds of overpayments will be made as provided in section 278.12.

Subd. 3. [APPEALS.] If the county rejects a claim by a property owner under subdivision 2, it must notify the property owner of that decision within 90 days of receipt of the claim. The property owner may appeal that decision to the tax court within 60 days after receipt of a notice from the county of the decision. Relief granted by the tax court is limited to current year taxes, and taxes in the two prior years.

**EFFECTIVE DATE:** This section is effective for overpayment of taxes made the day following final enactment and thereafter and applies only to taxes levied in 1999, payable in 2000, and thereafter.

Sec. 27. Minnesota Statutes 1999 Supplement, section 290B.03, subdivision 1, is amended to read:

Subdivision 1. [PROGRAM QUALIFICATIONS.] The qualifications for the senior citizens' property tax deferral program are as follows:

- (1) the property must be owned and occupied as a homestead by a person 65 years of age or older. In the case of a married couple, both of the spouses must be at least 65 years old at the time the first property tax deferral is granted, regardless of whether the property is titled in the name of one spouse or both spouses, or titled in another way that permits the property to have homestead status;

(2) the total household income of the qualifying homeowners, as defined in section 290A.03, subdivision 5, for the calendar year preceding the year of the initial application may not exceed \$60,000;

(3) the homestead must have been owned and occupied as the homestead of at least one of the qualifying homeowners for at least 15 years prior to the year the initial application is filed;

~~(4) there are no delinquent property taxes, penalties, or interest on the homesteaded property;~~

~~(5) there are no delinquent special assessments on the homesteaded property;~~

~~(6) there are no state or federal tax liens or judgment liens on the homesteaded property;~~

~~(7)~~ (5) there are no mortgages or other liens on the property that secure future advances, except for those subject to credit limits that result in compliance with clause ~~(8)~~ (6); and

~~(8)~~ (6) the total unpaid balances of debts secured by mortgages and other liens on the property, including unpaid special assessments and delinquent property taxes, penalties, and interest, but not including property taxes payable during the year, does not exceed ~~30~~ 75 percent of the assessor's estimated market value for the year.

Sec. 28. Minnesota Statutes 1998, section 290B.04, is amended by adding a subdivision to read:

Subd. 7. [PAYMENT OF DELINQUENT TAXES AND ASSESSMENTS.] Upon approval of a senior citizen's initial application, the commissioner of revenue shall pay to the treasurer of the county where the property is located the amount of any delinquent property taxes, penalties, interest, and delinquent special assessments on the property which is the subject of the application.

Sec. 29. Minnesota Statutes 1999 Supplement, section 290B.05, subdivision 1, is amended to read:

Subdivision 1. [DETERMINATION BY COMMISSIONER.] The commissioner shall determine each qualifying homeowner's "annual maximum property tax amount" following approval of the homeowner's initial application and following the receipt of a resumption of eligibility certification. The "annual maximum property tax amount" equals three percent of the homeowner's total household income for the year preceding either the initial application or the resumption of eligibility certification, whichever is applicable. Following approval of the initial application, the commissioner shall determine the qualifying homeowner's "maximum allowable deferral." No tax may be deferred relative to the appropriate assessment year for any homeowner whose total household income for the previous year exceeds \$60,000. No tax shall be deferred in any year in which the homeowner does not meet the program qualifications in section 290B.03. The maximum allowable total deferral is equal to 75 percent of the assessor's estimated market value for the year, less the balance of any mortgage loans and other amounts secured by liens against the property at the time of application, including any unpaid special assessments and any delinquent property taxes, penalties, and interest, but not including property taxes payable during the year.

Sec. 30. Minnesota Statutes 1998, section 290B.05, subdivision 3, is amended to read:

Subd. 3. [CALCULATION OF DEFERRED PROPERTY TAX AMOUNT.] When final property tax amounts for the following year have been determined, the county auditor shall calculate the "deferred property tax amount." The deferred property tax amount is equal to the lesser of (1) the maximum allowable deferral for the year; or (2) the difference between the total amount of property taxes levied upon the qualifying homestead by all taxing jurisdictions and the maximum property tax amount. Any special assessments levied by any local unit of government must not be included in the total tax used to calculate the deferred tax amount. No deferral of the current year's property taxes is allowed if there are any delinquent property taxes or delinquent special assessments for any previous year. Any tax attributable to new improvements made to the property after the initial application has been approved under section 290B.04, subdivision 2, must be excluded when determining any subsequent deferred property tax amount. The county auditor shall annually, on or before April 15, certify to the commissioner of revenue the property tax deferral amounts determined under this subdivision by property and by owner.

Sec. 31. Minnesota Statutes 1998, section 290B.07, is amended to read:

290B.07 [LIEN; DEFERRED PORTION.]

(a) Payment by the state to the county treasurer of property taxes, penalties, interest, or special assessments deferred under this section chapter is deemed a loan from the state to the program participant. The commissioner must compute the interest as provided in section 270.75, subdivision 5, but not to exceed five percent, and maintain records of the total deferred amount and interest for each participant. Interest shall accrue beginning September 1 of the payable year for which the taxes are deferred. Any deferral made under this chapter shall not be construed as delinquent property taxes.

The lien created under section 272.31 continues to secure payment by the taxpayer, or by the taxpayer's successors or assigns, of the amount deferred, including interest, with respect to all years for which amounts are deferred. The lien for deferred taxes and interest has the same priority as any other lien under section 272.31, except that liens, including mortgages, recorded or filed prior to the recording or filing of the notice under section 290B.04, subdivision 2, have priority over the lien for deferred taxes and interest. A seller's interest in a contract for deed, in which a qualifying homeowner is the purchaser or an assignee of the purchaser, has priority over deferred taxes and interest on deferred taxes, regardless of whether the contract for deed is recorded or filed. The lien for deferred taxes and interest for future years has the same priority as the lien for deferred taxes and interest for the first year, which is always higher in priority than any mortgages or other liens filed, recorded, or created after the notice recorded or filed under section 290B.04, subdivision 2. The county treasurer or auditor shall maintain records of the deferred portion and shall list the amount of deferred taxes for the year and the cumulative deferral and interest for all previous years as a lien against the property. In any certification of unpaid taxes for a tax parcel, the county auditor shall clearly distinguish between taxes payable in the current year, deferred taxes and interest, and delinquent taxes. Payment of the deferred portion becomes due and owing at the time specified in section 290B.08. Upon receipt of the payment, the commissioner shall issue a receipt for it to the person making the payment upon request and shall notify the auditor of the county in which the parcel is located, within ten days, identifying the parcel to which the payment applies. Upon receipt by the commissioner of revenue of collected funds in the amount of the deferral, the state's loan to the program participant is deemed paid in full.

(b) If property for which taxes have been deferred under this chapter forfeits under chapter 281 for nonpayment of a nondeferred property tax amount, or because of nonpayment of amounts previously deferred following a termination under section 290B.08, the lien for the taxes deferred under this chapter, plus interest and costs, shall be canceled by the county auditor as provided in section 282.07. However, notwithstanding any other law to the contrary, any proceeds from a subsequent sale of the property under chapter 282 or another law, must be used to first reimburse the county's forfeited tax sale fund for any direct costs of selling the property or any costs directly related to preparing the property for sale, and then to reimburse the state for the amount of the canceled lien. Within 90 days of the receipt of any sale proceed to which the state is entitled under these provisions, the county auditor must pay those funds to the commissioner of revenue by warrant for deposit in the general fund. No other deposit, use, distribution, or release of gross sale proceeds or receipts may be made by the county until payments sufficient to fully reimburse the state for the canceled lien amount have been transmitted to the commissioner.

**EFFECTIVE DATE:** This section and sections 24 to 27 apply to all homeowners and all property taxes deferred beginning in payable 2001, including those homeowners who initially qualified under this program for taxes payable in 1999 or 2000, except that if a homeowner did not qualify for any property tax deferral for payable 2000 because of the percentage threshold in Minnesota Statutes, section 290B.03, subdivision 1, paragraph (8), or the prohibition on qualification of owners of property with delinquent taxes or special assessments, and now qualifies for the program with the changes in those provisions, the homeowner may apply to the commissioner by July 1, 2000, and request a retroactive qualification into the program for taxes payable in 2000. The commissioner of revenue shall notify the county auditor of such eligible taxpayers. The commissioner shall make payment to the county for the appropriate amount due for taxes payable in 2000, and the county treasurer shall refund the taxpayer for any excess tax amount that the taxpayer has paid to the county.

Sec. 32. Minnesota Statutes 1998, section 290B.08, subdivision 1, is amended to read:

Subdivision 1. [TERMINATION.] (a) The deferral of taxes granted under this chapter terminates when one of the following occurs:

- (1) the property is sold or transferred;
- (2) the death of ~~the all~~ qualifying homeowner(s) homeowners;
- (3) the homeowner notifies the commissioner in writing that the homeowner desires to discontinue the deferral; or
- (4) the property no longer qualifies as a homestead.

(b) A property is not terminated from the program because no deferred property tax amount is determined on the homestead for any given year after the homestead's initial enrollment into the program.

**EFFECTIVE DATE:** This section is effective for deferrals of property taxes payable in 2001 and thereafter.

Sec. 33. Minnesota Statutes 1998, section 290B.08, subdivision 2, is amended to read:

Subd. 2. [PAYMENT UPON TERMINATION.] Upon the termination of the deferral under subdivision 1, the amount of deferred taxes and, penalties, interest, and special assessments, plus the recording or filing fees under both section 290B.04, subdivision 2, and this subdivision becomes due and payable to the commissioner within 90 days of termination of the deferral for terminations under subdivision 1, paragraph (a), clauses (1) and (2), and within one year of termination of the deferral for terminations under subdivision 1, paragraph (a), clauses (3) and (4). No additional interest is due on the deferral if timely paid. On receipt of payment, the commissioner shall within ten days notify the auditor of the county in which the parcel is located, identifying the parcel to which the payment applies and shall remit the recording or filing fees under section 290B.04, subdivision 2, and this subdivision to the auditor. A notice of termination of deferral, containing the legal description and the recording or filing data for the notice of qualification for deferral under section 290B.04, subdivision 2, shall be prepared and recorded or filed by the county auditor in the same office in which the notice of qualification for deferral under section 290B.04, subdivision 2, was recorded or filed, and the county auditor shall mail a copy of the notice of termination to the property owner. The property owner shall pay the recording or filing fees. Upon recording or filing of the notice of termination of deferral, the notice of qualification for deferral under section 290B.04, subdivision 2, and the lien created by it are discharged. If the deferral is not timely paid, the penalty, interest, lien, forfeiture, and other rules for the collection of ad valorem property taxes apply.

Sec. 34. Minnesota Statutes 1998, section 290B.09, subdivision 2, is amended to read:

Subd. 2. [APPROPRIATION.] An amount sufficient to pay the total amount of property tax determined under subdivision 1, plus any amounts paid under section 290B.04, subdivision 7, is annually appropriated from the general fund to the commissioner of revenue.

**EFFECTIVE DATE:** This section and section 30 apply to all homeowners and all property taxes deferred beginning in payable 2001, including those homeowners who initially qualified under this program for taxes payable in 1999 or 2000, except that if a homeowner did not qualify for any property tax deferral for payable 2000 because of the percentage threshold in Minnesota Statutes, section 290B.03, subdivision 1, paragraph (8), or the prohibition on qualification of owners of property with delinquent taxes or special assessments, and now qualifies for the program with the changes in those provisions, the homeowner may apply to the commissioner by July 1, 2000, and request a retroactive qualification into the program for taxes payable in 2000. The commissioner of revenue shall notify the county auditor of such eligible taxpayers. The commissioner shall make payment to the county for the appropriate amount due for taxes payable in 2000, and the county treasurer shall refund the taxpayer for any excess tax amount that the taxpayer has paid to the county.

Sec. 35. Minnesota Statutes 1998, section 429.011, subdivision 2a, is amended to read:

Subd. 2a. [MUNICIPALITY.] "Municipality" also includes a county in the case of construction, reconstruction, or improvement of a county state-aid highway or county highway as defined in section 160.02 including curbs and gutters and storm sewers ~~and includes~~; a county exercising its powers and duties under section 444.075, subdivision 1; and a county for expenses not paid for under section 403.113, subdivision 3, paragraph (b), clause (3).

Sec. 36. Minnesota Statutes 1998, section 429.011, subdivision 5, is amended to read:

Subd. 5. [IMPROVEMENT.] "Improvement" means any type of improvement made under authority granted by section 429.021, ~~and~~. In the case of a county, improvement is limited to:

(1) the construction, reconstruction, or improvement of a county state-aid highway or county highway including curbs and gutters and storm sewers; and

(2) the purchase, installation, or replacement of signs, posts, and markers for addressing related to the operation of enhanced 911 telephone service.

Sec. 37. Minnesota Statutes 1998, section 429.021, subdivision 1, is amended to read:

Subdivision 1. [IMPROVEMENTS AUTHORIZED.] The council of a municipality shall have power to make the following improvements:

(1) To acquire, open, and widen any street, and to improve the same by constructing, reconstructing, and maintaining sidewalks, pavement, gutters, curbs, and vehicle parking strips of any material, or by grading, graveling, oiling, or otherwise improving the same, including the beautification thereof and including storm sewers or other street drainage and connections from sewer, water, or similar mains to curb lines.

(2) To acquire, develop, construct, reconstruct, extend, and maintain storm and sanitary sewers and systems, including outlets, holding areas and ponds, treatment plants, pumps, lift stations, service connections, and other appurtenances of a sewer system, within and without the corporate limits.

(3) To construct, reconstruct, extend, and maintain steam heating mains.

(4) To install, replace, extend, and maintain street lights and street lighting systems and special lighting systems.

(5) To acquire, improve, construct, reconstruct, extend, and maintain water works systems, including mains, valves, hydrants, service connections, wells, pumps, reservoirs, tanks, treatment plants, and other appurtenances of a water works system, within and without the corporate limits.

(6) To acquire, improve and equip parks, open space areas, playgrounds, and recreational facilities within or without the corporate limits.

(7) To plant trees on streets and provide for their trimming, care, and removal.

(8) To abate nuisances and to drain swamps, marshes, and ponds on public or private property and to fill the same.

(9) To construct, reconstruct, extend, and maintain dikes and other flood control works.

(10) To construct, reconstruct, extend, and maintain retaining walls and area walls.

(11) To acquire, construct, reconstruct, improve, alter, extend, operate, maintain, and promote a pedestrian skyway system. Such improvement may be made upon a petition pursuant to section 429.031, subdivision 3.

(12) To acquire, construct, reconstruct, extend, operate, maintain, and promote underground pedestrian concourses.

(13) To acquire, construct, improve, alter, extend, operate, maintain, and promote public malls, plazas or courtyards.

(14) To construct, reconstruct, extend, and maintain district heating systems.

(15) To construct, reconstruct, alter, extend, operate, maintain, and promote fire protection systems in existing buildings, but only upon a petition pursuant to section 429.031, subdivision 3.

(16) To acquire, construct, reconstruct, improve, alter, extend, and maintain highway sound barriers.

(17) To improve, construct, reconstruct, extend, and maintain gas and electric distribution facilities owned by a municipal gas or electric utility.

(18) To purchase, install, and replace signs, posts, and other markers for addressing related to the operation of enhanced 911 telephone service.

Sec. 38. Minnesota Statutes 1998, section 429.031, subdivision 1, is amended to read:

Subdivision 1. [PREPARATION OF PLANS, NOTICE OF HEARING.] (a) Before the municipality awards a contract for an improvement or orders it made by day labor, or before the municipality may assess any portion of the cost of an improvement to be made under a cooperative agreement with the state or another political subdivision for sharing the cost of making the improvement, the council shall hold a public hearing on the proposed improvement following two publications in the newspaper of a notice stating the time and place of the hearing, the general nature of the improvement, the estimated cost, and the area proposed to be assessed. The two publications must be a week apart, and the hearing must be at least three days after the second publication. Not less than ten days before the hearing, notice of the hearing must also be mailed to the owner of each parcel within the area proposed to be assessed with a reasonable estimate of the amount to be assessed against each parcel, but failure to give mailed notice or any defects in the notice does not invalidate the proceedings. For the purpose of giving mailed notice, owners are those shown as owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer; but other appropriate records may be used for this purpose. For properties that are tax exempt or subject to taxation on a gross earnings basis and are not listed on the records of the county auditor or the county treasurer, the owners may be ascertained by any practicable means, and mailed notice must be given them as provided in this subdivision.

(b) Before the adoption of a resolution ordering the improvement, the council shall secure from the city engineer or some other competent person of its selection a report advising it in a preliminary way as to whether the proposed improvement is necessary, cost-effective, and feasible and as to whether it should best be made as proposed or in connection with some other improvement. The report must also include the estimated cost of the improvement as recommended with a reasonable estimate of the amount to be assessed against each parcel. No error or omission in the report invalidates the proceeding unless it materially prejudices the interests of an owner.

(c) If the report is not prepared by an employee of a municipality, the compensation for preparing the report under this subdivision must be based on the following factors:

- (1) the time and labor required;
- (2) the experience and knowledge of the preparer;
- (3) the complexity and novelty of the problems involved; and
- (4) the extent of the responsibilities assumed.

(d) The compensation must not be based primarily on a percentage of the estimated cost of the improvement.

(e) The council may also take other steps prior to the hearing, including, among other things, the preparation of plans and specifications and the advertisement for bids that will in its judgment provide helpful information in determining the desirability and feasibility of the improvement.

(f) The hearing may be adjourned from time to time, and a resolution ordering the improvement may be adopted at any time within six months after the date of the hearing by vote of a majority of all members of the council when the improvement has been petitioned for by the owners of not less than 35 percent in frontage of the real property abutting on the streets named in the petition as the location of the improvement. When there has been no such petition, the resolution may be adopted only by vote of four-fifths of all members of the council; provided that if the mayor of the municipality is a member of the council but has no vote or votes only in case of a tie, the mayor is not deemed to be a member for the purpose of determining a four-fifths majority vote.

(g) The resolution ordering the improvement may reduce, but not increase, the extent of the improvement as stated in the notice of hearing.

Sec. 39. Minnesota Statutes 1998, section 469.040, is amended by adding a subdivision to read:

Subd. 5. [DESIGNATED HOUSING CORPORATIONS.] Property located within the exterior boundaries of the White Earth Indian reservation that is owned by the tribe's designated housing entity as defined in United States Code, title 25, section 4103, paragraph 21, and that is a housing project or a housing development project, as defined in section 469.002, subdivisions 13 and 15, is exempt from all real and personal property taxes of the city, county, state, or any political subdivision thereof, but the property is subject to subdivision 3. A copy of those portions of the annual reports submitted on behalf of the housing entity to the secretary of the United States Department of Housing and Urban Development for the project that contain information sufficient to determine the amount due under subdivision 3 satisfies the reporting requirements of subdivision 3 for the project.

Sec. 40. Minnesota Statutes 1999 Supplement, section 473.39, subdivision 1g, is amended to read:

Subd. 1g. [OBLIGATIONS; 2000-2002.] In addition to the authority in subdivisions 1a, 1b, 1c, 1d, and 1e, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$36,000,000 \$55,400,000, which may be used for capital expenditures, other than for construction, maintenance, or operation of light rail transit, as prescribed in the council's transit capital improvement program and for related costs, including the costs of issuance and sale of the obligations. The funds must be proportionally spent on capital improvement projects as recommended by the regional transit capital evaluation committee. This section applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 41. Minnesota Statutes 1998, section 473.39, is amended by adding a subdivision to read:

Subd. 1h. [OBLIGATIONS.] (a) After July 1, 2001, in addition to the authority in subdivisions 1a, 1b, 1c, 1d, 1e, and 1g, the council may issue certificates of indebtedness, bonds, or other obligations under this section for capital expenditures as prescribed in the council's regional transit master plan and transit capital improvement program and for related costs including the costs of issuance and sale of the obligations. The amount of the obligations issued under this subdivision in any year may not exceed an amount equal to the following limitations, except as provided in this subdivision:

(1) for 2002, the limitation is \$40,000,000; and

(2) for each subsequent year, the limitation is equal to the previous year's limitation calculated under this subdivision adjusted for inflation using the United States Department of Labor's Bureau of Labor Statistics Minneapolis-St. Paul Consumer Price Index for All Urban Consumers (CPI-U) for the previous taxes payable year or three percent, whichever amount is less.

(b) In any year in which the council does not issue obligations totaling the limitation calculated under this subdivision, the council's limitation for the following year is increased by the difference

between the previous year's limitation calculated under this subdivision and the amount issued in the previous year, or 20 percent of the previous year's limitation, whichever is less. Any limitation increase carried forward under this subdivision is available only in the following year and is not a permanent increase in the annual limitation calculated under this subdivision.

Sec. 42. Minnesota Statutes 1999 Supplement, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as provided in paragraphs (b) to ~~(k)~~ (n), "city aid base" means, for each city, the sum of the local government aid and equalization aid it was originally certified to receive in calendar year 1993 under Minnesota Statutes 1992, section 477A.013, subdivisions 3 and 5, and the amount of disparity reduction aid it received in calendar year 1993 under Minnesota Statutes 1992, section 273.1398, subdivision 3.

(b) For aids payable in 1996 and thereafter, a city that in 1992 or 1993 transferred an amount from governmental funds to its sewer and water fund, which amount exceeded its net levy for taxes payable in the year in which the transfer occurred, has a "city aid base" equal to the sum of (i) its city aid base, as calculated under paragraph (a), and (ii) one-half of the difference between its city aid distribution under section 477A.013, subdivision 9, for aids payable in 1995 and its city aid base for aids payable in 1995.

(c) The city aid base for any city with a population less than 500 is increased by \$40,000 for aids payable in calendar year 1995 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$40,000 for aids payable in calendar year 1995 only, provided that:

- (i) the average total tax capacity rate for taxes payable in 1995 exceeds 200 percent;
- (ii) the city portion of the tax capacity rate exceeds 100 percent; and
- (iii) its city aid base is less than \$60 per capita.

(d) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and

(iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

(e) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;
- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

(f) The city aid base for a city is increased by \$450,000 in 1999 to 2008 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$450,000 in calendar year 1999 only, provided that:

- (i) the city had a population in 1996 of at least 50,000;

(ii) its population had increased by at least 40 percent in the ten-year period ending in 1996; and

(iii) its city's net tax capacity for aids payable in 1998 is less than \$700 per capita.

(g) Beginning in 2002, the city aid base for a city is equal to the sum of its city aid base in 2001 and the amount of additional aid it was certified to receive under section 477A.06 in 2001. For 2002 only, the maximum amount of total aid a city may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by the amount it was certified to receive under section 477A.06 in 2001.

(h) The city aid base for a city is increased by \$150,000 for aids payable in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$150,000 in calendar year 2000 only, provided that:

(1) the city has a population that is greater than 1,000 and less than 2,500;

(2) its commercial and industrial percentage for aids payable in 1999 is greater than 45 percent; and

(3) the total market value of all commercial and industrial property in the city for assessment year 1999 is at least 15 percent less than the total market value of all commercial and industrial property in the city for assessment year 1998.

(i) The city aid base for a city is increased by \$200,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 2000 only, provided that:

(1) the city had a population in 1997 of 2,500 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$650 per capita;

(3) the pre-1940 housing percentage of the city used in calculating 1999 aid under section 477A.013 is greater than 12 percent;

(4) the 1999 local government aid of the city under section 477A.013 is less than 20 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent; and

(5) the city aid base of the city used in calculating aid under section 477A.013 is less than \$7 per capita.

(j) The city aid base for a city is increased by \$225,000 in calendar years 2000 to 2002 and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$225,000 in calendar year 2000 only, provided that:

(1) the city had a population of at least 5,000;

(2) its population had increased by at least 50 percent in the ten-year period ending in 1997;

(3) the city is located outside of the Minneapolis-St. Paul metropolitan statistical area as defined by the United States Bureau of the Census; and

(4) the city received less than \$30 per capita in aid under section 477A.013, subdivision 9, for aids payable in 1999.

(k) The city aid base for a city is increased by \$102,000 in 2000 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$102,000 in calendar year 2000 only, provided that:

(1) the city has a population in 1997 of 2,000 or more;

(2) the net tax capacity of the city used in calculating its 1999 aid under section 477A.013 is less than \$455 per capita;

(3) the net levy of the city used in calculating 1999 aid under section 477A.013 is greater than \$195 per capita; and

(4) the 1999 local government aid of the city under section 477A.013 is less than 38 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(1) In addition to the increase the city receives under section 43, the city aid base for a city is increased by \$23,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$32,000 in calendar year 2001 only, provided that:

(1) the city has a population in 1998 that is greater than 200 but less than 500;

(2) the city's revenue need used in calculating aids payable in 2000 was greater than \$200 per capita;

(3) the city net tax capacity for the city, used in calculating aids available in 2000 was equal to or less than \$200 per capita;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$65 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

(m) In addition to the increase the city receives under section 43, the city aid base for a city is increased by \$100,000 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$184,000 in calendar year 2001 only, provided that:

(1) the net tax capacity of the city used in calculating its 2000 aid under section 477A.013 is less than \$810 per capita;

(2) the population of the city declined more than two percent between 1988 and 1998;

(3) the net levy of the city used in calculating 2000 aid under section 477A.013 is greater than \$240 per capita; and

(4) the city received less than \$36 per capita in aid under section 477A.013, subdivision 9, for aids payable in 2000.

