

STATE OF MINNESOTA

# Journal of the Senate

EIGHTY-THIRD LEGISLATURE

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FORTY-FOURTH DAY

St. Paul, Minnesota, Monday, April 28, 2003

The Senate met at 10:00 a.m. and was called to order by the President.

## CALL OF THE SENATE

Senator Betzold 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. Paul H. Knutson.

The members of the Senate gave the pledge of allegiance to the flag of the United States of America.

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

Anderson	Gaither	Langseth	Olson	Scheid
Bachmann	Hann	Larson	Ortman	Senjem
Bakk	Higgins	LeClair	Ourada	Skoe
Belanger	Hottinger	Limmer	Pappas	Skoglund
Berglin	Johnson, D.E.	Lourey	Pariseau	Solon
Betzold	Johnson, D.J.	Marko	Pogemiller	Sparks
Chaudhary	Jungbauer	Marty	Ranum	Stumpf
Cohen	Kelley	McGinn	Reiter	Tomassoni
Day	Kierlin	Metzen	Rest	Vickerman
Dibble	Kiscaden	Michel	Robling	Wergin
Dille	Kleis	Moua	Rosen	Wiger
Fischbach	Knutson	Murphy	Ruud	
Foley	Koering	Neuville	Sams	
Frederickson	Kubly	Nienow	Saxhaug	

The President declared a quorum present.

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

## RECESS

Senator Hottinger moved that the Senate do now recess until 10:45 a.m. The motion prevailed.

The hour of 10:45 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.

**EXECUTIVE AND OFFICIAL COMMUNICATIONS**

The following communications were received and referred to the committee indicated.

January 22, 2003

The Honorable James P. Metzen  
President of the Senate

Dear Senator Metzen:

The following appointment is hereby respectfully submitted to the Senate for confirmation as required by law:

DEPARTMENT OF NATURAL RESOURCES  
COMMISSIONER

Gene Merriam, 12176 Bluebird Cir., Coon Rapids, in the county of Anoka, effective January 27, 2003, for a term that expires on January 1, 2007.

(Referred to the Committee on Environment and Natural Resources.)

Sincerely,  
Tim Pawlenty, Governor

April 23, 2003

The Honorable Steve Sviggum  
Speaker of the House of Representatives

The Honorable James P. Metzen  
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 2003 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

S.F. No.	H.F. No.	Session Laws Chapter No.	Time and Date Approved 2003	Date Filed 2003
	51	19	3:30 p.m. April 23	April 23
	266	20	3:30 p.m. April 23	April 23

Sincerely,  
Mary Kiffmeyer  
Secretary of State

**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. 907 and 1064.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 24, 2003

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. 842:** A bill for an act relating to natural resources; modifying commissioner's authority relating to employees