(n) The city aid base for a city is increased by \$7,200 in 2001 and thereafter, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$7,200 in calendar year 2001 only, provided that:

(1) the city had a population in 1998 that is greater than 200 but less than 500;

(2) the city's commercial industrial percentage used in calculating aids payable in 2000 was less than ten percent;

(3) more than 25 percent of the city's population was 60 years old or older according to the 1990 census;

(4) the city aid base of the city used in calculating aid under section 477A.013 is less than \$15 per capita; and

(5) the city's formula aid for aids payable in 2000 was greater than zero.

**EFFECTIVE DATE:** This section is effective beginning with aids payable in 2001 and thereafter.

Sec. 43. Minnesota Statutes 1998, section 477A.011, is amended by adding a subdivision to read:

Subd. 38. [TEMPORARY BASE ADJUSTMENT.] (a) The city aid base for a city is increased as provided in paragraph (b) in 2001 and 2002 only, and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased as provided in paragraph (b) in calendar year 2001 only, provided that:

(1) it had a population in 1999 of 5,000 or less;

(2) the per capita net tax capacity of the city calculated using its 1999 population and 1999 net tax capacity is equal to or less than 110 percent of the average 1999 per capita net tax capacity for all cities; and

(3) the 2001 local government aid of the city under section 477A.013 after reductions made under sections 273.1399, subdivision 5; and 477A.014, subdivision 5, but before adjustment under this subdivision is less than 64 percent of the amount that the formula aid of the city would have been if the need increase percentage was 100 percent.

(b) The adjustment is equal to the positive difference, if any, between:

(1) 64 percent of the amount that the formula aid of the city would have been for aid payable in 2001 if the need increase percentage was 100 percent; and

(2) the 2001 local government aid of the city under section 477A.013 after reductions made under sections 273.1399, subdivision 5, and 477A.014, subdivision 5, but before adjustment under this subdivision.

Sec. 44. Minnesota Statutes 1998, section 477A.0121, subdivision 4, is amended to read:

Subd. 4. [PUBLIC DEFENDER COSTS.] Each calendar year, 1.5 percent of the total appropriation for this section, other than the amount appropriated under section 477A.03, subdivision 2, paragraph (b)(ii), shall be retained by the commissioner of revenue to make reimbursements to the commissioner of finance for payments made under section 611.27. The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county criminal justice aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

Sec. 45. Minnesota Statutes 1998, section 477A.0121, is amended by adding a subdivision to read:

Subd. 4a. [USE OF INCREASED FUNDING.] (a) The distribution formula in subdivision 3 does not apply to \$5,000,000 of the aid provided under section 477A.03, subdivision 2, paragraph (b)(ii).

(b) \$1,000,000 of the aid provided under section 477A.03, subdivision 2, paragraph (b)(ii), is to be used to increase the number of probation officers managing intensive supervised release caseloads. The commissioner of corrections shall distribute these funds proportionately based on current unmet needs, including distribution to areas of the state that are not currently served by an intensive supervised release caseload.

(c) \$4,000,000 of the aid provided under section 477A.03, subdivision 2, paragraph (b)(ii), is to be used for enhanced supervision of adult felony sex offenders by employing additional probation officers to reduce the caseloads of probation officers supervising sex offenders on probation or supervised release. The commissioner of corrections shall determine statewide eligibility for these funds according to the formula contained in section 401.10. Each Community Corrections Act jurisdiction and the probation and supervised release unit of the department of corrections shall submit to the commissioner of corrections an analysis of need along with a plan to meet these needs and reduce adult felony sex offender caseloads. Upon approval of the plans, the non-Community Corrections Act portion of these funds shall be appropriated to the department of

corrections and the distribution shall be based on statewide need. The Community Corrections Act funds shall be disbursed as grants to each Community Corrections Act jurisdiction. These appropriations may not be used to supplant existing state or county probation officer positions.

Sec. 46. [477A.0123] [CHARITY CARE AID.]

Subdivision 1. [PURPOSE.] The purpose of charity care aid is to prevent or reduce the reliance on county property taxes to meet the cost of providing medical care to individuals who are indigent and who do not reside in the county.

Subd. 2. [QUALIFICATION.] A county qualifies for payment in 2001 and 2002 only under this section if it contains a hospital that has a medical assistance disproportionate population adjustment as determined under section 256.969, subdivision 9, greater than 16 percent.

Subd. 3. [REPORTS BY HOSPITALS AND COUNTIES.] (a) By June 1 of 2000 and 2001, a hospital described in subdivision 2 must file a report with the county in which it is located setting forth its audited financial statements and a schedule setting forth the aggregate amount of charity care for the previous calendar year that meets the following criteria:

(1) the patient is from a county other than the county in which the hospital is located; and

(2) the hospital has made a preliminary determination that:

(i) the patient is not eligible for any public health care program or it cannot be determined whether the person is eligible for any public health care program; and

(ii) the person is uninsured or it cannot be determined if the person is uninsured or the person has insufficient resources to pay the cost of services delivered by the hospital.

(b) By July 1 of 2000 and 2001, each county must report to the commissioner of revenue the total amount of charity care reported to it by hospitals under this subdivision.

Subd. 4. [AMOUNT OF AID.] (a) Subject to the limitation in paragraph (b), payment to a county under this section is equal to the aggregate amount of charity care, as reported under subdivision 3.

(b) The total of all payments under this section each year may not exceed \$10,000,000. If the amounts reported under subdivision 3 for all counties exceeds \$10,000,000 for a year, the distributions to each county must be allocated in proportion to the total amount of uncompensated care reported to the commissioner by the county so that the total of the payments for the year does not exceed \$10,000,000.

Subd. 5. [PAYMENT DATES.] The aid amounts must be paid as provided in section 477A.015.

Subd. 6. [USE OF FUNDS.] Each county that receives a payment under this section must remit all charity care aid funds to hospitals described in subdivision 2 that apply to the county for reimbursement. If the aid a county receives is less than the total amount of uncompensated care reported by eligible hospitals in the county, the aid amounts remitted to the hospitals must be proportional to the amounts reported.

Subd. 7. [REPORT TO THE COMMISSIONER.] By March 15 of the year following the year when the aid was received, each county that receives the aid must file a report with the commissioner of revenue describing how charity care aids were spent, and verifying that they were paid to hospitals described in subdivision 2 for charity care purposes for individuals who do not reside in the county.

Subd. 8. [NOTICE TO COUNTIES.] The commissioner of revenue shall annually notify the governing body of each county, providing information, to the extent available to the commissioner, regarding the amount of reimbursements paid under this section attributable to care provided to residents of that county.

Subd. 9. [APPROPRIATIONS.] The amounts sufficient to make the payments under this section are appropriated from the general fund to the commissioner of revenue.

**EFFECTIVE DATE:** This section is effective for aids payable in 2001 and 2002.

Sec. 47. Minnesota Statutes 1999 Supplement, section 477A.03, subdivision 2, is amended to read:

Subd. 2. [ANNUAL APPROPRIATION.] (a) A sum sufficient to discharge the duties imposed by sections 477A.011 to 477A.014 is annually appropriated from the general fund to the commissioner of revenue.

(b)(i) Aid payments to counties under section 477A.0121 are limited to \$20,265,000 in 1996. Aid payments to counties under section 477A.0121 are limited to \$27,571,625 in 1997. For aid payable in 1998 and thereafter, the total aids paid under section 477A.0121 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(ii) Aid payments to counties under section 477A.0121 are further increased by an additional \$10,000,000 in 2001 and 2002 only.

(c)(i) For aids payable in 1998 and thereafter, the total aids paid to counties under section 477A.0122 are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3.

(ii) Aid payments to counties under section 477A.0122 in 2000 are further increased by an additional \$20,000,000 in 2000.

(d) Aid payments to cities in 1999 under section 477A.013, subdivision 9, are limited to \$380,565,489. For aids payable in 2000 and 2001, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. For aids payable in ~~2002~~ 2003, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3, and increased by the amount certified to be paid in 2001 under section 477A.06. For aids payable in 2003 and thereafter, the total aids paid under section 477A.013, subdivision 9, are the amounts certified to be paid in the previous year, adjusted for inflation as provided under subdivision 3. The additional amount authorized under subdivision 4 is not included when calculating the appropriation limits under this paragraph.

Sec. 48. Minnesota Statutes 1998, section 477A.03, is amended by adding a subdivision to read:

Subd. 5. [2001 AND 2002 ADJUSTMENT.] The appropriation under subdivision 2 for aid payable in 2001 is increased by \$6,700,000. This amount is included in the base appropriation subject to the inflation adjustment under subdivision 3 for aid payable in 2002 only.

Sec. 49. Minnesota Statutes 1999 Supplement, section 477A.06, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY.] (a) For assessment years ~~1998, 1999, and 2000~~ and 2001, for all class 4d property on which construction was begun before January 1, 1999, the assessor shall determine the difference between the actual net tax capacity and the net tax capacity that would be determined for the property if the class rates for assessment year 1997 were in effect.

(b) In calendar years 2001 and 2002, each city that is an impacted community shall be eligible for aid equal to (i) the amount by which the difference determined in paragraph (a) for the corresponding assessment year exceeds one percent of the city's total taxable net tax capacity for taxes payable in 1998, multiplied by (ii) the city government's average local tax rate for taxes payable in 1998.

(b) (c) In calendar years ~~1999, 2000, and 2001~~ and 2002, each city that is not an impacted community shall be eligible for aid equal to (i) the amount by which the sum of the differences

determined in ~~clause paragraph~~ (a) for the corresponding assessment year exceeds ~~two~~ 1.5 percent of the city's total taxable net tax capacity for taxes payable in 1998, multiplied by ~~(ii)~~ the city government's average local tax rate for taxes payable in 1998.

(d) For purposes of this section, "impacted community" means a home rule or statutory city that meets all of the following requirements:

(1) the city has at least 250 multifamily housing units, excluding duplexes, converted duplexes, triplexes, senior assisted living facilities, and student housing;

(2) the city has at least 25 percent of its multifamily housing units classified as class 4d property; and

(3) the city meets the 1.5 percent requirement for aid payments under paragraph (c).

**EFFECTIVE DATE:** This section is effective for aid paid in calendar years 2001 and 2002.

Sec. 50. Minnesota Statutes 1998, section 477A.06, subdivision 2, is amended to read:

Subd. 2. [CERTIFICATION.] (a) The county assessor shall notify the commissioner of revenue of the amount determined under subdivision 1, paragraph (b), clause (i), for any city that is an impacted community by June 30 of the assessment year, in a form prescribed by the commissioner.

(b) The county assessor shall notify the commissioner of revenue of the amount determined under subdivision 1, paragraph ~~(b)~~ (c), clause (i), for any city that is not an impacted community which qualifies for aid under this section by June 30 of the assessment year, in a form prescribed by the commissioner.

(c) The commissioner shall notify each city of its qualifying aid amount by August 15 of the assessment year.

**EFFECTIVE DATE:** This section is effective for aid paid in calendar years 2001 and 2002.

Sec. 51. Minnesota Statutes 1998, section 477A.06, subdivision 3, is amended to read:

Subd. 3. [APPROPRIATION; PAYMENT.] (a) The commissioner shall pay each city its qualifying aid amount on or before July 20 of each year. An amount sufficient to pay the aid authorized under this section is appropriated to the commissioner of revenue from the property tax reform account in fiscal years 2000 and 2001, and from the general fund in fiscal year 2002.

(b) For fiscal years 2001 and 2002, the amount of aid appropriated under this section may not exceed \$1,500,000 ~~\$2,425,000~~ each year.

(c) If the total amount of aid that would otherwise be payable under the formula in this section exceeds the maximum allowed under paragraph (b), the amount of aid for each city is reduced proportionately to equal the limit.

Sec. 52. Minnesota Statutes 1998, section 477A.11, subdivision 1, is amended to read:

Subdivision 1. [TERMS.] For the purpose of Laws 1979, Chapter 303, Article 8, Sections 1 to 5 sections 477A.11 to 477A.145, the terms defined in this section have the meanings given them.

**EFFECTIVE DATE:** This section applies to payments made in calendar year 2001 and thereafter.

Sec. 53. Minnesota Statutes 1998, section 477A.12, is amended to read:

477A.12 [ANNUAL APPROPRIATIONS; LANDS ELIGIBLE; CERTIFICATION OF ACREAGE.]

(a) ~~There is~~ As an offset for expenses incurred by counties and towns in support of natural resources lands, the following amounts are annually appropriated to the commissioner of natural

resources from the general fund for ~~payment to counties within the state an amount equal to transfer to the commissioner of revenue. The commissioner of revenue shall pay the transferred funds to counties as required by sections 477A.11 to 477A.145. The amounts are:~~

(1) for acquired natural resources land, \$3, as adjusted for inflation under section 477A.145, multiplied by the total number of acres of acquired natural resources land or, ~~beginning July 1, 1996,~~ at the county's option three-fourths of one percent of the appraised value of all acquired natural resources land in the county, whichever is greater;

(2) 75 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of county-administered other natural resources land; and

(3) 37.5 cents, as adjusted for inflation under section 477A.145, multiplied by the number of acres of commissioner-administered other natural resources land located in each county as of July 1 of each year prior to the payment year.

(b) Lands for which payments in lieu are made pursuant to section 97A.061, subdivision 3, and Laws 1973, chapter 567, shall not be eligible for payments under this section. Each county auditor shall certify to the department of natural resources during July of each year prior to the payment year the number of acres of county-administered other natural resources land within the county. The department of natural resources may, in addition to the certification of acreage, require descriptive lists of land so certified. The commissioner of natural resources shall determine and certify to the commissioner of revenue by March 1 of the payment year:

(1) the number of acres and most recent appraised value of acquired natural resources land and within each county;

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

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

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

(c) For the purposes of this section, the appraised value of acquired natural resources land is the purchase price for the first five years after acquisition. The appraised value of acquired natural resources land received as a donation is the value determined for the commissioner of natural resources by a licensed appraiser, or the county assessor's estimated market value if no appraisal is done. The appraised value must be determined by the county assessor every five years after the land is acquired.

**EFFECTIVE DATE:** This section applies to payments made in calendar year 2001 and thereafter.

Sec. 54. Minnesota Statutes 1998, section 477A.13, is amended to read:

477A.13 [TIME OF PAYMENT, DEDUCTIONS.]

Payments to the counties shall of the amounts determined under section 477A.12 must be made by the commissioner of revenue from the general fund during the month of July of the year next following certification. ~~There shall be deducted from amounts paid any amounts paid to a county or township during the preceding year pursuant to sections 97A.061, subdivisions 1 and 2, and 272.68, subdivision 3, with respect to the lands certified pursuant to section 477A.12 at the time provided in section 477A.015 for the first installment of local government aid.~~

**EFFECTIVE DATE:** This section applies to payments made in calendar year 2001 and thereafter.

Sec. 55. Minnesota Statutes 1998, section 477A.14, is amended to read:

477A.14 [USE OF FUNDS.]

Forty Except as provided in section 97A.061, subdivision 5, 40 percent of the total payment to the county shall be deposited in the county general revenue fund to be used to provide property tax levy reduction. The remainder shall be distributed by the county in the following priority:

(a) 37.5 cents, as adjusted for inflation under section 477A.145, for each acre of county-administered other natural resources land shall be deposited in a resource development fund to be created within the county treasury for use in resource development, forest management, game and fish habitat improvement, and recreational development and maintenance of county-administered other natural resources land. Any county receiving less than \$5,000 annually for the resource development fund may elect to deposit that amount in the county general revenue fund;

(b) From the funds remaining, within 30 days of receipt of the payment to the county, the county treasurer shall pay each organized township 30 cents ~~per~~, as adjusted for inflation under section 477A.145, for each acre of acquired natural resources land and ~~7.5 cents per~~, as adjusted for inflation under section 477A.145, for each acre of other natural resources land located within its boundaries. Payments for natural resources lands not located in an organized township shall be deposited in the county general revenue fund. Payments to counties and townships pursuant to this paragraph shall be used to provide property tax levy reduction, except that of the payments for natural resources lands not located in an organized township, the county may allocate the amount determined to be necessary for maintenance of roads in unorganized townships. Provided that, if the total payment to the county pursuant to section 477A.12 is not sufficient to fully fund the distribution provided for in this clause, the amount available shall be distributed to each township and the county general revenue fund on a pro rata basis; and

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

**EFFECTIVE DATE:** This section applies to payments made in calendar year 2001 and thereafter.

Sec. 56. [477A.145] [INFLATION ADJUSTMENT.]

In 2001 and each year thereafter, the amounts required to be adjusted for inflation in sections 477A.12 and 477A.14 shall be increased to an amount equal to: (1) the amount before the inflation adjustment multiplied by (2) one plus the percentage increase in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysis of the United States Department of Commerce for the period starting with 1980 and ending with the calendar year prior to the year in which aid is paid.

**EFFECTIVE DATE:** This section applies to payments made in calendar year 2001 and thereafter.

Sec. 57. Minnesota Statutes 1999 Supplement, section 505.08, subdivision 3, is amended to read:

Subd. 3. [PREMATURE REFERENCE TO PLAT; FORFEITURE.] Any person who shall dispose of, or lease, ~~or offer to sell~~ any land included in a plat by reference to the plat before the same is recorded, shall forfeit to the county \$100 for each lot, or part of a lot, so disposed of, or leased, ~~or offered~~; and any official, land surveyor, or person whose duty it is to comply with any of the provisions of this chapter, shall forfeit not less than \$100 for each month during which compliance is delayed. All forfeitures under this chapter shall be recovered in an action brought in the name of the county. Notwithstanding any provisions of this subdivision to the contrary, this subdivision shall not apply to an offer to sell or lease a unit in a proposed common interest community as defined in chapter 515B.

Sec. 58. Laws 1995, First Special Session chapter 3, article 15, section 25, is amended to read:

Sec. 25. [HOMESTEAD AND AGRICULTURAL CREDIT ADJUSTMENT.]

(a) For the computation of homestead and agricultural aid for taxes payable in 1996, the commissioner of revenue shall reduce a school district's homestead and agricultural aid by an amount equal to the lesser of: (1) 25 percent of the amount of the district's homestead and agricultural aid for calendar year 1995; or (2) an amount equal to one percent times the district's adjusted net tax capacity for assessment year 1994.

(b) Prior to the computation of homestead and agricultural aid for taxes payable in 1997, the commissioner of revenue shall reduce the school district's homestead and agricultural aid by an amount equal to the lesser of: (1) 50 percent of the amount of the district's homestead and agricultural aid for calendar year 1995; or (2) an amount equal to one percent times the district's adjusted net tax capacity for assessment year 1994.

(c) Prior to the computation of homestead and agricultural aid for taxes payable in 1998, the commissioner of revenue shall reduce a school district's homestead and agricultural aid by an amount equal to the lesser of: (1) 75 percent of the amount of the district's homestead and agricultural aid for calendar year 1995; or (2) an amount equal to one percent times the district's adjusted net tax capacity for assessment year 1994.

(d) Prior to the computation of homestead and agricultural aid for taxes payable in 1999, the commissioner of revenue shall reduce a school district's homestead and agricultural aid by an amount equal to the lesser of: (1) the amount of the district's homestead and agricultural aid for calendar year 1995; or (2) an amount equal to one percent times the district's adjusted net tax capacity for assessment year 1994.

(e) Prior to the computation of homestead and agricultural aid for taxes payable in 2000 and later years, the commissioner of revenue shall reduce a school district's homestead and agricultural aid by an amount equal to the lesser of: (1) any remaining amount of the district's homestead and agricultural aid; or (2) an amount equal to one percent times the district's adjusted net tax capacity for assessment year 1994.

(f) Prior to the computation of homestead and agricultural credit aid for taxes payable in 2001 and later years, the commissioner of revenue shall reduce that portion of a school district's homestead and agricultural credit aid first paid to a district in calendar year 2000 or an earlier calendar year by an amount equal to the lesser of: (1) any remaining amount of the portion of the district's homestead and agricultural credit aid first paid to a district in calendar year 2000 or an earlier calendar year; or (2) an amount equal to one percent times the district's adjusted net tax capacity for assessment year 1994.

Sec. 59. [TEMPORARY LOCAL GOVERNMENT AID INCREASE FOR TOWNS.]

Subdivision 1. [AID INCREASE.] (a) The total aid a town may receive under Minnesota Statutes, sections 477A.011 to 477A.014, is increased by \$75,000 in calendar year 2000 only if the town meets all of the following conditions:

(1) it is located outside of a metropolitan county as defined in Minnesota Statutes, section 473.121, subdivision 4;

(2) it is located in a county that does not contain a city of the first class;

(3) its local tax rate for taxes levied in 1992 was at least .022;

(4) its population in 1998 was at least 3,000; and

(5) it incurred legal costs related to a municipal incorporation proceeding under Minnesota Statutes, chapter 414, prior to the termination of the municipal board.

(b) The increased payment under paragraph (a) must not be included in calculating local

government aid payments to a town under Minnesota Statutes, section 477A.013, subdivision 1, in calendar year 2001, and thereafter. The increased payment must not be included in the calculation of any other aids paid under another law or of any limitations on levies or expenditures.

**EFFECTIVE DATE:** This section is effective for aids payable in calendar year 2000 only.

Sec. 60. [CAPITOL REGION WATERSHED DISTRICT LEVY LIMIT.]

The capitol region watershed district managers may levy an annual ad valorem tax of 0.02418 percent of taxable market value or \$200,000, whichever is less, under Minnesota Statutes, section 103D.905, subdivision 3, notwithstanding the levy limits in that subdivision.

**EFFECTIVE DATE:** This section is effective for taxes levied in 2000, payable in 2001, and thereafter.

Sec. 61. [EVELETH-GILBERT JOINT RECREATION BOARD TAX.]

The Eveleth-Gilbert joint recreation board may levy a tax on the taxable property situated in the territory of independent school district No. 2154, Eveleth-Gilbert, in accordance with this section. Property in territory in the school district may be made subject to the tax permitted by this section by the agreement of the governing body or town board of the city or town where it is located. The agreement may be by resolution of a governing body or town board or by a joint powers agreement pursuant to Minnesota Statutes, section 471.59. If levied, the tax is in addition to all other taxes on the property subject to it that are permitted to be levied for park and recreation purposes by the cities and towns other than taxes levied for the support of the joint recreation board. The tax must be disregarded in the calculation of all other rate or per capita tax levy limitations imposed by charter. A city or town may withdraw its agreement to future taxes by notice to the recreation board and the county auditor unless provided otherwise by a joint powers agreement. The tax shall be collected by the St. Louis county auditor and treasurer and paid directly to the Eveleth-Gilbert joint recreation board. This section applies in the cities of Eveleth and Gilbert and in the town of Fayal, all in St. Louis county.

Sec. 62. [LAKE OF THE WOODS AND KOOCHICHING COUNTIES; EXPENDITURES FOR ROAD AND BRIDGE PURPOSES.]

(a) Notwithstanding Minnesota Statutes, section 163.06, subdivisions 4 and 5, the county board of Lake of the Woods county, by resolution, may expend the proceeds of the levy under Minnesota Statutes, section 163.06, in any organized or unorganized township or portion thereof in the county.

(b) Notwithstanding Minnesota Statutes, section 163.06, subdivisions 4 and 5, the county board of Koochiching county, by resolution, may expend the proceeds of the levy under Minnesota Statutes, section 163.06, in any organized or unorganized township or portion thereof in the county.

**EFFECTIVE DATES:** This section is effective for Lake of the Woods county upon approval by and compliance with Minnesota Statutes, section 645.021, subdivision 3. This section is effective for Koochiching county upon approval by and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 63. [ST. LOUIS COUNTY; CAPITAL IMPROVEMENT PLAN DEFINITION.]

For St. Louis county, the St. Louis county heritage and arts center is included in the definition of "capital improvement" in Minnesota Statutes, section 373.40, subdivision 1.

**EFFECTIVE DATE:** This section is effective upon approval by the governing body of St. Louis county, and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 64. [STUDY OF TAXATION OF FOREST LAND.]

Subdivision 1. [AUTHORIZATION.] The commissioner of revenue, in cooperation with the

Minnesota forest resources council, shall study the taxation of forest land in this state. The study shall include a review of the current application of property taxes to these lands and a review and comparison with other forest land tax policies. It shall also include recommendations for changes in tax policy:

- (1) to encourage forest productivity;
- (2) to maintain land in forest cover;
- (3) to encourage the application of sustainable site level forest management guidelines;
- (4) to address impacts on local government revenues; and
- (5) for changes in tax rates.

The study shall be completed and transmitted to the chairs of the house and senate tax committees by December 1, 2000.

Subd. 2. [APPROPRIATION.] \$50,000 is appropriated from the general fund in fiscal year 2000 to the commissioner of revenue for completion of the study required in this section. This appropriation is available until December 31, 2000.

#### ARTICLE 10

#### LOCAL DEVELOPMENT

Section 1. Minnesota Statutes 1998, section 238.08, subdivision 3, is amended to read:

Subd. 3. [MUNICIPAL OPERATION.] Nothing in this chapter shall be construed to limit any municipality from the right to construct, purchase, and operate a cable communications system systems, or, to operate facilities and channels for community television, including, but not limited to, public, educational, and governmental access and local origination programming. Any municipal system, including the operation of community television by a municipality, shall be subject to this chapter to the same extent as would any nonpublic cable communications system.

Sec. 2. Minnesota Statutes 1998, section 428A.11, is amended by adding a subdivision to read:

Subd. 7. [AUTHORITY.] "Authority" means an economic development authority or housing and redevelopment authority created pursuant to section 469.003, 469.004, or 469.091.

Sec. 3. Minnesota Statutes 1998, section 428A.11, is amended by adding a subdivision to read:

Subd. 8. [IMPLEMENTING ENTITY.] "Implementing entity" means the city or authority designated in the enabling ordinance as responsible for implementing and administering the housing improvement area.

Sec. 4. Minnesota Statutes 1998, section 428A.13, subdivision 1, is amended to read:

Subdivision 1. [ORDINANCE.] The governing body of the city may adopt an ordinance establishing a one or more housing improvement area areas. The ordinance must specifically describe the portion of the city to be included in the area, the basis for the imposition of the fees, and the number of years the fee will be in effect. In addition, the ordinance must include findings that without the housing improvement area, the proposed improvements could not be made by the condominium associations or housing unit owners, and the designation is needed to maintain and preserve the housing units within the housing improvement area. The ordinance shall designate the implementing entity. The ordinance may not be adopted until a public hearing has been held regarding the ordinance. The ordinance may be amended by the governing body of the city, provided the governing body complies with the public hearing notice provisions of subdivision 2. Within 30 days after adoption of the ordinance under this subdivision, the governing body shall send a copy of the ordinance to the commissioner of revenue.

Sec. 5. Minnesota Statutes 1998, section 428A.13, subdivision 3, is amended to read:

Subd. 3. [PROPOSED HOUSING IMPROVEMENTS.] At the public hearing held under subdivision 2, the city proposed implementing entity shall provide a preliminary listing of the housing improvements to be made in the area. The listing shall identify those improvements, if any, that are proposed to be made to all or a portion of the common elements of a condominium. The listing shall also identify those housing units that have completed the proposed housing improvements and are proposed to be exempted from a portion of the fee. In preparing the list the city proposed implementing entity shall consult with the residents of the area and the condominium associations.

Sec. 6. Minnesota Statutes 1998, section 428A.14, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY.] Fees may be imposed by the city implementing entity on the housing units within the housing improvement area at a rate, term, or amount sufficient to produce revenue required to provide housing improvements in the area to reimburse the implementing entity for advances made to pay for the housing improvements or to pay principal of, interest on, and premiums, if any, on bonds issued by the implementing entity under section 428A.16. The fee can be imposed on the basis of the tax capacity of the housing unit, or the total amount of square footage of the housing unit, or a method determined by the council and specified in the resolution. Before the imposition of the fees, a hearing must be held and notice must be published in the official newspaper at least seven days before the hearing and shall be mailed at least seven days before the hearing to any housing unit owner subject to a fee. For purposes of this section, the notice must also include:

- (1) a statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed housing improvement fee;
- (2) the estimated cost of improvements including administrative costs to be paid for in whole or in part by the fee imposed under the ordinance;
- (3) the amount to be charged against the particular property;
- (4) the right of the property owner to prepay the entire fee;
- (5) the number of years the fee will be in effect; and
- (6) a statement that the petition requirements of section 428A.12 have either been met or do not apply to the proposed fee.

Within six months of the public hearing, the city implementing entity may adopt a resolution imposing a fee within the area not exceeding the amount expressed in the notice issued under this section.

Prior to adoption of the resolution approving the fee, the condominium associations located in the housing improvement area shall submit to the city implementing entity a financial plan prepared by an independent third party, acceptable to the city implementing entity and associations, that provides for the associations to finance maintenance and operation of the common elements in the condominium and a long-range plan to conduct and finance capital improvements.

Sec. 7. Minnesota Statutes 1998, section 428A.15, is amended to read:

428A.15 [COLLECTION OF FEES.]

The city implementing entity may provide for the collection of the housing improvement fees according to the terms of section 428A.05.

Sec. 8. Minnesota Statutes 1998, section 428A.16, is amended to read:

428A.16 [BONDS.]

At any time after a contract for the construction of all or part of an improvement authorized under sections 428A.11 to 428A.20 has been entered into or the work has been ordered, the

~~governing body of the city implementing entity~~ may issue obligations in the amount it deems necessary to defray in whole or in part the expense incurred and estimated to be incurred in making the improvement, including every item of cost from inception to completion and all fees and expenses incurred in connection with the improvement or the financing.

The obligations are payable primarily out of the proceeds of the fees imposed under section 428A.14, or from any other special assessments or revenues available to be pledged for their payment under charter or statutory authority, or from two or more of those sources. The governing body of the city, or if the governing bodies are the same or consist of identical membership, the authority may, by resolution adopted prior to the sale of obligations, pledge the full faith, credit, and taxing power of the city to assure bonds issued by it to ensure payment of the principal and interest if the proceeds of the fees in the area are insufficient to pay the principal and interest. The obligations must be issued in accordance with chapter 475, except that an election is not required, and the amount of the obligations are not included in determination of the net debt of the city under the provisions of any law or charter limiting debt.

Sec. 9. Minnesota Statutes 1998, section 428A.17, is amended to read:

428A.17 [ADVISORY BOARD.]

The ~~governing body of the city implementing entity~~ may create and appoint an advisory board for the housing improvement area in the city to advise the ~~governing body implementing entity~~ in connection with the planning and construction of housing improvements. In appointing the board, the ~~council implementing entity~~ shall consider for membership members of condominium associations located in the housing improvement area. The advisory board shall make recommendations to the ~~governing body implementing entity~~ to provide improvements or impose fees within the housing improvement area. Before the adoption of a proposal by the ~~governing body implementing entity~~ to provide improvements within the housing improvement area, the advisory board of the housing improvement area shall have an opportunity to review and comment upon the proposal.

Sec. 10. Minnesota Statutes 1998, section 428A.19, is amended to read:

428A.19 [ANNUAL REPORTS.]

Each condominium association located within the housing improvement area must, by August 15 annually, submit a copy of its audited financial statements to the ~~city implementing entity~~. The city may also, as part of the enabling ordinance, require the submission of other relevant information from the associations.

Sec. 11. Minnesota Statutes 1998, section 428A.21, is amended to read:

428A.21 [SUNSET.]

No new housing improvement areas may be established under sections 428A.11 to 428A.20 after June 30, ~~2004~~ 2005. After June 30, ~~2004~~ 2005, a city may establish a housing improvement area, provided that it receives enabling legislation authorizing the establishment of the area.

Sec. 12. [465.717] [CREATION OF CORPORATIONS BY POLITICAL SUBDIVISIONS.]

Subdivision 1. [STATUTORY AUTHORIZATION REQUIRED.] A county, home rule charter city, statutory city, town, school district, or other political subdivision, including a joint powers entity operating under section 471.59 may not create a corporation, whether for profit or not for profit, unless explicitly authorized to do so by law.

Subd. 2. [AUTHORITY TO INCORPORATE A JOINT POWERS ENTITY.] A joint powers entity created under section 471.59 may incorporate itself as a nonprofit under chapter 317A. A corporation created under this subdivision shall comply with every law that applies to the participating political subdivisions and shall possess no greater authority or power than that held by the joint powers entity itself.

Sec. 13. [465.719] [EXISTING CORPORATIONS CREATED BY POLITICAL SUBDIVISIONS.]

Subdivision 1. [DEFINITIONS.] The following definitions apply to this section:

(a) "Political subdivision" means a county, a statutory or home rule charter city, a town, a school district, or other political subdivision of the state. Political subdivision includes a political subdivision acting individually or jointly as provided under section 471.59.

(b) "Corporation" means a corporation created by a political subdivision before May 31, 1997, in which (1) the corporation's articles of incorporation or bylaws provide for the governing body of the political subdivision to serve as a corporation's governing board; (2) the articles of incorporation or bylaws provide for members of the governing body of the political subdivision to be automatically appointed to the board solely by virtue of their appointment or election to office and they constitute a majority of the corporation's board members; or (3) the governing body of the political subdivision approves the budget or expenditures of the corporation for purposes other than those related to oversight of public grants or loans made to the corporation under a competitive process for which other entities are eligible. Corporation does not include:

(1) a corporation established under chapters 453, 453A, or sections 119A.374 to 119A.376; 245.62 to 245.66;

(2) a nonprofit corporation created to raise funds for use by a political subdivision if less than a majority of the board of directors of the corporation are members of the governing body of the political subdivision appointed to the board of directors by virtue of their election to office; or

(3) a corporation created by a political subdivision pursuant to state statute or special law or federal law.

Subd. 2. [RESOLUTION REQUIRED.] In order to provide for the continued existence of a corporation created by a political subdivision, the political subdivision, or its successor, that created the corporation must adopt a resolution at a regularly scheduled meeting of the governing body of the political subdivision. The resolution must include the information required in subdivisions 4 to 9. If a resolution is not adopted within three years of the effective date of this section, the board of directors of the corporation shall direct and authorize an officer or designee of the corporation to file with the secretary of state immediately a notice of intent to dissolve the corporation and then as soon as possible, complete dissolution of the corporation as provided in the corporation's articles of incorporation and bylaws, and the law under which the corporation was formed.

Subd. 3. [AMENDED ARTICLES OF INCORPORATION, BYLAWS.] If the political subdivision adopts a resolution under subdivision 2, the board of directors of the corporation shall direct and authorize an officer or designee of the corporation to file amended articles of incorporation, if necessary, as soon as practicable after adoption of the resolution to make the articles of incorporation consistent with the resolution and to provide for the application of the laws under subdivision 10. Thereafter, the corporation may not amend its articles of incorporation unless the political subdivision adopts a resolution in support of the change as provided in subdivision 2 for ratifying existing corporations.

Subd. 4. [EXISTING CONTRACTS.] If on the effective date of this section the corporation has contracts or other obligations that are inconsistent with any requirement of this section, the resolution may provide for the delayed application of that requirement for the time necessary to avoid a breach or impairment of the contract or obligation.

Subd. 5. [NEED FOR CORPORATION.] The resolution must make a detailed and specific finding regarding the purpose of the corporation, and why the corporation is the best alternative for accomplishing the purpose.

Subd. 6. [AUTHORITIES AND POWERS OF CORPORATION LIMITED.] The resolution must specify what authorities and powers the corporation possesses. The authorities and powers of the corporation must not exceed the authorities and powers of the political subdivision that created it, except as otherwise authorized in this section.

Subd. 7. [BOARD MEMBERSHIP.] If a majority of the corporation's governing board includes elected or appointed officials of the political subdivision creating the corporation, the resolution must make a detailed and specific finding regarding the purpose of those officials serving on the board, and why the corporation cannot accomplish its purpose unless those officials serve on the board. Alternatively, the resolution may provide for other board membership and the articles of incorporation amended to be consistent with the resolution.

Subd. 8. [ALLOCATION OF ASSETS AND LIABILITIES.] If a corporation is created by more than one political subdivision, each political subdivision that ratifies creation of the corporation must adopt a resolution required by this section and, among other requirements, each resolution must specify and agree with the resolution of the other political subdivisions as to how the assets and liabilities of the corporation are allocated or attributed to each political subdivision, including, but not limited to, for the purposes of any applicable levy or debt limits.

Subd. 9. [APPLICATION OF OTHER LAWS.] A corporation created by a political subdivision under this section must comply with every law that applies to the political subdivision, as if the corporation is a part of the political subdivision, unless the resolution ratifying creation of the corporation specifically exempts the corporation from part or all of a law. If the resolution exempts the corporation from part or all of a law, the resolution must make a detailed and specific finding as to why the corporation cannot fulfill its purpose if the corporation is subject to that law. A corporation may not be exempted from section 471.705, the Minnesota Open Meeting Law, sections 138.163 to 138.25, the Records Management Act, or Chapter 13, the Minnesota Government Data Practices Act. Laws that apply to a political subdivision that also apply to a corporation created by a political subdivision under this subdivision include, but are not limited to:

- (1) section 471.705, the Minnesota Open Meeting Law;
- (2) chapter 13, the Minnesota Government Data Practices Act;
- (3) section 471.345, the Uniform Municipal Contracting Law;
- (4) sections 43A.17, limiting the compensation of employees based on the governor's salary; 471.991 to 471.999, providing for equitable pay; and 465.72 and 465.722, governing severance pay;
- (5) section 275.065, providing for truth-in-taxation hearings. If any tax revenues of the political subdivision will be appropriated to the corporation, the corporation's annual operating and capital budgets must be included in the truth-in-taxation hearing of the political subdivision that created the corporation;
- (6) if the corporation issues debt, its debt is included in the political subdivision's debt limit if it would be included if issued by the political subdivision, and issuance of the debt is subject to the election and other requirements of chapter 475 and section 471.69;
- (7) section 471.895, prohibiting acceptance of gifts from interested parties, and sections 471.87 to 471.89, relating to interests in contracts;
- (8) chapter 466, relating to municipal tort liability;
- (9) chapter 118A, requiring deposit insurance or bond or pledged collateral for deposits;
- (10) chapter 118A, restricting investments;
- (11) section 471.346, requiring ownership of vehicles to be identified;
- (12) sections 471.38 to 471.41, requiring claims to be in writing, itemized, and approved by the governing board before payment can be made; and
- (13) the corporation cannot make advances of pay, make or guarantee loans to employees, or provide in-kind benefits unless authorized by law.

Subd. 10. [TAXES USED FOR PUBLIC PURPOSE.] If the political subdivision has authority

under other law to appropriate tax revenues for use by the corporation, those funds must be appropriated and used only for public purposes.

Subd. 11. [AUDIT.] A corporation created by a political subdivision that receives public money from the political subdivision, other than grants or loans made under a competitive process for which other entities are eligible, must be audited annually by either a certified public accountant or the state auditor. Except as provided below, the audit report must be presented at a regularly scheduled meeting of the governing body of the political subdivision that created the corporation. The audit report must be made available to individuals after presentation of the audit report to the governing body of the political subdivision. The data classification of an audit performed by the office of the state auditor is governed by chapter 6.

Subd. 12. [STATE AUDITOR POWERS.] The state auditor has the same powers with regard to a corporation created by a political subdivision as the state auditor has with regard to the political subdivision that created the corporation.

Subd. 13. [DATA.] (a) The following government data of a corporation subject to this section that are provided by a private business are private data on individuals or nonpublic data, as defined in section 13.02:

(1) trade secret information, as defined in section 13.37; and

(2) financial statements; credit reports; business plans; income and expense projections; customer lists; balance sheets; income tax returns; and design, market, and feasibility studies not paid for with public funds.

(b) The following government data of the corporation are private data on individuals or nonpublic data, as defined in section 13.02:

(1) trade secret information, as defined in section 13.02;

(2) other data, to the extent the corporation is competing with other organizations providing the same goods or services and disclosure of the data would impair the ability of the corporation to compete; and

(3) data identified in section 13.491 collected or received by a transit organization.

Sec. 14. Minnesota Statutes 1998, section 469.003, subdivision 5, is amended to read:

Subd. 5. [COMMISSIONERS.] An authority shall consist of five up to seven commissioners, who shall be residents of the area of operation of the authority, who shall be appointed after the resolution becomes finally effective. If any additional commissioners are appointed, one of the commissioners must be appointed in accordance with the requirements of the Code of Federal Regulations, title 24, part 964.

Sec. 15. Minnesota Statutes 1998, section 469.006, subdivision 1, is amended to read:

Subdivision 1. [COUNTY COMMISSIONERS.] When the governing body of a county adopts a resolution under section 469.004, the governing body shall appoint five persons or the number of commissioners for the governing body, plus up to two additional commissioners, as commissioners of the county authority. If any additional commissioners are appointed, one of the commissioners must be appointed in accordance with the requirements of the Code of Federal Regulations, title 24, part 964. The membership of the commission will reflect an areawide distribution on a representative basis. The commissioners who are first appointed shall be designated to serve for terms of one, two, three, four, and five years respectively, from the date of their appointment. Thereafter commissioners shall be appointed for a term of office of five years except that all vacancies shall be filled for the unexpired term. Persons may be appointed as commissioners if they reside within the boundaries or area, and are otherwise eligible for the appointments under sections 469.001 to 469.047.

Sec. 16. Minnesota Statutes 1998, section 469.006, subdivision 2, is amended to read:

Subd. 2. [MULTICOUNTY COMMISSIONERS.] The governing body in the case of a county, and the mayor with the approval of the governing body in the case of a city, of each political subdivision included in a multicounty authority shall appoint one person as a commissioner of the authority at or after the time of the adoption of the resolution establishing the authority.

In the case of a multicounty authority comprising only two or three political subdivisions, the appointing authorities of the participating political subdivisions shall each appoint one additional commissioner whose term of office shall be as provided for a commissioner of a multicounty authority. If any additional commissioners are appointed, one of the commissioners must be appointed in accordance with the requirements of the Code of Federal Regulations, title 24, part 964.

In the case of a multicounty authority comprising more than three political subdivisions, the appointing authorities of the participating political subdivisions may each appoint one additional commissioner whose term of office shall be as provided for a commissioner of a multicounty authority. The housing and redevelopment authority board of commissioners of a multicounty authority may appoint one or two additional commissioners in order to comply with the requirements of the Code of Federal Regulations, title 24, part 964. The appointment must be approved by a majority of the commissioners of each of the political subdivisions comprising the multicounty authority.

When the area of operation of a multicounty authority is increased to include an additional political subdivision, the appointing authority of each additional political subdivision shall appoint one or, if appropriate, two commissioners of the multicounty authority.

The appointing authority of each political subdivision shall appoint the successors of the commissioner appointed by it. The commissioners of a multicounty authority shall be appointed for terms of five years except that all vacancies shall be filled for the unexpired terms.

Sec. 17. Minnesota Statutes 1998, section 469.011, subdivision 4, is amended to read:

Subd. 4. [EXPENSES; COMPENSATION.] Each commissioner may receive necessary expenses, including traveling expenses, incurred in the performance of duties. Each commissioner may be paid up to ~~\$\$\$~~ \$75 for attending each regular and special meeting of the authority. Commissioners who are full-time state employees or full-time employees of the political subdivisions of the state may not receive the daily payment, but they may suffer no loss in compensation or benefits from the state or a political subdivision as a result of their service on the board. Commissioners who are elected officials may receive the daily payment for a particular day only if they do not receive any other daily payment for public service on that day. Commissioners who are full-time state employees or full-time employees of the political subdivisions of the state may receive the expenses provided for in this subdivision unless the expenses are reimbursed by another source.

Sec. 18. Minnesota Statutes 1998, section 469.174, subdivision 10, is amended to read:

Subd. 10. [REDEVELOPMENT DISTRICT.] (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one of the following conditions, reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, ~~or~~ excessive or vacated railroad rights-of-way, or tank facilities, as defined in section 115C.02, subdivision 15, with a capacity in excess of 1,000,000 gallons, located adjacent to rail facilities.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in

structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

(c) A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard. Items of evidence that support such a conclusion include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1).

(d) A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) if all of the following conditions are met:

(1) the parcel was occupied by a substandard building within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;

(2) the substandard building was demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;

(3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building and that after demolition and clearance the authority intended to include the parcel within a district; and

(4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by section 469.177, subdivision 1, paragraph (h).

(e) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, or other improvements unless 15 percent of the area of the parcel contains improvements.

(f) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).

**EFFECTIVE DATE:** This section is effective for districts or additions to the geographic area of a district for which request for certification is made after June 30, 2000.

Sec. 19. Minnesota Statutes 1998, section 469.175, subdivision 1a, is amended to read:

Subd. 1a. [INCLUSION OF COUNTY ROAD COSTS.] (a) The county board may require the authority to pay all or a portion of the cost of county road improvements out of increment revenues, if the following conditions occur:

(1) the proposed tax increment financing plan or an amendment to the plan contemplates construction of a development that will, in the judgment of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs; and

(2) the road improvements or other road costs are not scheduled for construction within five years under the county capital improvement plan or ~~other within five years under another formally adopted county plan~~, and in the opinion of the county, would not reasonably be expected to be needed within the reasonably foreseeable future if the tax increment financing plan were not implemented.

(b) If the county elects to use increments to finance the road improvements, the county must notify the authority and municipality within 30 days after receipt of the information on the proposed tax increment district under subdivision 2. The notice must include the estimated cost of the road improvements and schedule for construction and payment of the cost. The authority must include the improvements in the tax increment financing plan. The improvements may be financed with the proceeds of tax increment bonds or the authority and the county may agree that the county will finance the improvements with county funds to be repaid in installments, with or without interest, out of increment revenues. If the cost of the road improvements and other project costs exceed the projected amount of the increment revenues, the county and authority shall negotiate an agreement, modifying the development plan or proposed road improvements that will permit financing of the costs before the tax increment financing plan may be approved.

**EFFECTIVE DATE:** This section is effective for districts, or expansions of the geographic area of districts, for which certification is requested after the day following final enactment of this act.

Sec. 20. Minnesota Statutes 1998, section 469.175, subdivision 5, is amended to read:

Subd. 5. [ANNUAL DISCLOSURE.] ~~(a) The authority shall annually submit to the county board, the county auditor, the school board, state auditor and, if the authority is other than the municipality, the governing body of the municipality, a report of the status of the district. The report shall include the following information: the amount and the source of revenue in the account, the amount and purpose of expenditures from the account, the amount of any pledge of revenues, including principal and interest on any outstanding bonded indebtedness, the original net tax capacity of the district and any subdistrict, the captured net tax capacity retained by the authority, the captured net tax capacity shared with other taxing districts, the tax increment received, and any additional information necessary to demonstrate compliance with any applicable tax increment financing plan. The authority must submit the annual report for a year on or before August 1 of the next year.~~

~~(b) An annual statement showing the tax increment received and expended in that year, the original net tax capacity, captured net tax capacity, amount of outstanding bonded indebtedness, the amount of the district's and any subdistrict's increments paid to other governmental bodies, the amount paid for administrative costs, the sum of increments paid, directly or indirectly, for activities and improvements located outside of the district, for each district the information required to be reported under subdivision 6, paragraph (c), clauses (1), (2), (3), (11), (12), (20), and (21); the amounts of tax increment received and expended in the reporting period; and any additional information the authority deems necessary shall must be published in a newspaper of general circulation in the municipality that approved the tax increment financing plan. If the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a), the annual statement must disclose that fact and indicate the amount of increased property tax imposed on other properties in the municipality as a result of the fiscal disparities contribution. The commissioner of revenue shall prescribe the form of this statement and the method for calculating the increased property taxes. The annual statement must inform readers that additional information regarding each district may be obtained from the authority, and must explain how the additional information may be requested. The authority must publish the annual statement for a year no later than August 15 of the next year. The authority must identify the newspaper of general circulation in the municipality to which the annual statement has been or will be submitted for publication and provide a copy of the annual statement to the county board, the county auditor, the school board, the state auditor, and, if the authority is other than the municipality, the governing body of the municipality on or before August 1 of the year in which the statement must be published.~~

(c) The disclosure and reporting requirements imposed by this subdivision apply to districts certified before, on, or after August 1, 1979.

**EFFECTIVE DATE:** This section is effective for reports due in 2001 and subsequent years.

Sec. 21. Minnesota Statutes 1998, section 469.175, subdivision 6, is amended to read:

Subd. 6. [ANNUAL FINANCIAL REPORTING.] (a) The state auditor shall develop a uniform system of accounting and financial reporting for tax increment financing districts. The system of accounting and financial reporting shall, as nearly as possible:

- (1) provide for full disclosure of the sources and uses of public funds in the district;
- (2) permit comparison and reconciliation with the affected local government's accounts and financial reports;
- (3) permit auditing of the funds expended on behalf of a district, including a single district that is part of a multidistrict project or that is funded in part or whole through the use of a development account funded with tax increments from other districts or with other public money;
- (4) be consistent with generally accepted accounting principles.

(b) The authority must annually submit to the state auditor a financial report in compliance with paragraph (a). Copies of the report must also be provided to the county and school district boards auditor and to the governing body of the municipality, if the authority is not the municipality. To the extent necessary to permit compliance with the requirement of financial reporting, the county and any other appropriate local government unit or private entity must provide the necessary records or information to the authority or the state auditor as provided by the system of accounting and financial reporting developed pursuant to paragraph (a). The authority must submit the annual report for a year on or before August 1 of the next year.

(c) The annual financial report must also include the following items:

- (1) the original net tax capacity of the district and any subdistrict under section 469.177, subdivision 1;
- (2) the net tax capacity for the reporting period of the district and any subdistrict;
- (3) the captured net tax capacity of the district, including the amount of any captured net tax capacity shared with other taxing districts;
- (3) (4) any fiscal disparity deduction from the captured net tax capacity under section 469.177, subdivision 3;
- (5) the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1);
- (6) any captured net tax capacity distributed among affected taxing districts under section 469.177, subdivision 2, paragraph (a), clause (2);
- (7) the type of district;
- (8) the date the municipality approved the tax increment financing plan and the date of approval of any modification of the tax increment financing plan, the approval of which requires notice, discussion, a public hearing, and findings under subdivision 4, paragraph (a);
- (9) the date the authority first requested certification of the original net tax capacity of the district and the date of the request for certification regarding any parcel added to the district;
- (10) the date the county auditor first certified the original net tax capacity of the district and the date of certification of the original net tax capacity of any parcel added to the district;
- (11) the month and year in which the authority has received or anticipates it will receive the first increment from the district;

(12) the date the district must be decertified;

(13) for the reporting period and prior years of the district, the actual amount received from, at least, the following categories:

(i) tax increments paid by the captured net tax capacity retained for tax increment financing under section 469.177, subdivision 2, paragraph (a), clause (1), but excluding any excess taxes;

(ii) tax increments that are interest or other investment earnings on or from tax increments;

(iii) tax increments that are proceeds from the sale or lease of property, tangible or intangible, purchased by the authority with tax increments;

(iv) tax increments that are repayments of loans or other advances made by the authority with tax increments;

(v) bond or loan proceeds;

(vi) special assessments;

(vii) grants; and

(viii) transfers from funds not exclusively associated with the district;

(14) for the reporting period and for the duration prior years of the district, the amount budgeted under the tax increment financing plan, and the actual amount expended for, at least, the following categories:

(i) acquisition of land and buildings through condemnation or purchase;

(ii) site improvements or preparation costs;

(iii) installation of public utilities, parking facilities, streets, roads, sidewalks, or other similar public improvements;

(iv) administrative costs, including the allocated cost of the authority;

(v) public park facilities, facilities for social, recreational, or conference purposes, or other similar public improvements; and

(vi) transfers to funds not exclusively associated with the district;

~~(4) (15) for properties sold to developers, the total cost of the property to the authority and the price paid by the developer; and~~

~~(5) the amount of increments rebated or paid to developers or property owners for privately financed improvements or other qualifying costs.~~

(16) the amount of any payments and the value of any in-kind benefits, such as physical improvements and the use of building space, that are paid or financed with tax increments and are provided to another governmental unit other than the municipality during the reporting period;

(17) the amount of any payments for activities and improvements located outside of the district that are paid for or financed with tax increments;

(18) the amount of payments of principal and interest that are made during the reporting period on any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(19) the principal amount, at the end of the reporting period, of any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(20) the amount of principal and interest payments that are due for the current calendar year on any nondefeased:

(i) general obligation tax increment financing bonds;

(ii) other tax increment financing bonds; and

(iii) notes and pay-as-you-go contracts;

(21) if the fiscal disparities contribution under chapter 276A or 473F for the district is computed under section 469.177, subdivision 3, paragraph (a), the amount of increased property taxes imposed on other properties in the municipality that approved the tax increment financing plan as a result of the fiscal disparities contribution;

(22) whether the tax increment financing plan or other governing document permits increment revenues to be expended:

(i) to pay bonds, the proceeds of which were or may be expended on activities outside of the district;

(ii) for deposit into a common bond fund from which money may be expended on activities located outside of the district; or

(iii) to otherwise finance activities located outside of the tax increment financing district; and

(23) any additional information the state auditor may require.

(d) The commissioner of revenue shall prescribe the method of calculating the increased property taxes under paragraph (c), clause (21), and the form of the statement disclosing this information on the annual statement under subdivision 5.

(e) The reporting requirements imposed by this subdivision apply to districts certified before, on, and after August 1, 1979.

**EFFECTIVE DATE:** This section is effective for reports due in 2001 and subsequent years.

Sec. 22. Minnesota Statutes 1998, section 469.176, subdivision 1b, is amended to read:

Subd. 1b. [DURATION LIMITS; TERMS.] (a) No tax increment shall in any event be paid to the authority

(1) after 25 years from date of receipt by the authority of the first tax increment for a mined underground space development district,

(2) after 15 years after receipt by the authority of the first increment for a renewal and renovation district,

(3) after 20 years after receipt by the authority of the first increment for a soils condition district,

(4) after nine years from the date of the after receipt, or 11 years from approval of the tax increment financing plan, whichever is less, by the authority of the first increment for an economic development district for which the request for certification was made after May 31, 1993; and after eight years after receipt by the authority of the first increment for an economic development district for which the request for certification was made before June 1, 1993,

(5) for a housing district or a redevelopment district, after 20 years from the date of receipt by the authority of the first tax increment by the authority pursuant to section 469.175, subdivision 1, paragraph (b); or, if no provision is made under section 469.175, subdivision 1, paragraph (b), after 25 years from the date of receipt by the authority of the first increment.

(b) For purposes of determining a duration limit under this subdivision or subdivision 1e that is based on the receipt of an increment, any increments from taxes payable in the year in which the district terminates shall be paid to the authority. This paragraph does not affect a duration limit calculated from the date of approval of the tax increment financing plan or based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph does not supersede the restrictions on payment of delinquent taxes in subdivision 1f.

**EFFECTIVE DATE:** This section is effective on May 1, 2000, and applies to any economic development district that:

(1) is requested for certification after May 1, 2000;

(2) was requested for certification after July 31, 1979, and as of May 1, 2000, has not reached its maximum duration under the law in effect on the date the district was requested for certification; or

(3) was requested for certification after July 31, 1979, and the authority received tax increment from the county after the duration limit calculated from the date of approval of the plan, but within the duration limit if this section had been in effect on the date the district was requested for certification.

Sec. 23. Minnesota Statutes 1998, section 469.1763, is amended by adding a subdivision to read:

Subd. 7. [HOUSING DEVELOPMENTS.] (a) The restrictions in subdivisions 2 through 4 do not apply to increments spent exclusively to assist a housing development.

(b) For purposes of this subdivision, the following terms have the meanings given.

(1) "Housing development" or "development" means housing that meets the requirements for a qualified low-income building as that term is used in section 42 of the Internal Revenue Code.

(2) "To assist" means amounts spent to:

(i) acquire and prepare the site;

(ii) acquire, construct, or rehabilitate buildings or other improvements; and

(iii) make public improvements directly related to the development.

(c) For a development, the amount of the tax increments that qualifies under this subdivision is limited to the qualified basis for the development, as defined under section 42(c) of the Internal Revenue Code, less the amount of any tax credit the development is allowed under section 42 of the Internal Revenue Code.

**EFFECTIVE DATE:** This section applies to increments spent after July 1, 2000.

Sec. 24. [FINDINGS.]

The legislature finds that:

(1) the legislature has directed the metropolitan airports commission to develop a plan to mitigate aircraft noise associated with the operation of the Minneapolis/St. Paul International Airport;

(2) the metropolitan airports commission has developed a noise mitigation plan in conjunction with communities adjacent to the airport and is in the process of updating its FAR Part 150 noise mitigation program for submission to and approval by the Federal Aviation Administration;

(3) the legislature also established the governor's airport community stabilization funding task force that recommended further mitigation funding to address federal, state, and local participation in mitigation of noise and other impacts associated with expansion of the Minneapolis/St. Paul International Airport at its present location;

(4) the task force concluded that:

(i) the metropolitan airports commission has committed significant resources toward mitigating the negative impacts associated with airport expansion, but the FAR Part 150 noise program is insufficient to address all impacts;

(ii) the metropolitan airports commission is neither capable of, nor should it be required to, finance mitigation of all airport impacts;

(iii) the decision to keep and expand the airport at its current location was a state decision, and as such, the state should be a financial partner in mitigation projects resulting from the expansion of the airport; and

(iv) no single funding source is adequate for the range and scope of proposed mitigation activities; and

(5) appropriate measures to mitigate adverse impacts include, but are not limited to, insulation, redevelopment and housing replacement activities, and property value assurance and expenditures for all such measures are for a public purpose.

Sec. 25. [DEFINITIONS.]

Subdivision 1. [APPLICATION.] For the purposes of sections 24 to 28, the terms defined in this section have the meanings given them.

Subd. 2. [AIRPORT IMPACT DISTRICT.] "Airport impact district" means an airport impact tax increment financing district described in section 27.

Subd. 3. [AIRPORT IMPACT ZONE.] "Airport impact zone" means a contiguous or noncontiguous geographic area designated by a city and approved by the council as part of a mitigation plan under section 26.

Subd. 4. [CITY.] "City" means the cities of Bloomington, Burnsville, Eagan, Mendota Heights, Minneapolis, Richfield, and St. Paul or any of them.

Subd. 5. [COUNCIL.] "Council" means the metropolitan council.

Subd. 6. [GOVERNING BODY.] "Governing body" means the city council of a city.

Subd. 7. [HOUSING REPLACEMENT ACTIVITIES.] "Housing replacement activities" means rehabilitation, acquisition, demolition relocation assistance, relocation of existing dwelling units, and construction of new dwelling units, for the purpose of replacing dwelling units eliminated by airport mitigation activities.

Subd. 8. [IMPACT REPORT.] "Impact report" means a written report identifying airport impacts adopted by a city under section 26.

Subd. 9. [MITIGATION PLAN.] "Mitigation plan" means a plan for airport impact mitigation developed by a city and approved by the council under section 26.

Subd. 10. [OBLIGATION.] "Obligation" has the meaning given it in Minnesota Statutes, section 475.51, subdivision 3. The term includes obligations issued to refund prior obligations issued under sections 24 to 28.

Subd. 11. [SCHOOL DISTRICT.] "School district" means a school district whose jurisdiction includes all or any portion of a city.

## Sec. 26. [AIRPORT IMPACT MITIGATION PLANNING.]

Subdivision 1. [IMPACT REPORT.] A city may study and identify airport impacts and the scope of those impacts on the city. At the conclusion of an impact study, a city must adopt a report of the impacts on the city. In studying airport impacts and preparing a report, a city must take into account airport noise impacts and additional environmental, transportation, and economic impacts associated with expansion of the Minneapolis/St. Paul International Airport. A city must also consider and incorporate the overhead noise guidelines established by the Federal Aviation Administration and recommendations of the low frequency noise policy committee concerning noise impacts.

Subd. 2. [MITIGATION PLAN.] (a) After adopting an airport impact report, a city must develop an airport mitigation plan for an airport impact zone in the city. In developing the mitigation plan, a city must seek to determine the most effective measures for mitigating the impacts identified in the impact report. A city may consider any measures for mitigating airport impacts, including, but not limited to, noise insulation of residential and commercial buildings, land use conversion, development of housing to replace units lost through mitigation activities, and property value assurance programs. The mitigation plan must include:

- (1) designated boundaries of the airport impact zone;
- (2) a description of recommended impact mitigation measures;
- (3) if the plan includes establishment of one or more airport impact tax increment financing districts, the proposed boundaries of each district consistent with the terms of section 27;
- (4) if the plan includes conversion of residential land use, a description of proposed housing replacement activities;
- (5) estimates of costs of the recommended mitigation measures and possible financing sources;
- (6) an analysis of the feasibility of property tax abatement under Minnesota Statutes, sections 469.1813 to 469.1815, as a financing source; and
- (7) the estimated amount of obligations, if any, to be issued under section 28, including a description of the proposed security for the obligations and whether the city requests credit enhancement by the council as provided in section 28, subdivision 2.

(b) Before initial approval of a mitigation plan, a city must conduct a public hearing after publishing at least ten days before the hearing a notice in a newspaper of general circulation in the city. The hearing notice must state that the mitigation plan and the mitigation report are available for review in the administrative offices of the city. After initial approval of the mitigation plan by the governing body, the city must submit the mitigation plan and the mitigation report to the council for approval, and must also submit copies to the metropolitan airports commission for review and comment. No more than 60 days after receipt of the city's submission, the council must approve, disapprove, or otherwise comment on the mitigation plan. Failure by the council to approve or comment within 60 days is considered approval of the mitigation plan. An action described in a mitigation plan must not be financed by the mitigation fund or an airport impact district until the mitigation plan has been approved by the council and then approved by the governing body.

(c) Before approving any mitigation plan, the council must establish criteria for evaluating proposed airport impact zones, airport impact districts, and mitigation measures. The council must consult with the cities and the metropolitan airports commission in developing the criteria. The council must approve final criteria by December 31, 2000. Any mitigation plan approved under sections 24 to 28 must be consistent with the criteria established under this paragraph.

(d) A mitigation plan may be changed for the following purposes after the notice, hearing, and approvals required for approval of the original plan to:

- (1) increase the total estimated cost of mitigation activities;

- (2) increase the total estimated amount of obligations to be issued;
  - (3) secure any obligations by the pledge described in section 28, subdivision 2, if the pledge was not included in the original plan;
  - (4) expand the boundaries of an airport impact zone;
  - (5) create or expand the boundaries of an airport impact district; or
  - (6) add mitigation activities beyond the scope of activities described in the original plan.
- (e) Expenditures to implement a mitigation plan are not considered a business subsidy under Minnesota Statutes, sections 116J.993 to 116J.995.

Sec. 27. [AIRPORT IMPACT TAX INCREMENT FINANCING DISTRICTS.]

Subdivision 1. [AUTHORIZATION.] A city may establish one or more airport impact tax increment financing districts within an airport impact zone. At least 75 percent of the area of an airport impact district must be located within the 60 DNL contour surrounding the Minneapolis/St. Paul International Airport. The boundaries of each district must be described in a mitigation plan.

Subd. 2. [SPECIAL RULES.] (a) An airport impact district is considered a redevelopment district within the meaning of, and is subject to, Minnesota Statutes, sections 469.174 to 469.179, except as otherwise provided in this subdivision. For the purposes of Minnesota Statutes, section 469.174, subdivision 8, "project" means an airport impact zone described in section 26.

(b) For the purposes of Minnesota Statutes, section 469.174, subdivision 10, the governing body must find that parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, or other improvements, and more than 50 percent of the buildings, not including outbuildings, currently or upon completion of airport expansion are reasonably expected to experience airport impacts identified in the mitigation plan to a degree requiring land use conversion to accommodate uses compatible with the airport. This finding may be made at the time of approval of the mitigation plan.

(c) For the purposes of Minnesota Statutes, section 469.1763, subdivision 2, the in-district percentage is 75 percent, except that any expenditures within the boundaries of any other airport impact tax increment financing district in the city are considered activities within the district whenever made notwithstanding anything to the contrary in Minnesota Statutes, section 469.1763, subdivision 3, and the 25 percent pooling percentage may be used only to pay for administrative expenses and housing replacement activities.

(d) For the purposes of Minnesota Statutes, section 469.176, subdivision 4j, the cost of correcting conditions that allow designation of the airport impact district includes the cost of a mitigation measure described in an approved mitigation plan.

(e) Minnesota Statutes, sections 273.1399 and 469.1782, subdivision 1, do not apply to the district if the city elects either or both of the following:

- (1) the exemption under Minnesota Statutes, section 273.1399, subdivision 6, paragraph (d); or
- (2) at least 15 percent of the revenue generated from tax increments from the airport impact district in any year is deposited in the housing replacement account of the city and spent for housing replacement activities described in the mitigation plan.

(f) Housing replacement activities may be located in the city within or outside the airport impact district.

(g) Minnesota Statutes, chapter 473F, does not apply to property within an airport impact district beginning in the first year in which tax increment is paid to the city and continuing until decertification of the district. Tax increment from the district is calculated according to Minnesota Statutes, section 469.177, subdivision 3, paragraph (a), without regard to the fiscal disparities provisions of Minnesota Statutes, chapter 473F.

## Sec. 28. [BONDS; SECURITY.]

Subdivision 1. [TERMS.] (a) A city may issue obligations secured by:

- (1) tax increments;
- (2) abatements;
- (3) any other revenues available to the city under law; or
- (4) any combination of revenue described in clauses (1) to (3).

(b) The proceeds of obligations must be used to pay or reimburse any costs to implement a mitigation plan, including, without limitation, costs of preparing the impact report and the mitigation plan. The governing body may provide by resolution that the obligations are additionally secured by the full faith and credit of the city. Notwithstanding any other law or charter provision, voter approval is not required and net debt limits do not apply to obligations issued under this section. Obligations secured in whole or in part with tax increments from an airport impact district must be issued according to sections 24 to 28 and Minnesota Statutes, section 469.178.

Subd. 2. [METROPOLITAN AREA CREDIT ENHANCEMENT PROGRAM.] (a) The council may establish an airport impact mitigation bond credit enhancement program as provided in this section. The council may pledge its full faith and credit and taxing powers to obligations issued under sections 24 to 28 if:

(1) the city so requests and the council approves that pledge as part of the city's mitigation plan; and

(2) the council finds that revenues pledged for payment of the obligations will produce, as estimated at the time of the pledge, at least 125 percent of the principal and interest due on the obligations.

(b) The pledge must be made by resolution of the council. Voter approval of obligations secured by the pledge described in this subdivision is not required and net debt limits do not apply.

(c) Before pledging its full faith and credit, the council must, in consultation with the cities and the metropolitan airports commission, establish criteria for approving requests for credit enhancement under this section. The criteria may contain limits on the total amount of obligations that may be credit enhanced under this subdivision.

(d) If there is a deficiency in revenues pledged to obligations credit enhanced under this subdivision, the council must levy a tax against all taxable property in the metropolitan area and advance the proceeds of the levy to the city for deposit in the debt service fund for the obligations. The city must reimburse the council for the advance to the extent the deficient revenues are later collected.

(e) Taxes levied by the council because of credit enhancement under this subdivision do not affect the amount or rate of taxes that may be levied by the council for other purposes and are not subject to limit as to rate or amount.

(f) The council and each city that participates in the credit enhancement program may enter into agreements they determine to be necessary to implement the credit enhancement program. The agreements may extend over any period, notwithstanding any law to the contrary.

**EFFECTIVE DATE:** Sections 24, 25, 26, and 28 do not require local approval because Minnesota Statutes, section 645.023, subdivision 1, paragraph (a), applies. Sections 24, 25, 26, and 28 are effective June 1, 2000. Section 27 is effective for each of the cities of Bloomington, Burnsville, Eagan, Mendota Heights, Minneapolis, Richfield, and St. Paul the day after the governing body of each city and its chief clerical officer, together with the governing body of each affected county and school district and its chief clerical officer, timely complete their compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivisions 2 and 3.

Sec. 29. [BROOKLYN PARK EDA; TIF DISTRICT NO. 18.]

The 1998 amendments to Minnesota Statutes, section 469.176, subdivision 7, as set forth in Laws 1998, chapter 389, article 11, section 6, apply to the Brooklyn Park economic development authority's tax increment financing district No. 18, notwithstanding the effective date of the amendments.

**EFFECTIVE DATE:** This section is effective the day after the governing body of the city of Brooklyn Park and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 30. [CITY OF FOUNTAIN; TIF DURATION EXTENSION.]

The governing body of the city of Fountain may extend the duration of tax increment financing district 1-1 through December 31, 2008, notwithstanding the provision of Minnesota Statutes, section 469.176, subdivision 1b. The extension under this section is intended to correct an error in calculation of the increment after a division of a parcel in the tax increment financing district. As a result, the provisions of Minnesota Statutes, section 469.1782, subdivision 1, do not apply to the district.

**EFFECTIVE DATE:** This section is effective the day after the governing bodies of the city, county, and school district, and their chief clerical officers, timely complete their compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivisions 2 and 3.

Sec. 31. [MENDOTA HEIGHTS TAX INCREMENT FINANCING DISTRICT; CONTINUATION.]

Notwithstanding the provisions of Minnesota Statutes, section 469.1764, or any other law, tax increment financing district No. 1 established by the city of Mendota Heights in 1981 shall continue in effect for its original authorized duration, subject to the condition that, except for expenditures to pay preexisting obligations described in Minnesota Statutes, section 469.1764, subdivision 5, paragraphs (b) and (c), all future expenditures of tax increment shall not exceed \$4,500,000 and shall be limited to the city's freeway road project substantially as described in the city's application for a grant from the livable communities demonstration account of the metropolitan livable communities fund.

**EFFECTIVE DATE:** This section is effective the day after approval by the governing body of the city of Mendota Heights and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 32. [REDEVELOPMENT DISTRICT FOR MINNEAPOLIS CENTRAL LIBRARY.]

Subdivision 1. [AUTHORIZATION.] Upon approval of the governing body of the city of Minneapolis by resolution, the Minneapolis community development agency may establish a redevelopment tax increment financing district to finance the construction of the Minneapolis central library. The governing body may approve establishment of the district only if it makes a finding that at least 60 percent of the cost of the project will be paid for from sources of financing other than tax increments. The district is a redevelopment district subject to Minnesota Statutes, sections 469.174 to 469.179, except as provided in this section.

Subd. 2. [DISTRICT AREA.] If approved, the boundaries of the district are as follows:

Starting at the point of intersection of the southeasterly line of Marquette Avenue and the southwesterly line of Fifth Street South, thence northwesterly along the southwesterly line of Fifth Street South to its intersection with the northwesterly line of Nicollet Mall, thence northeasterly along the northwesterly line of Nicollet Mall to its intersection with the southwesterly line of Fourth Street South, thence northwesterly along the southwesterly line of Fourth Street South to its intersection with the northwesterly line of Hennepin Avenue, thence northeasterly along the northwesterly line of Hennepin Avenue to its intersection with the northeasterly line of Washington Avenue, thence southeasterly along the northeasterly line of Washington Avenue to its intersection with the southeasterly line of Nicollet Mall, extended,

thence southwesterly along the southeasterly line of Nicollet Mall to its intersection with the northeasterly line of Third Street South, thence southeasterly along the northeasterly line of Third Street South to its intersection with the southeasterly line of Marquette Avenue, thence southwesterly along the southeasterly line of Marquette Avenue to the point of beginning. All in the city of Minneapolis, county of Hennepin.

Subd. 3. [EXCEPTIONS TO APPLICABILITY OF GENERAL LAW.] (a) Notwithstanding the requirements of Minnesota Statutes, section 469.174, subdivision 10, the district is a redevelopment district.

(b) Minnesota Statutes, section 469.176, subdivisions 4g and 4j, do not apply to tax increment revenue generated by the district.

(c) Minnesota Statutes, section 469.1782, subdivision 1, does not apply to the district.

Subd. 4. [DURATION OF DISTRICT.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, no tax increment may be paid to the authority after 30 years from the date of receipt by the authority of the first increment.

**EFFECTIVE DATE:** This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 3.

Sec. 33. [MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY; HOUSING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] Upon approval of the governing body of the city of Minneapolis, the Minneapolis community development agency may establish a housing tax increment financing district comprised of the property identified as property identification number 27-029-24-34-0025, known as 215 Oak Grove Street, for the purpose of preserving affordable housing that meets the requirements of Minnesota Statutes, section 469.174, subdivision 11.

Subd. 2. [ORIGINAL NET TAX CAPACITY.] Notwithstanding the provisions of Minnesota Statutes, sections 469.174, subdivision 7, and 469.177, subdivision 1, the original net tax capacity of the district shall be zero.

**EFFECTIVE DATE:** This section is effective upon compliance by the city of Minneapolis with the requirements of Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 34. [ST. PAUL HOUSING AND REDEVELOPMENT AUTHORITY; HOUSING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] The governing body of the housing and redevelopment authority of the city of St. Paul may create a tax increment financing housing district as provided in this section for a development containing both owner-occupied and residential rental units for mixed income occupancy.

Subd. 2. [AREA.] The housing district authorized in this section may only be created in the northeast quadrant of downtown St. Paul, which is defined as the approximately 15-acre area bounded by Interstate 94 on the north and east, Jackson Street on the west, and Seventh Street on the south, together with the west side of Jackson Street to midblock between Interstate 94 and Seventh Street.

Subd. 3. [INCOME REQUIREMENTS FOR COMBINED OWNER-OCCUPIED AND RESIDENTIAL RENTAL DEVELOPMENT.] (a) Notwithstanding the income requirements in Minnesota Statutes, section 469.174, subdivision 11, or 469.1761, a housing district in the northeast quadrant means a type of tax increment financing district that consists of a project, or a portion of a project, intended for occupancy, in part, by persons of low and moderate income as defined in chapter 462A, Title II, of the National Housing Act of 1934; the National Housing Act of 1959; the United States Housing Act of 1937, as amended; Title V of the Housing Act of 1949, as amended; any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts, as further set forth in this section. Twenty

percent of the units in the development in the housing district must be occupied by individuals whose family income is equal to or less than 50 percent of area median gross income and an additional 60 percent of the units in the development in the housing district must be occupied by individuals whose family income is equal to or less than 115 percent of area median gross income. Twenty percent of the units in the development in the housing district shall not be subject to any income limitations.

(b) For purposes of this section, family income means the median gross income for the area as determined under section 42 of the Internal Revenue Code of 1986, as amended. The income requirements of this subdivision shall be deemed to be satisfied if the sum of qualified owner-occupied units and qualified residential rental units equals the required total number of qualified units. Owner-occupied units must be initially purchased and occupied by individuals whose family income satisfies the income requirements of this subdivision. For residential rental property, the income requirements of this subdivision apply for the duration of the tax increment district.

(c) The development in the housing district, but not the project, does not qualify under this subdivision if the fair market value of the improvements which are constructed for commercial uses or for uses other than owner-occupied and rental mixed-income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value.

**EFFECTIVE DATE:** This section is effective the day after the governing body of the city of St. Paul and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 35. [WASHINGTON COUNTY HRA INCREASED TO SEVEN.]

Notwithstanding Minnesota Statutes, section 469.006, subdivision 1, the Washington county housing and redevelopment authority has seven members. The county board must appoint one member from each county commissioner district after receiving a recommendation for the position from the district's county commissioner. One housing and redevelopment commissioner must be appointed by the county board to represent the county at large. One authority member must be appointed by the county board from among county residents who are directly assisted by the public housing agency as defined in Code of Federal Regulations, title 24, part 964. The first appointee to an at-large position serves for two years; thereafter the term is three years. The first appointee to the position requiring one directly assisted by the public housing agency serves for one year; thereafter the term is three years.

**EFFECTIVE DATE:** This section is effective the day after the governing body of Washington county and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 36. [WINONA TAX INCREMENT FINANCING DISTRICT; RATIFICATION OF EXPENDITURE.]

For tax increment financing district No. 2, approved by the city of Winona on August 1, 1980, the expenditure of tax increments before January 1, 1998, to finance, in part, the construction of improvements to the existing municipal wastewater treatment plant is ratified and deemed an expenditure within the geographic area of the tax increment financing district, and Minnesota Statutes, section 469.1764, does not apply to the tax increment financing district.

**EFFECTIVE DATE:** This section is effective upon approval by the Winona city council and compliance with Minnesota Statutes, section 645.021.

Sec. 37. [CLARIFICATION.]

Existing corporations that reported to the state auditor under Minnesota Statutes 1998, section 465.715, subdivision 3, but do not meet the definition of a corporation under section 13, subdivision 1, paragraph (b), remain as established and are not affected by this act or by Minnesota Statutes, section 465.715.

Sec. 38. [REPEALER.]

(a) Minnesota Statutes 1998, section 469.175, subdivision 6a, is repealed.

(b) Minnesota Statutes 1998, section 465.715, subdivisions 1, 2, and 3; and Minnesota Statutes 1999 Supplement, section 465.715, subdivision 1a, are repealed.

**EFFECTIVE DATE:** Paragraph (a) of this section is effective for reports due in 2001 and subsequent years.

## ARTICLE 11 MISCELLANEOUS

Section 1. Minnesota Statutes 1998, section 16A.46, is amended to read:

16A.46 [LOST OR DESTROYED WARRANT DUPLICATE; INDEMNITY.]

The commissioner may issue a duplicate to an owner if the loss or destruction of an unpaid warrant is documented by affidavit. When the duplicate is issued, the original is void. The commissioner may require an indemnity bond from the applicant to the state for double the amount of the warrant for anyone damaged by the issuance of the duplicate. The commissioner may refuse to issue a duplicate of an unpaid state warrant. If the commissioner acts in good faith the commissioner is not liable, whether the application is granted or denied. For an unpaid refund or rebate issued under a tax law administered by the commissioner of revenue that has been lost or destroyed, an affidavit is not required for the commissioner to issue a duplicate if the duplicate is issued to the same name and social security number as the original warrant and that information is verified on a tax return filed by the recipient.

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

Sec. 2. Minnesota Statutes 1999 Supplement, section 16D.09, subdivision 2, is amended to read:

Subd. 2. [NOTIFICATION OF ACTION BY DEPARTMENT OF REVENUE.] When the department of revenue has determined that a debt is uncollectible and has written off that debt as provided in subdivision 1, the commissioner of revenue must make a reasonable attempt to notify the debtor of that action and of the release of any liens imposed under section 270.69 related to that debt, within 30 days after the determination has been reported to the commissioner of finance. A lien imposed under section 270.69 need not be released unless after the write-off of uncollectible debt there is no remaining collectible liability recorded on the lien.

**EFFECTIVE DATE:** This section is effective for debts written off on or after the day following final enactment.

Sec. 3. Minnesota Statutes 1998, section 270.063, is amended by adding a subdivision to read:

Subd. 4. [FEDERAL TAX REFUND OFFSET FEES.] For fees charged by the department of the treasury of the United States for the offset of federal tax refunds that are deducted from the refund amounts remitted to the commissioner, the unpaid debts of the taxpayers whose refunds are being offset to satisfy the debts shall be reduced only by the actual amount of the refund payments received by the commissioner.

**EFFECTIVE DATE:** This section is effective for offsets of refunds made on or after the day following final enactment.

Sec. 4. Minnesota Statutes 1999 Supplement, section 270.65, is amended to read:

270.65 [DATE OF ASSESSMENT; DEFINITION.]

For purposes of taxes administered by the commissioner, the term "date of assessment" means the date a liability reported on a return was filed entered into the records of the commissioner or the date a return should have been filed, whichever is later; or, in the case of taxes determined by

the commissioner, "date of assessment" means the date of the order assessing taxes or date of the return made by the commissioner; or, in the case of an amended return filed by the taxpayer, the assessment date is the date additional liability reported on the return, if any, was filed with entered into the records of the commissioner; or, in the case of a check from a taxpayer that is dishonored and results in an erroneous refund being given to the taxpayer, remittance of the check is deemed to be an assessment and the "date of assessment" is the date the check was received by the commissioner.

**EFFECTIVE DATE:** This section is effective for assessments made on or after the date of final enactment.

Sec. 5. Minnesota Statutes 1998, section 270A.03, subdivision 2, is amended to read:

Subd. 2. [CLAIMANT AGENCY.] "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city presenting a claim for a municipal hospital or a public library or a municipal ambulance service, a hospital district, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program.

**EFFECTIVE DATE:** This section is effective for claims submitted after June 30, 2000.

Sec. 6. Minnesota Statutes 1998, section 289A.35, is amended to read:

289A.35 [ASSESSMENTS; COMMISSIONER FILED RETURNS.]

The commissioner shall have the authority to make determinations, corrections, and assessments with respect to state taxes, including interest, additions to taxes, and assessable penalties. The commissioner may audit and adjust the taxpayer's computation of federal taxable income, items of federal tax preferences, or federal credit amounts to make them conform with the provisions of chapter 290 or section 298.01. If a taxpayer fails to file a required return, the commissioner, from information in the commissioner's possession or obtainable by the commissioner, may make a return for the taxpayer. The return will be prima facie correct and valid. If a return has been filed, the commissioner shall examine enter the liability reported on the return and may make any audit or investigation that is considered necessary. The commissioner may use statistical or other sampling techniques consistent with generally accepted auditing standards in examining returns or records and making assessments.

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

Sec. 7. Minnesota Statutes 1999 Supplement, section 383D.74, is amended to read:

383D.74 [DAKOTA COUNTY; ADMINISTRATIVE PENALTIES.]

Subdivision 1. [PENALTIES.] The Dakota county board may impose an administrative penalty for violation of an ordinance enacted under chapter 103F. No penalty may be imposed unless the owner has received notice, served personally or by mail, of the alleged violation and an opportunity for a hearing before a person authorized by the county board to conduct the hearing. A decision that a violation occurred must be in writing. The amount of the penalty with interest may not exceed the amount allowed for a single misdemeanor violation. A person aggrieved by a decision under this section may have the decision reviewed in the district court. If a penalty imposed under this section is unpaid for more than 60 days after the date when payment is due, the county board may certify the penalty to the county auditor for collection to the same extent and in the same manner provided by law for the assessment and collection of real estate taxes.

Subd. 2. [EXPIRATION.] The authority to impose a penalty under this section expires on December 31, 2000 2005.

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

## Sec. 8. [PROPERTY TAX REFORM ACCOUNT TRANSFER.]

(a) On June 30, 2000, the commissioner of finance shall transfer from the property tax reform account established in Minnesota Statutes, section 16A.1521, to the unrestricted general fund balance any remaining balance in the account except for amounts appropriated for county criminal justice aid under article 9, section 47, low-income housing aid under article 9, section 51, or local government aid increases to small cities under article 9, section 48.

(b) Notwithstanding Minnesota Statutes, section 16A.152, subdivision 2, the commissioner of finance shall not allocate any money in fiscal year 2001 to the property tax reform account based on the forecast in November 1999.

## Sec. 9. [APPROPRIATION; LEGISLATIVE AUDITOR.]

\$50,000 is appropriated from the general fund to the legislative auditor to audit the appropriations to the department of revenue for administration of the property tax rebates in Laws 1997, chapter 231, article 16, section 29; and Laws 1998, chapter 389, article 1, section 4; and the appropriation for administration of the sales tax rebate in Laws 1999, chapter 243, article 1, section 3. The purpose of this audit is to determine whether the funds appropriated were expended consistent with the purpose of the appropriations. The legislative auditor shall report the findings of the audit to the legislature by January 1, 2001.

## Sec. 10. [HISTORIC PRESERVATION GRANTS.]

(a) \$1,500,000 is appropriated from the general fund to the commissioner of trade and economic development for a grant to the Minneapolis community development agency to be used to provide assistance to a historic preservation project for the rehabilitation of the Brew House, a building located on property designated in the National Register of Historic Places as the Minneapolis Brewing Company Historic District.

(b) \$350,000 is appropriated to the commissioner of administration for a grant to the city of St. Paul to be used to provide assistance to a historic preservation project for the relocation and preservation of the Armstrong House, a registered national landmark property and local designated heritage preservation site. This appropriation is contingent upon the completion of the sale of the property to the city of St. Paul.

## Sec. 11. [APPROPRIATION; COMMISSIONER OF REVENUE.]

\$...... is appropriated from the general fund to the commissioner of revenue to pay the cost of administration of this act.

## Sec. 12. [REPEALER.]

Minnesota Rules, part 8160.0300, subpart 4, is repealed.

**EFFECTIVE DATE:** This section is effective for assessments made on or after the day following final enactment."

Delete the title and insert:

"A bill for an act relating to financing of government in this state; providing for payment of sales tax rebates and assistance to farmers; providing an income tax deduction or credit for dependents; modifying the treatment of certain types of income; modifying tax administration provisions; authorizing the city of Luverne to provide certain tax incentives; conforming with federal income tax changes; reducing the rate of the motor vehicle registration tax; exempting certain sales from taxation; restricting local taxes on motor vehicles; altering the imposition of the tax on insurance premiums; modifying the provider tax; reducing the rates of taxes on gambling; providing for administration of the tax on cigarettes; prohibiting distribution of certain types of cigarettes; providing for property tax homestead treatment; providing for certain property tax exemptions, credits, assessments, appeals, notices, and refunds; reducing certain property tax class rates; changing and providing for certain payments in lieu of taxes; changing provisions relating to

tax increment financing, housing improvement areas, county housing authorities, and corporations created by political subdivisions; authorizing election by local governments to provide truth in taxation information on the Internet; extending senior citizen property tax deferral to certain taxes, special assessments, penalties, and interest; providing for certain special assessments by counties; modifying or increasing certain aids to local governments; providing special authority to certain political subdivisions; changing certain forfeiture provision relating to plats; authorizing issuance of certain obligations; providing for studies; appropriating money; amending Minnesota Statutes 1998, sections 16A.46; 60A.15, subdivision 1; 97A.061, by adding subdivisions; 168.013, subdivision 1a; 238.08, subdivision 3; 270.063, by adding a subdivision; 270A.03, subdivision 2; 272.115, subdivision 1; 273.124, by adding a subdivision; 273.1398, subdivision 4; 273.37, subdivision 3; 275.065, subdivisions 3, 8, and by adding subdivisions; 275.066; 276.19, subdivision 1; 289A.08, by adding a subdivision; 289A.35; 289A.60, subdivision 1; 290.01, by adding a subdivision; 290.17, subdivision 2; 290B.04, by adding a subdivision; 290B.05, subdivision 3; 290B.07; 290B.08, subdivisions 1 and 2; 290B.09, subdivision 2; 295.50, subdivision 9b; 297A.01, subdivisions 3 and 15; 297A.15, by adding a subdivision; 297A.25, subdivisions 5, 7, 65, and by adding subdivisions; 297F.01, subdivision 17; 297F.08, subdivisions 2, 4, 5, 8, and 9; 297F.21, subdivisions 1 and 3; 428A.11, by adding subdivisions; 428A.13, subdivisions 1 and 3; 428A.14, subdivision 1; 428A.15; 428A.16; 428A.17; 428A.19; 428A.21; 429.011, subdivisions 2a and 5; 429.021, subdivision 1; 429.031, subdivision 1; 469.003, subdivision 5; 469.006, subdivisions 1 and 2; 469.011, subdivision 4; 469.040, by adding a subdivision; 469.174, subdivision 10; 469.175, subdivisions 1a, 5, and 6; 469.176, subdivision 1b; 469.1763, by adding a subdivision; 473.39, by adding a subdivision; 477A.011, by adding a subdivision; 477A.0121, subdivision 4, and by adding a subdivision; 477A.03, by adding a subdivision; 477A.06, subdivisions 2 and 3; 477A.11, subdivision 1; 477A.12; 477A.13; 477A.14; Minnesota Statutes 1999 Supplement, sections 16D.09, subdivision 2; 123B.54; 270.65; 272.02, subdivision 39, and by adding a subdivision; 273.124, subdivisions 1 and 14; 273.13, subdivisions 24 and 25; 273.1382, subdivision 1b; 273.1398, subdivisions 1a and 4a; 275.065, subdivision 5a; 275.71, subdivision 4; 289A.02, subdivision 7; 290.01, subdivisions 19, 19b, and 31; 290.091, subdivision 2; 290A.03, subdivision 15; 290B.03, subdivision 1; 290B.05, subdivision 1; 291.005, subdivision 1; 295.53, subdivision 1; 297A.25, subdivisions 9 and 11; 297E.02, subdivisions 1, 4, and 6; 297F.08, subdivision 8a; 383D.74; 473.39, subdivision 1g; 477A.011, subdivision 36; 477A.03, subdivision 2; 477A.06, subdivision 1; 505.08, subdivision 3; Laws 1995, chapter 264, article 2, section 44; Laws 1995, First Special Session chapter 3, article 15, section 25; Laws 1999, chapters 112, sections 1, subdivisions 2 and 7; and 2; and 243, article 1, section 2; proposing coding for new law in Minnesota Statutes, chapters 273; 278; 290; 297F; 465; and 477A; repealing Minnesota Statutes 1998, sections 297A.15, subdivision 7; 465.715, subdivisions 1, 2, and 3; and 469.175, subdivision 6a; Minnesota Statutes 1999 Supplement, section 465.715, subdivision 1a; Minnesota Rules, part 8160.0300, subpart 4."

And when so amended the bill do pass. Amendments adopted. Report adopted.

**Senator Spear from the Committee on Crime Prevention, to which was re-referred**

**H.F. No. 2688:** A bill for an act relating to crime prevention; authorizing disclosure of information about sex offenders; imposing additional registration requirements on sex offenders; establishing procedures for felony offenders who seek name changes; eliminating the statute of limitations for certain offenses; expanding the crime of solicitation to engage in sexual conduct; providing criminal penalties; clarifying the expungement law; making certain data about sex offenders available to law enforcement; clarifying the scope of the community notification law; authorizing release of information about sex offenders residing in treatment facilities; providing for criminal justice information systems technology; changing the membership of the criminal and juvenile justice information policy group; authorizing the purchase and distribution of criminal justice technology infrastructure; appropriating money; amending Minnesota Statutes 1998, sections 13.54, subdivision 6; 243.166, subdivisions 3, 5, 7, and by adding subdivisions; 244.052, as amended; 244.10, subdivision 2a; 259.11; 299C.65, subdivision 1, and by adding a subdivision; 517.08, subdivisions 1a and 1b; 518.27; 609.035, by adding a subdivision; 609.352, subdivisions 1 and 2; 609.749, subdivision 2; 609.795, subdivision 1; 609A.03; and 628.26; Minnesota Statutes 1999 Supplement, sections 13.46, subdivision 2; 243.166, subdivisions 1, 2, 4, and 6; and

299C.65, subdivisions 2 and 8; proposing coding for new law in Minnesota Statutes, chapters 176; 243; 259; 299C; and 609.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

APPROPRIATIONS

Section 1. [CRIMINAL JUSTICE APPROPRIATIONS.]

The sums shown in the columns marked "APPROPRIATIONS" are appropriated from the general fund, or another fund named, to the agencies and for the purposes specified in this article to be available for fiscal year 2001.

APPROPRIATIONS

Available for the Year  
Ending June 30, 2001

Sec. 2. CORRECTIONS

-0- \$5,162,000

\$1,000,000 is to increase the number of probation officers managing intensive supervised release caseloads. The commissioner shall distribute these funds proportionately based on current unmet needs including areas of the state that are not currently served by an intensive supervised release caseload.

\$4,000,000 is for enhanced supervision of adult felony sex offenders by employing additional probation officers to reduce the caseloads of probation officers supervising sex offenders on probation or supervised release. The commissioner shall determine statewide eligibility for these funds according to the formula contained in Minnesota Statutes, section 401.10. Each Community Corrections Act jurisdiction and the department's probation and supervised release unit shall submit to the commissioner an analysis of need along with a plan to meet these needs and reduce adult felony sex offender caseloads. Upon approval of the plans, the non-Community Corrections Act portion of these funds shall be appropriated to the department and the distribution shall be based on statewide need. The Community Corrections Act funds shall be disbursed as grants to each Community Corrections Act jurisdiction. These appropriations may not be used to supplant existing state or county probation officer positions.

\$162,000 is for costs associated with complying with Minnesota Statutes, section 244.052.

Sec. 3. PUBLIC SAFETY

9,659,000

Subdivision 1. General

\$7,388,000 is for criminal justice technology infrastructure improvements under Minnesota Statutes, section 299C.65, subdivision 8a, for the purchase and distribution of:

- (1) electronic fingerprint capture technology;
- (2) electronic photographic identification technology; and
- (3) additional bandwidth to transfer and access electronic photographic identification data and electronic fingerprint data to the state's central database.

Upon approval of the policy group, the commissioner may use up to 7.5 percent of this appropriation to implement this subdivision.

\$1,000,000 is for grants to government agencies to transfer and access data from the agencies to the statewide hot file probation and pretrial release data system. The criminal and juvenile justice information policy group shall review grant applications and the commissioner shall make the grants approved by the policy group within the limits of the appropriation. Up to \$200,000 of this appropriation may be used for grants to pay the costs of developing or implementing a criminal justice information integration plan as described in Minnesota Statutes, section 299C.65, subdivisions 5, 6, and 7.

The appropriations in this subdivision are not subject to the requirements of Minnesota Statutes, section 299C.65, subdivision 8.

#### Subd. 2. Criminal Apprehension

\$80,000 is for a technology systems position.

\$50,000 is for a criminal justice information systems training position.

\$234,000 is for three additional criminal assessment unit agents.

\$160,000 is for three criminal intelligence analyst positions.

\$200,000 is for five clerical positions.

\$547,000 is for costs related to interfacing the state system with the national sex offender registry, software development and implementation, a system design consultant, office supplies and expenses, and sex offender registration costs. Positions funded by this appropriation may not supplant existing services.

The superintendent of the bureau of criminal

apprehension shall transfer two agents from the gang strike force to perform general investigative duties within the bureau, decreasing the gang strike force's complement by two positions.

Sec. 4. SENTENCING GUIDELINES  
COMMISSION

100,000

This appropriation is to establish a pilot project in Ramsey county to use the statewide statute table to ensure accurate and uniform charging on criminal complaints.

Sec. 5. SUPREME COURT

3,512,000

This appropriation is to begin redevelopment of the court information system to be used by all counties to integrate court information with other criminal justice information. This money may not be used by the supreme court for any other purpose.

ARTICLE 2  
PREDATORY OFFENDER REGISTRATION AND  
COMMUNITY NOTIFICATION PROVISIONS

Section 1. Minnesota Statutes 1999 Supplement, section 243.166, subdivision 1, is amended to read:

Subdivision 1. [REGISTRATION REQUIRED.] (a) A person shall register under this section if:

(1) the person was charged with or petitioned for a felony violation of or attempt to violate any of the following, and convicted of or adjudicated delinquent for that offense or another offense arising out of the same set of circumstances:

(i) murder under section 609.185, clause (2); or

(ii) kidnapping under section 609.25; or

(iii) criminal sexual conduct under section 609.342; 609.343; 609.344; 609.345; or 609.3451, subdivision 3; or

(iv) indecent exposure under section 617.23, subdivision 3; or

(2) the person was charged with or petitioned for falsely imprisoning a minor in violation of section 609.255, subdivision 2; soliciting a minor to engage in prostitution in violation of section 609.322 or 609.324; soliciting a minor to engage in sexual conduct in violation of section 609.352; using a minor in a sexual performance in violation of section 617.246; or possessing pictorial representations of minors in violation of section 617.247, and convicted of or adjudicated delinquent for that offense or another offense arising out of the same set of circumstances; or

(3) the person was convicted of a predatory crime as defined in section 609.108, and the offender was sentenced as a patterned sex offender or the court found on its own motion or that of the prosecutor that the crime was part of a predatory pattern of behavior that had criminal sexual conduct as its goal; or

(4) the person was convicted of or adjudicated delinquent for, including pursuant to a court martial, violating a law of the United States, including the Uniform Code of Military Justice, similar to the offenses described in clause (1), (2), or (3).

(b) A person also shall register under this section if:

(1) the person was convicted of or adjudicated delinquent in another state for an offense that would be a violation of a law described in paragraph (a) if committed in this state;

(2) the person enters the state as required in subdivision 3, paragraph (b) to reside, or to work or attend school; and

(3) ten years have not elapsed since the person was released from confinement or, if the person was not confined, since the person was convicted of or adjudicated delinquent for the offense that triggers registration.

For purposes of this paragraph:

(i) "school" includes any public or private educational institution, including any secondary school, trade or professional institution, or institution of higher education, that the person is enrolled in on a full-time or part-time basis; and

(ii) "work" includes employment that is full-time or part-time for a period of time exceeding 14 days or for an aggregate period of time exceeding 30 days during any calendar year, whether financially compensated, volunteered, or for the purpose of government or educational benefit.

(c) A person also shall register under this section if the person was committed pursuant to a court commitment order under section 253B.185 or Minnesota Statutes 1992, section 526.10, or a similar law of another state or the United States, regardless of whether the person was convicted of any offense.

(d) A person also shall register under this section if:

(1) the person was charged with or petitioned for a felony violation or attempt to violate any of the offenses listed in paragraph (a), clause (1), or a similar law of another state or ~~federal jurisdiction~~ the United States, or the person was charged with or petitioned for a violation of any of the offenses listed in paragraph (a), clause (2), or a similar law of another state or ~~federal jurisdiction~~ the United States;

(2) the person was found not guilty by reason of mental illness or mental deficiency after a trial for that offense, or found guilty but mentally ill after a trial for that offense, in states with a guilty but mentally ill verdict; and

(3) the person was committed pursuant to a court commitment order under section 253B.18 or a similar law of another state or ~~federal jurisdiction~~ the United States.

Sec. 2. Minnesota Statutes 1999 Supplement, section 243.166, subdivision 2, is amended to read:

Subd. 2. [NOTICE.] When a person who is required to register under subdivision 1, paragraph (a), is sentenced or becomes subject to a juvenile court disposition order, the court shall tell the person of the duty to register under this section and that, if the person fails to comply with the registration requirements, information about the offender may be made available to the public through electronic, computerized, or other accessible means. The court may not modify the person's duty to register in the pronounced sentence or disposition order. The court shall require the person to read and sign a form stating that the duty of the person to register under this section has been explained. The court shall forward the signed sex offender registration form, the complaint, and sentencing documents to the bureau of criminal apprehension. If a person required to register under subdivision 1, paragraph (a), was not notified by the court of the registration requirement at the time of sentencing or disposition, the assigned corrections agent shall notify the person of the requirements of this section. When a person who is required to register under subdivision 1, paragraph (c) or (d), is released from commitment, the treatment facility shall notify the person of the requirements of this section. The treatment facility shall also obtain the registration information required under this section and forward it to the bureau of criminal apprehension.

Sec. 3. Minnesota Statutes 1998, section 243.166, subdivision 3, is amended to read:

Subd. 3. [REGISTRATION PROCEDURE.] (a) A person required to register under this section shall register with the corrections agent as soon as the agent is assigned to the person. If the person does not have an assigned corrections agent or is unable to locate the assigned corrections agent, the person shall register with the law enforcement agency that has jurisdiction in the area of the person's residence.

(b) At least five days before the person starts living at a new address, including living in another state, the person shall give written notice of the new living address to the assigned corrections agent or to the law enforcement authority with which the person currently is registered. If the person will be living in a new state and that state has a registration requirement, the person shall also give written notice of the new address to the designated registration agency in the new state. The corrections agent or law enforcement authority shall, within two business days after receipt of this information, forward it to the bureau of criminal apprehension. The bureau of criminal apprehension shall, if it has not already been done, notify the law enforcement authority having primary jurisdiction in the community where the person will live of the new address. If the person is leaving the state, the bureau of criminal apprehension shall notify the registration authority in the new state of the new address.

(c) A person required to register under subdivision 1, paragraph (b), because the person is working or attending school in Minnesota shall register with the law enforcement agency that has jurisdiction in the area where the person works or attends school. In addition to other information required by this section, the person shall provide the address of the school or of the location where the person is employed. A person must comply with this paragraph within five days of beginning employment or school.

(d) A person required to register under this section who works or attends school outside of Minnesota shall register as a predatory offender in the state where the person works or attends school. The person's corrections agent, or if the person does not have an assigned corrections agent, the law enforcement authority that has jurisdiction in the area of the person's residence shall notify the person of this requirement.

Sec. 4. Minnesota Statutes 1999 Supplement, section 243.166, subdivision 4, is amended to read:

Subd. 4. [CONTENTS OF REGISTRATION.] (a) The registration provided to the corrections agent or law enforcement authority, must consist of a statement in writing signed by the person, giving information required by the bureau of criminal apprehension, a fingerprint card, and photograph of the person taken at the time of the person's release from incarceration or, if the person was not incarcerated, at the time the person initially registered under this section. The registration information also must include a written consent form signed by the person allowing a treatment facility to release information to a law enforcement officer about the person's admission to, or residence in, a treatment facility. Registration information on adults and juveniles may be maintained together notwithstanding section 260B.171, subdivision 3.

(b) For persons required to register under subdivision 1, paragraph (c), following commitment pursuant to a court commitment under section 253B.185 or a similar law of another state or the United States, in addition to other information required by this section, the registration provided to the corrections agent or law enforcement authority must include the person's offense history and documentation of treatment received during the person's commitment. This documentation shall be limited to a statement of how far the person progressed in treatment during commitment.

(c) Within three days of receipt, the corrections agent or law enforcement authority shall forward the statement, fingerprint card, and photograph registration information to the bureau of criminal apprehension. The bureau shall ascertain whether the person has registered with the law enforcement authority where the person resides. If the person has not registered with the law enforcement authority, the bureau shall send one copy to that authority.

(d) The corrections agent or law enforcement authority may require that a person required to

register under this section appear before the agent or authority to be photographed. The agent or authority shall forward the photograph to the bureau of criminal apprehension.

(e) (e) During the period a person is required to register under this section, the following shall apply:

(1) Each year, within 30 days of the anniversary date of the person's initial registration, The bureau of criminal apprehension shall mail a verification form to the last reported address of the person person's residence. This verification form shall provide notice to the offender that, if the offender does not return the verification form as required, information about the offender may be made available to the public through electronic, computerized, or other accessible means.

(2) The person shall mail the signed verification form back to the bureau of criminal apprehension within ten days after receipt of the form, stating on the form the current and last address of the person person's residence and the other information required under subdivision 4a.

(3) If the person fails to mail the completed and signed verification form to the bureau of criminal apprehension within ten days after receipt of the form, the person shall be in violation of this section.

For persons required to register under subdivision 1, paragraph (c), following commitment pursuant to a court commitment under section 253B.185 or a similar law of another state or the United States, the bureau shall comply with clause (1) at least four times each year. For all other persons required to register under this section, the bureau shall comply with clause (1) each year within 30 days of the anniversary date of the person's initial registration.

(f) When sending out a verification form, the bureau of criminal apprehension must determine whether the person to whom the verification form is being sent has signed a written consent form as provided for in paragraph (a). If the person has not signed such a consent form, the bureau of criminal apprehension must send a written consent form to the person along with the verification form. A person who receives this written consent form must sign and return it to the bureau of criminal apprehension at the same time as the verification form.

(g) For the purposes of this subdivision, "treatment facility" means a residential facility, as defined in section 244.052, subdivision 1, and residential chemical dependency treatment programs and halfway houses licensed under chapter 245A, including, but not limited to, those facilities directly or indirectly assisted by any department or agency of the United States.

Sec. 5. Minnesota Statutes 1998, section 243.166, is amended by adding a subdivision to read:

Subd. 4a. [INFORMATION REQUIRED TO BE PROVIDED.] (a) A person required to register under this section shall provide to the corrections agent or law enforcement authority the following information:

- (1) the address of the person's primary residence;
- (2) the addresses of all the person's secondary residences, including all addresses used for residential or recreational purposes;
- (3) the addresses of all property owned, leased, or rented by the person;
- (4) the addresses of all locations where the person is employed;
- (5) the addresses of all residences where the person resides while attending school; and
- (6) the year, model, make, license plate number, and color of all motor vehicles owned or regularly driven by the person.

(b) The person shall report to the agent or authority the information required to be provided under paragraph (a), clauses (2) to (6), within five days of the date the clause becomes applicable. If because of a change in circumstances a clause no longer applies to previously reported information, the person shall immediately inform the agent or authority that the information is no longer valid.

Sec. 6. Minnesota Statutes 1998, section 243.166, subdivision 5, is amended to read:

Subd. 5. [CRIMINAL PENALTY.] (a) A person required to register under this section who knowingly violates any of its provisions or intentionally provides false information to a corrections agent, law enforcement authority, or the bureau of criminal apprehension is guilty of a gross misdemeanor. A person convicted of or adjudicated delinquent for violating this section who previously has been convicted under this section is guilty of a felony and may be sentenced to imprisonment for not more than five years or to payment of a fine of not more than \$10,000, or both.

(b) Except as provided in paragraph (c), a person convicted of violating paragraph (a) shall be committed to the custody of the commissioner of corrections for not less than a year and a day, nor more than five years.

(c) A person convicted of violating paragraph (a), who has previously been convicted of or adjudicated delinquent for violating this section, shall be committed to the custody of the commissioner of corrections for not less than two years, nor more than five years.

(d) Prior to the time of sentencing, the prosecutor may file a motion to have the person sentenced without regard to the mandatory minimum sentence established by this subdivision. The motion shall be accompanied by a statement on the record of the reasons for it. When presented with the motion, or on its own motion, the court may sentence the person without regard to the mandatory minimum sentence if the court finds substantial and compelling reasons to do so. Sentencing a person in the manner described in this paragraph is a departure from the sentencing guidelines.

(e) A person convicted and sentenced as required by this subdivision is not eligible for probation, parole, discharge, work release, or supervised release, until that person has served the full term of imprisonment as provided by law, notwithstanding the provisions of sections 241.26, 242.19, 243.05, 244.04, 609.12, and 609.135.

Sec. 7. Minnesota Statutes 1999 Supplement, section 243.166, subdivision 6, is amended to read:

Subd. 6. [REGISTRATION PERIOD.] (a) Notwithstanding the provisions of section 609.165, subdivision 1, and except as provided in paragraphs (b), (c), and (d), a person required to register under this section shall continue to comply with this section until ten years have elapsed since the person initially registered in connection with the offense, or until the probation, supervised release, or conditional release period expires, whichever occurs later. For a person required to register under this section who is committed under section 253B.18 or 253B.185, the ten-year registration period does not include the period of commitment.

(b) If a person required to register under this section fails to register following a change in residence, the commissioner of public safety may require the person to continue to register for an additional period of five years.

(c) If a person required to register under this section is subsequently incarcerated following a revocation of probation, supervised release, or conditional release for that offense, or a conviction for any new offense, the person shall continue to register until ten years have elapsed since the person was released from incarceration or until the person's probation, supervised release, or conditional release period expires, whichever occurs later.

(d) A person shall continue to comply with this section for the life of that person:

(1) if the person is convicted of or adjudicated delinquent for any offense for which registration is required under subdivision 1, or any offense from another state or any federal offense similar to the offenses described in subdivision 1, and the person has a prior conviction or adjudication for an offense for which registration was required under subdivision 1, or an offense from another state or a federal offense similar to an offense described in subdivision 1;

(2) if the person is required to register based upon a conviction of or adjudication for

delinquency for an offense under section 609.185, clause (2); 609.342, subdivision 1, paragraph (a), (c), (d), (e), (f), or (h); 609.343, subdivision 1, paragraph (a), (c), (d), (e), (f), or (h); 609.344, subdivision 1, paragraph (a), (c), or (g); or 609.345, subdivision 1, paragraph (a), (c), or (g); or a statute from another state or the United States similar to the offenses described in this clause; or

(3) if the person is required to register under subdivision 1, paragraph (c), following commitment pursuant to a court commitment under section 253B.185 or a similar law of another state or the United States.

Sec. 8. Minnesota Statutes 1998, section 243.166, subdivision 7, is amended to read:

Subd. 7. [USE OF INFORMATION.] Except as otherwise provided in ~~section~~ subdivision 7a or sections 244.052 and 299C.093, the information provided under this section is private data on individuals under ~~section 13.04~~ 13.02, subdivision 12. The information may be used only for law enforcement purposes.

Sec. 9. Minnesota Statutes 1998, section 243.166, is amended by adding a subdivision to read:

Subd. 7a. [AVAILABILITY OF INFORMATION ON OFFENDERS WHO ARE OUT OF COMPLIANCE WITH REGISTRATION LAW.] (a) The bureau of criminal apprehension may make information available to the public about offenders who are 16 years of age or older and who are out of compliance with this section for 30 days or longer for failure to provide the address of the offenders' primary or secondary residences. This information may be made available to the public through electronic, computerized, or other accessible means. The amount and type of information made available shall be limited to the information necessary for the public to assist law enforcement in locating the offender.

(b) An offender who comes into compliance with this section after the bureau of criminal apprehension discloses information about the offender to the public may send a written request to the bureau requesting the bureau to treat information about the offender as private data, consistent with subdivision 7. The bureau shall review the request and promptly take reasonable action to treat the data as private, if the offender has complied with the requirement that the offender provide the addresses of the offender's primary and secondary residences, or promptly notify the offender that the information will continue to be treated as public information and the reasons for the bureau's decision.

(c) If an offender believes the information made public about the offender is inaccurate or incomplete, the offender may challenge the data under section 13.04, subdivision 4.

(d) The bureau of criminal apprehension is immune from any civil or criminal liability that might otherwise arise, based on the accuracy or completeness of any information made public under this subdivision, if the bureau acts in good faith.

Sec. 10. Minnesota Statutes 1998, section 243.166, is amended by adding a subdivision to read:

Subd. 10. [APPLICATION.] (a) All provisions of this section shall apply to a predatory offender convicted of or adjudicated delinquent for an offense described in subdivision 1 that requires registration if the offender is incarcerated or on any form of supervision for that offense as of the effective date of this subdivision, regardless of the date of the predatory offender's conviction or delinquency adjudication.

(b) Paragraph (a) does not change the obligation of any offender to register who began to register under this section before the effective date of this subdivision.

Sec. 11. [243.167] [REGISTRATION UNDER THE PREDATORY OFFENDER REGISTRATION LAW FOR OTHER OFFENSES.]

Subdivision 1. [DEFINITION.] As used in this section, "crime against the person" means a violation of any of the following: section 609.165; 609.185; 609.19; 609.195; 609.20; 609.205; 609.221; 609.222; 609.223; 609.224, subdivision 2; 609.2242, subdivision 2 or 4; 609.235; 609.245, subdivision 1; 609.25; 609.255; 609.3451, subdivision 2; 609.498, subdivision 1;

609.582, subdivision 1; or 617.23, subdivision 2; or any felony-level violation of section 609.229; 609.377; 609.749; or 624.713.

Subd. 2. [WHEN REQUIRED.] (a) In addition to the requirements of section 243.166, a person also shall register under section 243.166 if:

(1) the person is convicted of a crime against the person; and

(2) the person was previously convicted of or adjudicated delinquent for an offense listed in section 243.166, subdivision 1, paragraph (a), but was not required to register for the offense because the registration requirements of that section did not apply to the person at the time the offense was committed or at the time the person was released from imprisonment.

(b) A person who was previously required to register under section 243.166 and who has completed the registration requirements of that section shall again register under section 243.166 if the person commits a crime against the person.

Sec. 12. Minnesota Statutes 1998, section 244.052, as amended by Laws 1999, chapters 86, article 1, section 82; 216, article 6, sections 2, 3, 4, and 5; and 233, sections 4 and 5, is amended to read:

244.052 [~~SEX PREDATORY OFFENDERS; NOTICE.~~]

Subdivision 1. [DEFINITIONS.] As used in this section:

(1) "confinement" means confinement in a state correctional facility or a state treatment facility;

(2) "law enforcement agency" means the law enforcement agency having primary jurisdiction over the location where the offender expects to reside upon release;

(3) "residential facility" means a facility that is licensed as a residential program, as defined in section 245A.02, subdivision 14, by the commissioner of human services under chapter 245A, or the commissioner of corrections under section 241.021, whose staff are trained in the supervision of sex offenders; and

(4) "sex predatory offender" and "offender" mean a person who has been:

~~(i) convicted of an offense for which registration under section 243.166 is required;~~

~~(ii) committed pursuant to a court commitment order under section 253B.185 or Minnesota Statutes 1992, section 526.10, regardless of whether the person was convicted of any offense; or~~

~~(iii) committed pursuant to a court commitment order under section 253B.18, under the circumstances described in section 243.166, subdivision 1, paragraph (d) is required to register as a predatory offender under section 243.166. However, the terms do not include persons required to register based solely on a delinquency adjudication.~~

Subd. 2. [RISK ASSESSMENT SCALE.] By January 1, 1997, the commissioner of corrections shall develop a risk assessment scale which assigns weights to the various risk factors listed in subdivision 3, paragraph (g), and specifies the risk level to which offenders with various risk assessment scores shall be assigned. In developing this scale, the commissioner shall consult with county attorneys, treatment professionals, law enforcement officials, and probation officers.

Subd. 3. [END-OF-CONFINEMENT REVIEW COMMITTEE.] (a) The commissioner of corrections shall establish and administer end-of-confinement review committees at each state correctional facility and at each state treatment facility where sex predatory offenders are confined. The committees shall assess on a case-by-case basis the public risk posed by sex predatory offenders who are about to be released from confinement.

(b) Each committee shall be a standing committee and shall consist of the following members appointed by the commissioner:

(1) the chief executive officer or head of the correctional or treatment facility where the offender is currently confined, or that person's designee;

(2) a law enforcement officer;

(3) a treatment professional who is trained in the assessment of sex offenders;

(4) a caseworker experienced in supervising sex offenders; and

(5) a victim's services professional.

Members of the committee, other than the facility's chief executive officer or head, shall be appointed by the commissioner to two-year terms. The chief executive officer or head of the facility or designee shall act as chair of the committee and shall use the facility's staff, as needed, to administer the committee, obtain necessary information from outside sources, and prepare risk assessment reports on offenders.

(c) The committee shall have access to the following data on a sex predatory offender only for the purposes of its assessment and to defend the committee's risk assessment determination upon administrative review under this section:

(1) private medical data under section 13.42 or 144.335, or welfare data under section 13.46 that relate to medical treatment of the offender;

(2) private and confidential court services data under section 13.84;

(3) private and confidential corrections data under section 13.85; and

(4) private criminal history data under section 13.87.

Data collected and maintained by the committee under this paragraph may not be disclosed outside the committee, except as provided under section 13.05, subdivision 3 or 4. The sex predatory offender has access to data on the offender collected and maintained by the committee, unless the data are confidential data received under this paragraph.

(d)(i) Except as otherwise provided in item (ii), at least 90 days before a sex predatory offender is to be released from confinement, the commissioner of corrections shall convene the appropriate end-of-confinement review committee for the purpose of assessing the risk presented by the offender and determining the risk level to which the offender shall be assigned under paragraph (e). The offender and the law enforcement agency that was responsible for the charge resulting in confinement shall be notified of the time and place of the committee's meeting. The offender has a right to be present and be heard at the meeting. The law enforcement agency may provide material in writing that is relevant to the offender's risk level to the chair of the committee. The committee shall use the risk factors described in paragraph (g) and the risk assessment scale developed under subdivision 2 to determine the offender's risk assessment score and risk level. Offenders scheduled for release from confinement shall be assessed by the committee established at the facility from which the offender is to be released.

(ii) If an offender is received for confinement in a facility with less than 90 days remaining in the offender's term of confinement, the offender's risk shall be assessed at the first regularly scheduled end of confinement review committee that convenes after the appropriate documentation for the risk assessment is assembled by the committee. The commissioner shall make reasonable efforts to ensure that offender's risk is assessed and a risk level is assigned or reassigned at least 30 days before the offender's release date.

(e) The committee shall assign to risk level I a sex predatory offender whose risk assessment score indicates a low risk of reoffense. The committee shall assign to risk level II an offender whose risk assessment score indicates a moderate risk of reoffense. The committee shall assign to risk level III an offender whose risk assessment score indicates a high risk of reoffense.

(f) Before the sex predatory offender is released from confinement, the committee shall prepare

a risk assessment report which specifies the risk level to which the offender has been assigned and the reasons underlying the committee's risk assessment decision. The committee shall give the report to the offender and to the law enforcement agency at least 60 days before an offender is released from confinement. If the risk assessment is performed under the circumstances described in paragraph (d), item (ii), the report shall be given to the offender and the law enforcement agency as soon as it is available. The committee also shall inform the offender of the availability of review under subdivision 6.

(g) As used in this subdivision, "risk factors" includes, but is not limited to, the following factors:

(1) the seriousness of the offense should the offender reoffend. This factor includes consideration of the following:

- (i) the degree of likely force or harm;
- (ii) the degree of likely physical contact; and
- (iii) the age of the likely victim;

(2) the offender's prior offense history. This factor includes consideration of the following:

- (i) the relationship of prior victims to the offender;
- (ii) the number of prior offenses or victims;
- (iii) the duration of the offender's prior offense history;

(iv) the length of time since the offender's last prior offense while the offender was at risk to commit offenses; and

(v) the offender's prior history of other antisocial acts;

(3) the offender's characteristics. This factor includes consideration of the following:

- (i) the offender's response to prior treatment efforts; and
- (ii) the offender's history of substance abuse;

(4) the availability of community supports to the offender. This factor includes consideration of the following:

- (i) the availability and likelihood that the offender will be involved in therapeutic treatment;
- (ii) the availability of residential supports to the offender, such as a stable and supervised living arrangement in an appropriate location;
- (iii) the offender's familial and social relationships, including the nature and length of these relationships and the level of support that the offender may receive from these persons; and
- (iv) the offender's lack of education or employment stability;

(5) whether the offender has indicated or credible evidence in the record indicates that the offender will reoffend if released into the community; and

(6) whether the offender demonstrates a physical condition that minimizes the risk of reoffense, including but not limited to, advanced age or a debilitating illness or physical condition.

(h) Upon the request of the law enforcement agency or the offender's corrections agent, the commissioner may reconvene the end-of-confinement review committee for the purpose of reassessing the risk level to which an offender has been assigned under paragraph (e). In a request for a reassessment, the law enforcement agency which was responsible for the charge resulting in confinement or agent shall list the facts and circumstances arising after the initial assignment or

facts and circumstances known to law enforcement or the agent but not considered by the committee under paragraph (e) which support the request for a reassessment. The request for reassessment must occur within 30 days of receipt of the report indicating the offender's risk level assignment. Upon review of the request, the end-of-confinement review committee may reassign an offender to a different risk level. If the offender is reassigned to a higher risk level, the offender has the right to seek review of the committee's determination under subdivision 6.

(i) An offender may request the end-of-confinement review committee to reassess the offender's assigned risk level after ~~two~~ three years have elapsed since the committee's initial risk assessment and may renew the request once every two years following subsequent denials. In a request for reassessment, the offender shall list the facts and circumstances which demonstrate that the offender no longer poses the same degree of risk to the community. The committee shall follow the process outlined in paragraphs (a) to (e), and (g) in the reassessment. An offender who is incarcerated may not request a reassessment under this paragraph.

(j) The commissioner shall establish an end-of-confinement review committee to assign a risk level to offenders who are released from a federal correctional facility in Minnesota or another state and who intend to reside in Minnesota, and to offenders accepted from another state under a reciprocal agreement for parole supervision under the interstate compact authorized by section 243.16. The committee shall make reasonable efforts to conform to the same timelines as applied to Minnesota cases. Offenders accepted from another state under a reciprocal agreement for probation supervision are not assigned a risk level, but are considered downward dispositional departures. The probation or court services officer and law enforcement officer shall manage such cases in accordance with section 244.10, subdivision 2a. The policies and procedures of the committee for federal offenders and interstate compact cases must be in accordance with all requirements as set forth in this section, unless restrictions caused by the nature of federal or interstate transfers prevents such conformance.

(k) If the committee assigns a sex predatory offender to risk level III, the committee shall determine whether residency restrictions shall be included in the conditions of the offender's release based on the offender's pattern of offending behavior.

Subd. 4. [LAW ENFORCEMENT AGENCY; DISCLOSURE OF INFORMATION TO PUBLIC.] (a) The law enforcement agency in the area where the sex predatory offender resides, expects to reside, is employed, or is regularly found, shall disclose to the public any information regarding the offender contained in the report forwarded to the agency under subdivision 3, paragraph (f), that is relevant and necessary to protect the public and to counteract the offender's dangerousness, consistent with the guidelines in paragraph (b). The extent of the information disclosed and the community to whom disclosure is made must relate to the level of danger posed by the offender, to the offender's pattern of offending behavior, and to the need of community members for information to enhance their individual and collective safety.

(b) The law enforcement agency shall employ the following guidelines in determining the scope of disclosure made under this subdivision:

(1) if the offender is assigned to risk level I, the agency may maintain information regarding the offender within the agency and may disclose it to other law enforcement agencies. Additionally, the agency may disclose the information to any victims of or witnesses to the offense committed by the offender. The agency shall disclose the information to victims of the offense committed by the offender who have requested disclosure;

(2) if the offender is assigned to risk level II, the agency also may disclose the information to agencies and groups that the offender is likely to encounter for the purpose of securing those institutions and protecting individuals in their care while they are on or near the premises of the institution. These agencies and groups include the staff members of public and private educational institutions, day care establishments, and establishments and organizations that primarily serve individuals likely to be victimized by the offender. The agency also may disclose the information to individuals the agency believes are likely to be victimized by the offender. The agency's belief shall be based on the offender's pattern of offending or victim preference as documented in the information provided by the department of corrections or human services;

(3) if the offender is assigned to risk level III, the agency shall disclose the information to the persons and entities described in clauses (1) and (2) and to other members of the community whom the offender is likely to encounter, unless the law enforcement agency determines that public safety would be compromised by the disclosure or that a more limited disclosure is necessary to protect the identity of the victim.

Notwithstanding the assignment of a sex predatory offender to risk level II or III, a law enforcement agency may not make the disclosures permitted or required by clause (2) or (3), if: the offender is placed or resides in a residential facility. However, if an offender is placed or resides in a residential facility, the offender and the head of the facility shall designate the offender's likely residence upon release from the facility and the head of the facility shall notify the commissioner of corrections or the commissioner of human services of the offender's likely residence at least 14 days before the offender's scheduled release date. The commissioner shall give this information to the law enforcement agency having jurisdiction over the offender's likely residence. The head of the residential facility also shall notify the commissioner of corrections or human services within 48 hours after finalizing the offender's approved relocation plan to a permanent residence. Within five days after receiving this notification, the appropriate commissioner shall give to the appropriate law enforcement agency all relevant information the commissioner has concerning the offender, including information on the risk factors in the offender's history and the risk level to which the offender was assigned. After receiving this information, the law enforcement agency shall make the disclosures permitted or required by clause (2) or (3), as appropriate.

(c) As used in paragraph (b), clauses (2) and (3), "likely to encounter" means that:

(1) the organizations or community members are in a location or in close proximity to a location where the offender lives or is employed, or which the offender visits or is likely to visit on a regular basis, other than the location of the offender's outpatient treatment program; and

(2) the types of interaction which ordinarily occur at that location and other circumstances indicate that contact with the offender is reasonably certain.

(d) A law enforcement agency or official who discloses information under this subdivision shall make a good faith effort to make the notification within 14 days of receipt of a confirmed address from the department of corrections indicating that the offender will be, or has been, released from confinement, or accepted for supervision, or has moved to a new address and will reside at the address indicated. If a change occurs in the release plan, this notification provision does not require an extension of the release date.

(e) A law enforcement agency or official who discloses information under this subdivision shall not disclose the identity or any identifying characteristics of the victims of or witnesses to the offender's offenses.

(f) A law enforcement agency shall continue to disclose information on an offender as required by this subdivision for as long as the offender is required to register under section 243.166.

(g) A law enforcement agency that is disclosing information on an offender assigned to risk level III to the public under this subdivision shall inform the commissioner of corrections what information is being disclosed and forward this information to the commissioner within two days of the agency's determination. The commissioner shall post this information on the Internet as required in subdivision 4b.

Subd. 4a. [LEVEL III OFFENDERS; LOCATION OF RESIDENCE.] When an offender assigned to risk level III is released from confinement or a residential facility to reside in the community or changes residence while on supervised or conditional release, the agency responsible for the offender's supervision shall take into consideration the proximity of the offender's residence to that of other level III offenders and, to the greatest extent feasible, shall mitigate the concentration of level III offenders.

Subd. 4b. [LEVEL III OFFENDERS; MANDATORY POSTING OF INFORMATION ON

INTERNET.] The commissioner of corrections shall create and maintain an Internet Web site and post on the site the information about offenders assigned to risk level III forwarded by law enforcement agencies under subdivision 4, paragraph (g). This information must be updated in a timely manner to account for changes in the offender's address and maintained for the period of time that the offender remains subject to community notification as a level III offender.

Subd. 5. [RELEVANT INFORMATION PROVIDED TO LAW ENFORCEMENT.] At least 60 days before a sex predatory offender is released from confinement, the department of corrections or the department of human services, in the case of a person who was committed under section 253B.185 or Minnesota Statutes 1992, section 526.10, shall give to the law enforcement agency that investigated the offender's crime of conviction or, where relevant, the law enforcement agency having primary jurisdiction where the offender was committed, all relevant information that the departments have concerning the offender, including information on risk factors in the offender's history. Within five days after receiving the offender's approved release plan from the hearings and release unit, the appropriate department shall give to the law enforcement agency having primary jurisdiction where the offender plans to reside all relevant information the department has concerning the offender, including information on risk factors in the offender's history and the risk level to which the offender was assigned. If the offender's risk level was assigned under the circumstances described in subdivision 3, paragraph (d), item (ii), the appropriate department shall give the law enforcement agency all relevant information that the department has concerning the offender, including information on the risk factors in the offender's history and the offender's risk level within five days of the risk level assignment or reassignment.

Subd. 6. [ADMINISTRATIVE REVIEW.] (a) An offender assigned or reassigned to risk level II or III under subdivision 3, paragraph (e) or (h), has the right to seek administrative review of an end-of-confinement review committee's risk assessment determination. The offender must exercise this right within 14 days of receiving notice of the committee's decision by notifying the chair of the committee. Upon receiving the request for administrative review, the chair shall notify: (1) the offender; (2) the victim or victims of the offender's offense who have requested disclosure or their designee; (3) the law enforcement agency that investigated the offender's crime of conviction or, where relevant, the law enforcement agency having primary jurisdiction where the offender was committed; (4) the law enforcement agency having jurisdiction where the offender expects to reside, providing that the release plan has been approved by the hearings and release unit of the department of corrections; and (5) any other individuals the chair may select. The notice shall state the time and place of the hearing. A request for a review hearing shall not interfere with or delay the notification process under subdivision 4 or 5, unless the administrative law judge orders otherwise for good cause shown.

(b) An offender who requests a review hearing must be given a reasonable opportunity to prepare for the hearing. The review hearing shall be conducted on the record before an administrative law judge. The review hearing shall be conducted at the correctional facility in which the offender is currently confined. If the offender no longer is incarcerated, the administrative law judge shall determine the place where the review hearing will be conducted. The offender has the burden of proof to show, by a preponderance of the evidence, that the end-of-confinement review committee's risk assessment determination was erroneous. The attorney general or a designee shall defend the end-of-confinement review committee's determination. The offender has the right to be present and be represented by counsel at the hearing, to present evidence in support of the offender's position, to call supporting witnesses and to cross-examine witnesses testifying in support of the committee's determination. Counsel for indigent offenders shall be provided by the Legal Advocacy Project of the state public defender's office.

(c) After the hearing is concluded, the administrative law judge shall decide whether the end-of-confinement review committee's risk assessment determination was erroneous and, based on this decision, shall either uphold or modify the review committee's determination. The judge's decision shall be in writing and shall include the judge's reasons for the decision. The judge's decision shall be final and a copy of it shall be given to the offender, the victim, the law enforcement agency, and the chair of the end-of-confinement review committee.

(d) The review hearing is subject to the contested case provisions of chapter 14.

(e) The administrative law judge may seal any portion of the record of the administrative review hearing to the extent necessary to protect the identity of a victim of or witness to the offender's offense.

Subd. 7. [IMMUNITY FROM LIABILITY.] (a) A state or local agency or official, or a private organization or individual authorized to act on behalf of a state or local agency or official, is not ~~civily~~ or criminally liable for disclosing or failing to disclose information as permitted by this section.

(b) A state or local agency or official, or a private organization or individual authorized to act on behalf of a state or local agency or official, is not civilly liable for failing to disclose information under this section.

(c) A state or local agency or official, or a private organization or individual authorized to act on behalf of a state or local agency or official, is not civilly liable for disclosing information as permitted by this section. However, this paragraph applies only to disclosure of information that is consistent with the offender's conviction history. It does not apply to disclosure of information relating to conduct for which the offender was not convicted.

Subd. 8. [LIMITATION ON SCOPE.] Nothing in this section imposes a duty upon a person licensed under chapter 82, or an employee of the person, to disclose information regarding an offender who is required to register under section 243.166, or about whom notification is made under this section.

Sec. 13. Minnesota Statutes 1998, section 244.10, subdivision 2a, is amended to read:

Subd. 2a. [NOTICE OF INFORMATION REGARDING SEX PREDATORY OFFENDERS.] (a) Subject to paragraph (b), in any case in which a person is convicted of an offense which requires registration under section 243.166, subdivision 1, and the presumptive sentence under the sentencing guidelines is commitment to the custody of the commissioner of corrections, if the court grants a dispositional departure and stays imposition or execution of sentence, the probation or court services officer who is assigned to supervise the offender shall provide in writing to the following the fact that the offender is on probation and the terms and conditions of probation:

(1) a victim of and any witnesses to the offense committed by the offender, if the victim or the witness has requested notice; and

(2) the chief law enforcement officer in the area where the offender resides or intends to reside.

The law enforcement officer, in consultation with the offender's probation officer, may provide all or part of this information to any of the following agencies or groups the offender is likely to encounter: public and private educational institutions, day care establishments, and establishments or organizations that primarily serve individuals likely to be victimized by the offender.

The probation officer is not required under this subdivision to provide any notice while the offender is placed or resides in a residential facility that is licensed under section 245A.02, subdivision 14, or 241.021, if the facility staff is trained in the supervision of sex offenders.

(b) Paragraph (a) applies only to offenders required to register under section 243.166, as a result of the conviction.

(c) The notice authorized by paragraph (a) shall be limited to data classified as public under section 13.84, subdivision 6, unless the offender provides informed consent to authorize the release of nonpublic data or unless a court order authorizes the release of nonpublic data.

~~(e)~~ (d) Nothing in this subdivision shall be interpreted to impose a duty on any person to use any information regarding an offender about whom notification is made under this subdivision.

Sec. 14. [299C.093] [DATABASE OF REGISTERED PREDATORY OFFENDERS.]

The superintendent of the bureau of criminal apprehension shall maintain a computerized data system relating to individuals required to register as predatory offenders under section 243.166. To the degree feasible, the system must include the information required to be provided under section 243.166, subdivisions 4 and 4a, and indicate the time period that the person is required to register. The superintendent shall maintain this information in a manner that ensures that it is readily available to law enforcement agencies. This information is private data on individuals under section 13.02, subdivision 12, but may be used for law enforcement and corrections purposes.

Sec. 15. [REPORT.]

By January 15, 2001, the superintendent of the bureau of criminal apprehension shall report to the chairs of the senate and house of representatives committees and divisions having jurisdiction over criminal justice funding. The report must specify how the money appropriated in this act was spent and how the policy changes made in this act relating to the bureau were implemented.

Sec. 16. [EFFECTIVE DATES.]

(a) Section 10 is effective the day following final enactment.

(b) Section 6 is effective August 1, 2000, and applies to crimes committed on or after that date. However, a conviction or adjudication for violating Minnesota Statutes, section 243.166, occurring before August 1, 2000, shall be considered a prior conviction or adjudication under Minnesota Statutes, section 243.166, subdivision 5, paragraph (c).

(c) The provisions of section 7 that pertain to lifetime registration are effective August 1, 2000, and apply to persons who commit offenses requiring lifetime registration on or after that date.

(d) Sections 2 and 9 and the provisions of sections 4 and 8 that pertain to making information available to the public through electronic, computerized, or other accessible means are effective August 1, 2000, and apply to offenders who are out of compliance with Minnesota Statutes, section 243.166, on or after that date.

(e) The provisions of section 12 that pertain to posting information on the Internet are effective August 1, 2000, and apply to offenders classified at risk level III and subject to community notification under Minnesota Statutes, section 244.052, on or after that date.

(f) Section 13 and the remaining provisions of section 12 are effective August 1, 2000, and apply to persons released from confinement or sentenced on or after that date.

(g) Sections 14 and 15 and the remaining provisions of section 8 are effective August 1, 2000.

(h) Sections 1, 3, and 5, and the remaining provisions of sections 4 and 7 are effective August 1, 2000, and apply to persons released from confinement, sentenced, subject to registration, or who commit offenses on or after that date.

### ARTICLE 3

#### NAME CHANGE PROVISIONS

Section 1. Minnesota Statutes 1998, section 259.11, is amended to read:

259.11 [ORDER; FILING COPIES.]

(a) Upon meeting the requirements of section 259.10, the court shall grant the application unless: (1) it finds that there is an intent to defraud or mislead; (2) section 259.13 prohibits granting the name change; or (3) in the case of the change of a minor child's name, the court finds that such name change is not in the best interests of the child. The court shall set forth in the order the name and age of the applicant's spouse and each child of the applicant, if any, and shall state a description of the lands, if any, in which the applicant and the spouse and children, if any, claim to have an interest. The court administrator shall file such order, and record the same in the judgment book. If lands be described therein, a certified copy of the order shall be filed for record, by the applicant, with the county recorder of each county wherein any of the same are situated. Before

doing so the court administrator shall present the same to the county auditor who shall enter the change of name in the auditor's official records and note upon the instrument, over an official signature, the words "change of name recorded." Any such order shall not be filed, nor any certified copy thereof be issued, until the applicant shall have paid to the county recorder and court administrator the fee required by law. No application shall be denied on the basis of the marital status of the applicant.

(b) When a person applies for a name change, the court shall determine whether the person has been convicted of a felony in this or any other state. If so, the court shall, within ten days after the name change application is granted, report the name change to the bureau of criminal apprehension. The person whose name is changed shall also report the change to the bureau of criminal apprehension within ten days. The court granting the name change application must explain this reporting duty in its order. Any person required to report the person's name change to the bureau of criminal apprehension who fails to report the name change as required under this paragraph is guilty of a gross misdemeanor.

Sec. 2. [259.115] [CRIMINAL PENALTIES.]

A person who has a felony conviction under Minnesota law or the law of another state or federal jurisdiction and who does any of the following is guilty of a gross misdemeanor:

(1) upon marriage, uses a different surname from that used before marriage without complying with section 259.13;

(2) upon marriage dissolution or legal separation, uses a different surname from that used during marriage without complying with section 259.13; or

(3) with the intent to defraud or mislead, or to cause injury to or harass another, uses a different name without complying with section 259.13.

Sec. 3. [259.13] [PERSONS WITH FELONY CONVICTION; NAME CHANGES.]

Subdivision 1. [PROCEDURE FOR SEEKING NAME CHANGE.] (a) A person with a felony conviction under Minnesota law or the law of another state or federal jurisdiction shall serve a notice of application for a name change on the prosecuting authority that obtained the conviction against the person or Minnesota attorney general when seeking a name change through one of the following procedures:

(1) an application for a name change under section 259.10;

(2) a request for a name change as part of an application for a marriage license under section 517.08; or

(3) a request for a name change in conjunction with a marriage dissolution under section 518.27.

If the conviction is from another state or federal jurisdiction, notice of application must also be served on the attorney general.

(b) A person who seeks a name change under section 259.10 or 518.27 shall file proof of service with the court as part of the name change request. A person who seeks a name change under section 517.08 shall file proof of service with the county as part of the application for a marriage license.

(c) The name change request may not be granted during the 30-day period provided for in subdivision 2 or, if an objection is filed under subdivision 2, until satisfaction of the requirements in subdivision 3 or 4. Nothing in this section shall delay the granting of a marriage license under section 517.08, which may be granted without the name change.

Subd. 2. [OBJECTION BY PROSECUTING AUTHORITY.] At any time within 30 days from the date of service of the notice of application for a name change under this section, the prosecuting authority or the attorney general may file an objection to the application for a name

change. The objection may be made on the basis that the request aims to defraud or mislead, is not made in good faith, will cause injury to a person, or will compromise public safety. If an objection to the application for a name change is filed within this time period, the court may not grant the name change request, and the county may not allow the name change as part of a marriage license.

Subd. 3. [MOTION TO GRANT NAME CHANGE REQUEST.] A person who seeks a name change may contest the prosecuting authority's or attorney general's objection by filing a motion with the court for an order permitting the requested name change. Except as provided in subdivision 4, no name change shall be granted unless the person requesting it proves by clear and convincing evidence that the request is not based upon an intent to defraud or mislead, is made in good faith, will not cause injury to a person, and will not compromise public safety.

Subd. 4. [CONSTITUTIONAL RIGHT TO NAME CHANGE.] The court shall grant a name change if failure to allow it would infringe on a constitutional right of the person.

Subd. 5. [COSTS.] A person seeking a name change under this section may proceed in forma pauperis only when the failure to allow the name change would infringe upon a constitutional right.

Subd. 6. [CRIMINAL PENALTY.] A person who knowingly violates this section is guilty of a gross misdemeanor.

Sec. 4. Minnesota Statutes 1998, section 517.08, subdivision 1a, is amended to read:

Subd. 1a. Application for a marriage license shall be made upon a form provided for the purpose and shall contain the following information:

- (1) the full names of the parties and the sex of each party;
- (2) their post office addresses and county and state of residence;
- (3) their full ages;
- (4) if either party has previously been married, the party's married name, and the date, place and court in which the marriage was dissolved or annulled or the date and place of death of the former spouse;
- (5) if either party is a minor, the name and address of the minor's parents or guardian;
- (6) whether the parties are related to each other, and, if so, their relationship;
- (7) the name and date of birth of any child of which both parties are parents, born before the making of the application, unless their parental rights and the parent and child relationship with respect to the child have been terminated;
- (8) address of the bride and groom after the marriage to which the court administrator shall send a certified copy of the marriage certificate; ~~and~~
- (9) the full names the parties will have after marriage and the parties' social security numbers. The social security numbers must be collected for the application but must not appear on the marriage license;
- (10) if one or both of the parties to the marriage license has a felony conviction under Minnesota law or the law of another state or federal jurisdiction, the parties shall provide to the county proof of service upon the prosecuting authority and, if applicable, the attorney general, as required by section 259.13; and
- (11) notice that a party who has a felony conviction under Minnesota law or the law of another state or federal jurisdiction may not use a different surname after marriage except as authorized by section 259.13, and that doing so is a gross misdemeanor.

Sec. 5. Minnesota Statutes 1998, section 517.08, subdivision 1b, is amended to read:

Subd. 1b. [TERM OF LICENSE; FEE.] (a) The court administrator shall examine upon oath the party applying for a license relative to the legality of the contemplated marriage. If at the expiration of a five-day period, on being satisfied that there is no legal impediment to it, including the restriction contained in section 259.13, the court administrator shall issue the license, containing the full names of the parties before and after marriage, and county and state of residence, with the district court seal attached, and make a record of the date of issuance. The license shall be valid for a period of six months. In case of emergency or extraordinary circumstances, a judge of the district court of the county in which the application is made, may authorize the license to be issued at any time before the expiration of the five days. The court administrator shall collect from the applicant a fee of \$70 for administering the oath, issuing, recording, and filing all papers required, and preparing and transmitting to the state registrar of vital statistics the reports of marriage required by this section. If the license should not be used within the period of six months due to illness or other extenuating circumstances, it may be surrendered to the court administrator for cancellation, and in that case a new license shall issue upon request of the parties of the original license without fee. A court administrator who knowingly issues or signs a marriage license in any manner other than as provided in this section shall pay to the parties aggrieved an amount not to exceed \$1,000.

(b) If section 259.13 applies to the request for a marriage license, the court administrator shall grant the marriage license without the requested name change. Alternatively, the court administrator may delay the granting of the marriage license until the party with the conviction:

(1) certifies under oath that 30 days have passed since service of the notice for a name change upon the prosecuting authority and, if applicable, the attorney general and no objection has been filed under section 259.13; or

(2) provides a certified copy of the court order granting it. The parties seeking the marriage license shall have the right to choose to have the license granted without the name change or to delay its granting pending further action on the name change request.

Sec. 6. Minnesota Statutes 1998, section 518.27, is amended to read:

518.27 [NAME OF PARTY.]

Except as provided in section 259.13, in the final decree of dissolution or legal separation the court shall, if requested by a party, change the name of that party to another name as the party requests. The court shall grant a request unless it finds that there is an intent to defraud or mislead, unless the name change is subject to section 259.13, in which case the requirements of that section apply. The court shall notify the parties that use of a different surname after dissolution or legal separation without complying with section 259.13, if applicable, is a gross misdemeanor. The party's new name shall be so designated in the final decree.

Sec. 7. [EFFECTIVE DATE.]

Sections 1 to 6 are effective August 1, 2000, and apply to proceedings for a name change commenced and crimes committed on or after that date.

#### ARTICLE 4

#### CRIMINAL AND EXPUNGEMENT PROVISIONS

Section 1. Minnesota Statutes 1998, section 609.035, is amended by adding a subdivision to read:

Subd. 6. [EXCEPTION; CRIMINAL SEXUAL CONDUCT OFFENSES.] Notwithstanding subdivision 1, a prosecution or conviction for committing a violation of sections 609.342 to 609.345 with force or violence is not a bar to conviction of or punishment for any other crime committed by the defendant as part of the same conduct. If an offender is punished for more than one crime as authorized by this subdivision and the court imposes consecutive sentences for the crimes, the consecutive sentences are not a departure from the sentencing guidelines.

Sec. 2. Minnesota Statutes 1998, section 609.342, subdivision 2, is amended to read:

Subd. 2. [PENALTY.] (a) Except as otherwise provided in section 609.109, a person convicted under subdivision 1 may be sentenced to imprisonment for not more than 30 years or to a payment of a fine of not more than \$40,000, or both.

(b) Unless a longer mandatory minimum sentence is otherwise required by law or the sentencing guidelines presume a longer executed sentence for a person with the offender's criminal history, the court shall presume that an executed sentence of 144 months must be imposed on an offender convicted of violating this section.

Sec. 3. Minnesota Statutes 1998, section 609.352, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] As used in this section:

(a) "child" means a person ~~under the age of~~ 15 years of age or younger;

(b) "sexual conduct" means sexual contact of the individual's primary genital area, sexual penetration as defined in section 609.341, or sexual performance as defined in section 617.246; and

(c) "solicit" means commanding, entreating, or attempting to persuade a specific person in person, by telephone, by letter, or by computerized or other electronic means.

Sec. 4. Minnesota Statutes 1998, section 609.352, subdivision 2, is amended to read:

Subd. 2. [PROHIBITED ACT.] A person 18 years of age or older who solicits a child or someone the person reasonably believes is a child to engage in sexual conduct with intent to engage in sexual conduct is guilty of a felony and may be sentenced to imprisonment for not more than three years, or to payment of a fine of not more than \$5,000, or both.

Sec. 5. [609.353] [JURISDICTION.]

A violation or attempted violation of section 609.342, 609.343, 609.344, 609.345, 609.3451, or 609.352 may be prosecuted in any jurisdiction in which the violation originates or terminates.

Sec. 6. Minnesota Statutes 1998, section 609.749, subdivision 2, is amended to read:

Subd. 2. [HARASSMENT AND STALKING CRIMES.] (a) A person who harasses another by committing any of the following acts is guilty of a gross misdemeanor:

(1) directly or indirectly manifests a purpose or intent to injure the person, property, or rights of another by the commission of an unlawful act;

(2) stalks, follows, or pursues another;

(3) returns to the property of another if the actor is without claim of right to the property or consent of one with authority to consent;

(4) repeatedly makes telephone calls, or induces a victim to make telephone calls to the actor, whether or not conversation ensues;

(5) makes or causes the telephone of another repeatedly or continuously to ring;

(6) repeatedly mails or delivers or causes the delivery by any means, including electronically, of letters, telegrams, messages, packages, or other objects; or

(7) knowingly makes false allegations against a peace officer concerning the officer's performance of official duties with intent to influence or tamper with the officer's performance of official duties.

(b) The conduct described in paragraph (a), clauses (4) and (5), may be prosecuted at the place where any call is either made or received. The conduct described in paragraph (a), clause (6), may be prosecuted where any letter, telegram, message, package, or other object is either sent or received.

(c) A peace officer may not make a warrantless, custodial arrest of any person for a violation of paragraph (a), clause (7).

Sec. 7. Minnesota Statutes 1998, section 609.795, subdivision 1, is amended to read:

Subdivision 1. [MISDEMEANORS.] Whoever does any of the following is guilty of a misdemeanor:

(1) knowing that the actor does not have the consent of either the sender or the addressee, intentionally opens any sealed letter, telegram, or package addressed to another; or

(2) knowing that a sealed letter, telegram, or package has been opened without the consent of either the sender or addressee, intentionally publishes any of the contents thereof; or

(3) with the intent to abuse, disturb, or cause distress, repeatedly ~~uses the mails or delivers or~~ causes the delivery by any means, including electronically, of letters, telegrams, or packages.

Sec. 8. Minnesota Statutes 1998, section 609A.03, is amended to read:

609A.03 [PETITION TO EXPUNGE CRIMINAL RECORDS.]

Subdivision 1. [PETITION; FILING FEE.] An individual who is the subject of a criminal record who is seeking the expungement of the record shall file a petition under this section and pay a filing fee in the amount required under section 357.021, subdivision 2, clause (1). The filing fee may be waived in cases of indigency and shall be waived in the cases described in section 609A.02, subdivision 3.

Subd. 2. [CONTENTS OF PETITION.] A petition for expungement shall be signed under oath by the petitioner and shall state the following:

(1) the petitioner's full name and all other legal names or aliases by which the petitioner has been known at any time;

(2) the petitioner's date of birth;

(3) all of the petitioner's addresses from the date of the offense or alleged offense in connection with which an expungement order is sought, to the date of the petition;

(4) why expungement is sought, if it is for employment or licensure purposes, the statutory or other legal authority under which it is sought, and why it should be granted;

(5) the details of the offense or arrest for which expungement is sought, including date and jurisdiction of the occurrence, court file number, and date of conviction or of dismissal;

(6) in the case of a conviction, what steps the petitioner has taken since the time of the offense toward personal rehabilitation, including treatment, work, or other personal history that demonstrates rehabilitation;

(7) petitioner's criminal conviction record indicating all convictions for misdemeanors, gross misdemeanors, or felonies in this state, and for all comparable convictions in any other state, federal court, or foreign country, whether the convictions occurred before or after the arrest or conviction for which expungement is sought;

(8) petitioner's criminal charges record indicating all prior and pending criminal charges against the petitioner in this state or another jurisdiction, including all criminal charges that have been continued for dismissal or stayed for adjudication, or have been the subject of pretrial diversion; and

(9) all prior requests by the petitioner, whether for the present offense or for any other offenses, in this state or any other state or federal court, for pardon, return of arrest records, or expungement or sealing of a criminal record, whether granted or not, and all stays of adjudication or imposition of sentence involving the petitioner.

Subd. 3. [SERVICE OF PETITION AND PROPOSED ORDER.] The petition for expungement and a proposed expungement order shall be served by mail on the state and local government agencies and jurisdictions whose records would be affected by the proposed order. Service shall also be made by mail on the attorney for each agency and jurisdiction.

Subd. 4. [HEARING.] A hearing on the petition shall be held no sooner than 60 days after service of the petition.

Subd. 5. [NATURE OF REMEDY; STANDARD; FIREARMS RESTRICTION.] (a) Except as otherwise provided by paragraph (b), expungement of a criminal record is an extraordinary remedy to be granted only upon clear and convincing evidence that it would yield a benefit to the petitioner commensurate with the disadvantages to the public and public safety of:

(1) sealing the record; and

(2) burdening the court and public authorities to issue, enforce, and monitor an expungement order.

(b) Except as otherwise provided by this paragraph, if the petitioner is petitioning for the sealing of a criminal record under section 609A.02, subdivision 3, the court shall grant the petition to seal the record unless the agency or jurisdiction whose records would be affected establishes by clear and convincing evidence that the interests of the public and public safety outweigh the disadvantages to the petitioner of not sealing the record. If a petitioner was found not guilty by reason of mental illness, the court shall grant the petition to seal the record unless the agency or jurisdiction whose records would be affected establishes by a preponderance of the evidence that the interests of the public and public safety outweigh the disadvantages to the petitioner of not sealing the record.

(c) If the court issues an expungement order it may require that the criminal record shall be sealed, the existence of the record shall not be revealed, and the record should not be opened except as required under subdivision 7. Records shall must not be destroyed or returned to the subject of the record.

~~(d) An order expunging the record of a conviction for a crime of violence as defined in section 624.712, subdivision 5, must provide that the person is not entitled to ship, transport, possess, or receive a firearm until ten years have elapsed since the order was entered and during that time the person was not convicted of any other crime of violence. Any person whose record of conviction is expunged under this section and who thereafter receives a relief of disability under United States Code, title 18, section 925, is not subject to the restriction in this paragraph.~~

Subd. 5a. [ORDER CONCERNING CRIMES OF VIOLENCE.] An order expunging the record of a conviction for a crime of violence as defined in section 624.712, subdivision 5, must provide that the person is not entitled to ship, transport, possess, or receive a firearm until ten years have elapsed since the order was entered and during that time the person was not convicted of any other crime of violence. Any person whose record of conviction is expunged under this section and who thereafter receives a relief of disability under United States Code, title 18, section 925, is not subject to the restriction in this subdivision.

Subd. 6. [ORDER CONCERNING CONTROLLED SUBSTANCE OFFENSES.] If the court orders the sealing of the record of proceedings under section 152.18, the effect of the order shall be to restore the person, in the contemplation of the law, to the status the person occupied before the arrest, indictment, or information. The person shall not be held guilty of perjury or otherwise of giving a false statement if the person fails to acknowledge the arrest, indictment, information, or trial in response to any inquiry made for any purpose.

Subd. 7. [LIMITATIONS OF ORDER.] (a) Upon issuance of an expungement order related to a charge supported by probable cause, the DNA samples and DNA records held by the bureau of criminal apprehension shall not be sealed, returned to the subject of the record, or destroyed.

(b) Notwithstanding the issuance of an expungement order:

(1) an expunged record may be opened for purposes of a criminal investigation, prosecution, or sentencing, upon an ex parte court order; and

(2) an expunged record of a conviction may be opened for purposes of evaluating a prospective employee in a criminal justice agency without a court order.

Upon request by law enforcement, prosecution, or corrections authorities, an agency or jurisdiction subject to an expungement order shall inform the requester of the existence of a sealed record and of the right to obtain access to it as provided by this paragraph. For purposes of this section, a "criminal justice agency" means courts or a government agency that performs the administration of criminal justice under statutory authority.

~~Subd. 8. [STAY OF ORDER; APPEAL DISTRIBUTION OF EXPUNGEMENT ORDERS.] An expungement order shall be automatically stayed for 60 days after filing of the order and, if the order is appealed, during the appeal period. A person or an agency or jurisdiction whose records would be affected by the order may appeal the order within 60 days of service of notice of filing of the order. An agency or jurisdiction or officials or employees thereof need not file a cost bond or supersedeas bond in order to further stay the proceedings or file an appeal. The court administrator shall send a copy of an expungement order to each agency and jurisdiction whose records are affected by the terms of the order.~~

~~Subd. 9. [DISTRIBUTION OF EXPUNGEMENT ORDERS STAY OF ORDER; APPEAL.] If an expungement order is issued, the court administrator shall send a copy of it to each agency and jurisdiction whose records are affected by the terms of the order. An expungement order shall be stayed automatically for 60 days after the order is filed and, if the order is appealed, during the appeal period. A person or an agency or jurisdiction whose records would be affected by the order may appeal the order within 60 days of service of notice of filing of the order. An agency or jurisdiction or its officials or employees need not file a cost bond or supersedeas bond in order to further stay the proceedings or file an appeal.~~

Sec. 9. Minnesota Statutes 1998, section 628.26, is amended to read:

628.26 [LIMITATIONS.]

(a) Indictments or complaints for ~~murder~~ any crime resulting in the death of the victim may be found or made at any time after the death of the person killed.

~~(b)~~ Indictments or complaints for a violation of section 609.25 may be found or made at any time after the commission of the offense.

~~(b)~~ (c) Indictments or complaints for violation of section 609.42, subdivision 1, clause (1) or (2), shall be found or made and filed in the proper court within six years after the commission of the offense.

~~(e)~~ (d) Indictments or complaints for violation of sections 609.342 to 609.345 if the victim was under the age of 18 years at the time the offense was committed, shall be found or made and filed in the proper court within nine years after the commission of the offense or, if the victim failed to report the offense within this limitation period, within three years after the offense was reported to law enforcement authorities.

~~(d)~~ (e) Notwithstanding the limitations in paragraph (c), indictments or complaints for violation of sections 609.342 to 609.344 if the victim was 18 years old or older at the time the offense was committed, shall may be found or made and filed in the proper court at any time after commission of the offense, if physical evidence is collected and preserved that is capable of being tested for its DNA characteristics. If this evidence is not collected and preserved and the victim was 18 years old or older at the time of the offense, the prosecution must be commenced within nine years after the commission of the offense.

~~(e)~~ (f) Indictments or complaints for violation of sections 609.466 and 609.52, subdivision 2, clause (3)(e), item (iii), shall be found or made and filed in the proper court within six years after the commission of the offense.

(f) (g) Indictments or complaints for violation of section 609.52, subdivision 2, clause (3), items ~~(a) and (b)~~ (i) and (ii), (4), (15), or (16), 609.631, or 609.821, where the value of the property or services stolen is more than \$35,000, shall be found or made and filed in the proper court within five years after the commission of the offense.

(g) (h) Except for violations relating to false material statements, representations or omissions, indictments or complaints for violations of section 609.671 shall be found or made and filed in the proper court within five years after the commission of the offense.

(h) (i) Indictments or complaints for violation of sections 609.561 to 609.563, shall be found or made and filed in the proper court within five years after the commission of the offense.

(i) (j) In all other cases, indictments or complaints shall be found or made and filed in the proper court within three years after the commission of the offense.

(j) (k) The limitations periods contained in this section shall exclude any period of time during which the defendant was not an inhabitant of or usually resident within this state.

(k) (l) The limitations periods contained in this section for an offense shall not include any period during which the alleged offender participated under a written agreement in a pretrial diversion program relating to that offense.

(l) (m) The limitations periods contained in this section shall not include any period of time during which physical evidence relating to the offense was undergoing DNA analysis, as defined in section 299C.155, unless the defendant demonstrates that the prosecuting or law enforcement agency purposefully delayed the DNA analysis process in order to gain an unfair advantage.

#### Sec. 10. [EFFECTIVE DATES.]

Sections 1 to 5, 7, and 8 are effective August 1, 2000, and apply to crimes committed and expungement petitions filed on or after that date. Section 6 is effective the day following final enactment and applies to crimes committed on or after that date. Section 9 is effective August 1, 2000, and applies to crimes committed on or after that date and to crimes committed before that date if the limitation period for the crime did not expire before August 1, 2000.

### ARTICLE 5

#### CRIMINAL JUSTICE INFORMATION

#### TECHNOLOGY AND INTEGRATION PROVISIONS

Section 1. Minnesota Statutes 1998, section 299C.65, subdivision 1, is amended to read:

Subdivision 1. [MEMBERSHIP, DUTIES.] (a) ~~The criminal and juvenile justice information policy group consists of the chair of the sentencing guidelines commission, the commissioner of corrections, the commissioner of public safety, the commissioner of administration, the commissioner of finance, and the state court administrator~~ four members of the judicial branch appointed by the chief justice of the supreme court.

(b) The policy group shall study and make recommendations to the governor, the supreme court, and the legislature on:

(1) a framework for integrated criminal justice information systems, including the development and maintenance of a community data model for state, county, and local criminal justice information;

(2) the responsibilities of each entity within the criminal and juvenile justice systems concerning the collection, maintenance, dissemination, and sharing of criminal justice information with one another;

(3) actions necessary to ensure that information maintained in the criminal justice information systems is accurate and up-to-date;

(4) the development of an information system containing criminal justice information on gross misdemeanor-level and felony-level juvenile offenders that is part of the integrated criminal justice information system framework;

(5) the development of an information system containing criminal justice information on misdemeanor arrests, prosecutions, and convictions that is part of the integrated criminal justice information system framework;

(6) comprehensive training programs and requirements for all individuals in criminal justice agencies to ensure the quality and accuracy of information in those systems;

(7) continuing education requirements for individuals in criminal justice agencies who are responsible for the collection, maintenance, dissemination, and sharing of criminal justice data;

(8) a periodic audit process to ensure the quality and accuracy of information contained in the criminal justice information systems;

(9) the equipment, training, and funding needs of the state and local agencies that participate in the criminal justice information systems;

(10) the impact of integrated criminal justice information systems on individual privacy rights;

(11) the impact of proposed legislation on the criminal justice system, including any fiscal impact, need for training, changes in information systems, and changes in processes;

(12) the collection of data on race and ethnicity in criminal justice information systems;

(13) the development of a tracking system for domestic abuse orders for protection;

(14) processes for expungement, correction of inaccurate records, destruction of records, and other matters relating to the privacy interests of individuals; and

(15) the development of a database for extended jurisdiction juvenile records and whether the records should be public or private and how long they should be retained.

Sec. 2. Minnesota Statutes 1999 Supplement, section 299C.65, subdivision 2, is amended to read:

Subd. 2. [REPORT, TASK FORCE.] The policy group shall file an annual report with the governor, supreme court, and chairs and ranking minority members of the senate and house committees and divisions with jurisdiction over criminal justice funding and policy by December 1 of each even-numbered year.

The report must make recommendations concerning any legislative changes or appropriations that are needed to ensure that the criminal justice information systems operate accurately and efficiently. To assist them in developing their recommendations, the ~~chair, the commissioners, and the administrator~~ policy group shall appoint a task force consisting of ~~the its members of the criminal and juvenile justice information policy group~~ or their designees and the following additional members:

(1) the director of the office of strategic and long-range planning;

(2) two sheriffs recommended by the Minnesota sheriffs association;

(3) two police chiefs recommended by the Minnesota chiefs of police association;

(4) two county attorneys recommended by the Minnesota county attorneys association;

(5) two city attorneys recommended by the Minnesota league of cities;

(6) two public defenders appointed by the board of public defense;

(7) two district judges appointed by the conference of chief judges, one of whom is currently assigned to the juvenile court;

(8) two community corrections administrators recommended by the Minnesota association of counties, one of whom represents a community corrections act county;

(9) two probation officers;

(10) four public members, one of whom has been a victim of crime, and two who are representatives of the private business community who have expertise in integrated information systems;

(11) two court administrators;

(12) one member of the house of representatives appointed by the speaker of the house;

(13) one member of the senate appointed by the majority leader;

(14) the attorney general or a designee;

(15) the commissioner of administration or a designee;

(16) an individual recommended by the Minnesota league of cities; and

(17) an individual recommended by the Minnesota association of counties.

In making these appointments, the appointing authority shall select members with expertise in integrated data systems or best practices.

Sec. 3. Minnesota Statutes 1999 Supplement, section 299C.65, subdivision 8, is amended to read:

Subd. 8. [LOCAL MATCH.] (a) The policy group may approve grants only if the applicant provides an appropriate share of matching funds as determined by the policy group to help pay up to one-half of the costs of developing or implementing the integration plan. The matching requirement must be a constant for all counties. The policy group shall adopt policies concerning the use of in-kind resources to satisfy a portion of the match requirement and the sources from which matching funds may be obtained. Local operational or technology staffing costs may be considered as meeting this match requirement.

(b) The policy group shall consult with the task force when carrying out its powers and duties under paragraph (a).

(c) Each grant recipient shall certify to the policy group that it has not reduced funds from local, county, federal, or other sources which, in the absence of the grant, would have been made available to the grant recipient to improve or integrate criminal justice technology.

Sec. 4. Minnesota Statutes 1998, section 299C.65, is amended by adding a subdivision to read:

Subd. 8a. [CRIMINAL JUSTICE TECHNOLOGY INFRASTRUCTURE IMPROVEMENTS.] (a) Within 30 days of the submission of the Hennepin county integration plan funded by a grant under Laws 1999, chapter 216, article 1, section 7, subdivision 6, or September 1, 2000, whichever is earlier, the policy group shall:

(1) assess the needs of state, county, and municipal government agencies for electronic fingerprint capture technology, electronic photographic identification technology, and additional bandwidth to transfer and access the data from electronic fingerprint capture technology and electronic photographic identification technology to the state's central database; and

(2) choose locations and agencies to receive this technology.

(b) Within the limits of available appropriations, the commissioner of public safety shall purchase and distribute the technology infrastructure improvements as directed by the policy group. The commissioner shall begin the purchasing process within 30 days of receiving notice of the policy group's decisions. The commissioner shall distribute the improvements as soon as practicable after beginning the purchasing process.

(c) If feasible, the policy group shall direct the commissioner to distribute the technology infrastructure improvements described in this subdivision in 100 locations. However, no more than 30 percent of the improvements may be distributed in one county.

Sec. 5. [REPORTS REQUIRED.]

Subdivision 1. [PUBLIC SAFETY.] By January 15, 2001, the commissioner of public safety shall report to the chairs and ranking minority members of the senate and house committees and divisions having jurisdiction over criminal justice policy and funding on the grants made and the technology infrastructure improvements distributed under article 1, section 3, subdivision 1. The report must specify the amount spent on the improvements or grants, how the improvements or grants were distributed, and what the effects of the improvements or grants have been.

Subd. 2. [SUPREME COURT.] By January 15, 2001, the chief justice of the supreme court is requested to report to the chairs and ranking minority members of the senate and house committees and divisions having jurisdiction over criminal justice policy and funding on the redevelopment of the court information system funded under article 1, section 5. The report must specify how the appropriation was spent and what the results have been.

Subd. 3. [SENTENCING GUIDELINES COMMISSION.] By January 15, 2001, the executive director of the sentencing guidelines commission shall report to the chairs and ranking minority members of the senate and house committees and divisions having jurisdiction over criminal justice policy and funding on the results of the pilot project funded under article 1, section 4.

Sec. 6. [PROPOSED EFFECTIVENESS MEASUREMENT STANDARDS AND SANCTIONS; REPORT REQUIRED.]

(a) The criminal and juvenile justice information policy group, in consultation with the task force described in Minnesota Statutes, section 299C.65, subdivision 2, shall develop recommended standards to measure the effectiveness of the use of the technology infrastructure improvements described in Minnesota Statutes, section 299C.65, subdivision 8a, and the improvements made to the court information system funded by state appropriations. The standards must be based on objective factors that can indicate whether the improvements have actually increased the effectiveness of the receiving agency's or court's system, and if so to what degree.

(b) The policy group, in consultation with the task force, shall also recommend appropriate sanctions for the court or an agency that receives the technology improvements but does not meet the recommended effectiveness standards.

(c) By January 15, 2001, the policy group shall report the recommended standards and sanctions to the chairs and ranking minority members of the senate and house committees and divisions having jurisdiction over criminal justice funding.

Sec. 7. [EFFECTIVE DATE.]

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

ARTICLE 6

DATA PRACTICES PROVISIONS

Section 1. Minnesota Statutes 1999 Supplement, section 13.46, subdivision 2, is amended to read:

Subd. 2. [GENERAL.] (a) Unless the data is summary data or a statute specifically provides a different classification, data on individuals collected, maintained, used, or disseminated by the welfare system is private data on individuals, and shall not be disclosed except:

(1) according to section 13.05;

(2) according to court order;

- (3) according to a statute specifically authorizing access to the private data;
- (4) to an agent of the welfare system, including a law enforcement person, attorney, or investigator acting for it in the investigation or prosecution of a criminal or civil proceeding relating to the administration of a program;
- (5) to personnel of the welfare system who require the data to determine eligibility, amount of assistance, and the need to provide services of additional programs to the individual;
- (6) to administer federal funds or programs;
- (7) between personnel of the welfare system working in the same program;
- (8) the amounts of cash public assistance and relief paid to welfare recipients in this state, including their names, social security numbers, income, addresses, and other data as required, upon request by the department of revenue to administer the property tax refund law, supplemental housing allowance, early refund of refundable tax credits, and the income tax. "Refundable tax credits" means the dependent care credit under section 290.067, the Minnesota working family credit under section 290.0671, the property tax refund under section 290A.04, and, if the required federal waiver or waivers are granted, the federal earned income tax credit under section 32 of the Internal Revenue Code;
- (9) between the department of human services, the department of children, families, and learning, and the department of economic security for the purpose of monitoring the eligibility of the data subject for reemployment compensation, for any employment or training program administered, supervised, or certified by that agency, for the purpose of administering any rehabilitation program or child care assistance program, whether alone or in conjunction with the welfare system, or to monitor and evaluate the Minnesota family investment program by exchanging data on recipients and former recipients of food stamps, cash assistance under chapter 256, 256D, 256J, or 256K, child care assistance under chapter 119B, or medical programs under chapter 256B, 256D, or 256L;
- (10) to appropriate parties in connection with an emergency if knowledge of the information is necessary to protect the health or safety of the individual or other individuals or persons;
- (11) data maintained by residential programs as defined in section 245A.02 may be disclosed to the protection and advocacy system established in this state according to Part C of Public Law Number 98-527 to protect the legal and human rights of persons with mental retardation or other related conditions who live in residential facilities for these persons if the protection and advocacy system receives a complaint by or on behalf of that person and the person does not have a legal guardian or the state or a designee of the state is the legal guardian of the person;
- (12) to the county medical examiner or the county coroner for identifying or locating relatives or friends of a deceased person;
- (13) data on a child support obligor who makes payments to the public agency may be disclosed to the higher education services office to the extent necessary to determine eligibility under section 136A.121, subdivision 2, clause (5);
- (14) participant social security numbers and names collected by the telephone assistance program may be disclosed to the department of revenue to conduct an electronic data match with the property tax refund database to determine eligibility under section 237.70, subdivision 4a;
- (15) the current address of a Minnesota family investment program participant may be disclosed to law enforcement officers who provide the name of the participant and notify the agency that:
  - (i) the participant:
    - (A) is a fugitive felon fleeing to avoid prosecution, or custody or confinement after conviction, for a crime or attempt to commit a crime that is a felony under the laws of the jurisdiction from which the individual is fleeing; or

(B) is violating a condition of probation or parole imposed under state or federal law;

(ii) the location or apprehension of the felon is within the law enforcement officer's official duties; and

(iii) the request is made in writing and in the proper exercise of those duties;

(16) the current address of a recipient of general assistance or general assistance medical care may be disclosed to probation officers and corrections agents who are supervising the recipient and to law enforcement officers who are investigating the recipient in connection with a felony level offense;

(17) information obtained from food stamp applicant or recipient households may be disclosed to local, state, or federal law enforcement officials, upon their written request, for the purpose of investigating an alleged violation of the Food Stamp Act, according to Code of Federal Regulations, title 7, section 272.1(c);

(18) the address, social security number, and, if available, photograph of any member of a household receiving food stamps shall be made available, on request, to a local, state, or federal law enforcement officer if the officer furnishes the agency with the name of the member and notifies the agency that:

(i) the member:

(A) is fleeing to avoid prosecution, or custody or confinement after conviction, for a crime or attempt to commit a crime that is a felony in the jurisdiction the member is fleeing;

(B) is violating a condition of probation or parole imposed under state or federal law; or

(C) has information that is necessary for the officer to conduct an official duty related to conduct described in subitem (A) or (B);

(ii) locating or apprehending the member is within the officer's official duties; and

(iii) the request is made in writing and in the proper exercise of the officer's official duty;

(19) the current address of a recipient of Minnesota family investment program, general assistance, general assistance medical care, or food stamps may be disclosed to law enforcement officers who, in writing, provide the name of the recipient and notify the agency that the recipient is a person required to register under section 243.166, but is not residing at the address at which the recipient is registered under section 243.166;

(20) certain information regarding child support obligors who are in arrears may be made public according to section 518.575;

(20) (21) data on child support payments made by a child support obligor and data on the distribution of those payments excluding identifying information on obligees may be disclosed to all obligees to whom the obligor owes support, and data on the enforcement actions undertaken by the public authority, the status of those actions, and data on the income of the obligor or obligee may be disclosed to the other party;

(21) (22) data in the work reporting system may be disclosed under section 256.998, subdivision 7;

(22) (23) to the department of children, families, and learning for the purpose of matching department of children, families, and learning student data with public assistance data to determine students eligible for free and reduced price meals, meal supplements, and free milk according to United States Code, title 42, sections 1758, 1761, 1766, 1766a, 1772, and 1773; to allocate federal and state funds that are distributed based on income of the student's family; and to verify receipt of energy assistance for the telephone assistance plan;

(23) (24) the current address and telephone number of program recipients and emergency

contacts may be released to the commissioner of health or a local board of health as defined in section 145A.02, subdivision 2, when the commissioner or local board of health has reason to believe that a program recipient is a disease case, carrier, suspect case, or at risk of illness, and the data are necessary to locate the person;

~~(24)~~ (25) to other state agencies, statewide systems, and political subdivisions of this state, including the attorney general, and agencies of other states, interstate information networks, federal agencies, and other entities as required by federal regulation or law for the administration of the child support enforcement program;

~~(25)~~ (26) to personnel of public assistance programs as defined in section 256.741, for access to the child support system database for the purpose of administration, including monitoring and evaluation of those public assistance programs;

~~(26)~~ (27) to monitor and evaluate the Minnesota family investment program by exchanging data between the departments of human services and children, families, and learning, on recipients and former recipients of food stamps, cash assistance under chapter 256, 256D, 256J, or 256K, child care assistance under chapter 119B, or medical programs under chapter 256B, 256D, or 256L; or

~~(27)~~ (28) to evaluate child support program performance and to identify and prevent fraud in the child support program by exchanging data between the department of human services, department of revenue under section 270B.14, subdivision 1, paragraphs (a) and (b), without regard to the limitation of use in paragraph (c), department of health, department of economic security, and other state agencies as is reasonably necessary to perform these functions.

(b) Information on persons who have been treated for drug or alcohol abuse may only be disclosed according to the requirements of Code of Federal Regulations, title 42, sections 2.1 to 2.67.

(c) Data provided to law enforcement agencies under paragraph (a), clause (15), (16), (17), or (18), or paragraph (b), are investigative data and are confidential or protected nonpublic while the investigation is active. The data are private after the investigation becomes inactive under section 13.82, subdivision 5, paragraph (a) or (b).

(d) Mental health data shall be treated as provided in subdivisions 7, 8, and 9, but is not subject to the access provisions of subdivision 10, paragraph (b).

For the purposes of this subdivision, a request will be deemed to be made in writing if made through a computer interface system.

Sec. 2. Minnesota Statutes 1998, section 13.54, subdivision 6, is amended to read:

Subd. 6. [LAW ENFORCEMENT ACCESS TO CERTAIN DATA.] A public housing agency that enters a contract for assistance under United States Code, title 42, sections 1437 to 1440, shall furnish a local, state, or federal law enforcement officer, upon the officer's request, with the current address, social security number, and photograph, if available, of a recipient of assistance under United States Code, title 42, sections 1437 to 1440, if the officer:

(1) provides the name of the recipient to the housing agency; and

(2) notifies the agency that:

(i) the recipient:

(A) is fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the jurisdiction from which the individual is fleeing, for a crime which is a felony under the laws of that jurisdiction;

(B) is violating a condition of probation or parole imposed under state or federal law; or

(C) is a person required to register under section 243.166 and is not residing at the address at which the person is registered under section 243.166; or

- (D) has information necessary for the officer to conduct the officer's official duties;
- (ii) the location or apprehension of the individual is within the officer's official duties; and
- (iii) the request is made in writing and in the proper exercise of the officer's official duties.

Sec. 3. [176.862] [DISCLOSURE TO LAW ENFORCEMENT.]

The commissioner must disclose the current address of an employee collected or maintained under this chapter to law enforcement officers who provide the name of the employee and notify the commissioner that the employee is a person required to register under section 243.166 and is not residing at the address at which the employee is registered under section 243.166."

Delete the title and insert:

"A bill for an act relating to crime prevention; making numerous changes to the predatory offender registration law including lengthening the registration period for certain offenders, requiring additional offenders to register, requiring that additional information be reported, authorizing disclosure of information about offenders out of compliance with the law, and increasing the criminal penalty for predatory offenders who fail to comply with the law and imposing a mandatory minimum prison sentence on those offenders; requiring the bureau of criminal apprehension to maintain a computerized database for predatory offenders; expanding and clarifying the scope of the community notification law; requiring that certain information regarding level III predatory offenders be posted on the Internet; placing restrictions on persons with felony convictions who are seeking name changes; clarifying that harassment crimes prohibit harassment by electronic means; modifying the expungement law; expanding the solicitation of a child to engage in sexual conduct crime; authorizing the prosecution of certain sex offenses in the jurisdiction where they originate or terminate; eliminating the statute of limitations for certain offenses; making certain data about sex offenders available to law enforcement; changing the membership of the criminal and juvenile justice information policy group; authorizing the purchase and distribution of criminal justice technology infrastructure improvements; increasing the presumptive sentence for first degree criminal sexual conduct; requiring reports; imposing criminal penalties; appropriating money; amending Minnesota Statutes 1998, sections 13.54, subdivision 6; 243.166, subdivisions 3, 5, 7, and by adding subdivisions; 244.052, as amended; 244.10, subdivision 2a; 259.11; 299C.65, subdivision 1, and by adding a subdivision; 517.08, subdivisions 1a and 1b; 518.27; 609.035, by adding a subdivision; 609.342, subdivision 2; 609.352, subdivisions 1 and 2; 609.749, subdivision 2; 609.795, subdivision 1; 609A.03; and 628.26; Minnesota Statutes 1999 Supplement, sections 13.46, subdivision 2; 243.166, subdivisions 1, 2, 4, and 6; and 299C.65, subdivisions 2 and 8; proposing coding for new law in Minnesota Statutes, chapters 176; 243; 259; 299C; and 609."

And when so amended the bill do pass.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Joint Rule 2.03 suspended. Amendments adopted. Report adopted.

## **SECOND READING OF SENATE BILLS**

S.F. No. 2657 was read the second time.

## **SECOND READING OF HOUSE BILLS**

H.F. No. 2688 was read the second time.

**RECESS**

Senator Moe, R.D. moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

**APPOINTMENTS**

Senator Moe, R.D. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

H.F. No. 3047: Senators Scheid, Wiener and Limmer.

S.F. No. 2946: Senators Vickerman, Scheevel and Lessard.

S.F. No. 3286: Senators Pogemiller, Scheid and Robertson.

H.F. No. 2891: Senators Johnson, D.E.; Flynn; Ourada; Robling and Kelly, R.C.

Senator Moe, R.D. moved that the foregoing appointments be approved. The motion prevailed.

**MEMBERS EXCUSED**

Senators Johnson, D.H.; Johnson, D.J.; Kelley, S.P.; Krentz; Neville; Pogemiller and Runbeck were excused from the Session of today from 9:00 to 9:30 a.m. Senator Ourada was excused from the Session of today from 9:00 to 11:45 a.m. Senator Laidig was excused from the Session of today from 9:00 a.m. to 12:00 noon.

**ADJOURNMENT**

Senator Moe, R.D. moved that the Senate do now adjourn until 9:00 a.m., Friday, March 24, 2000. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate

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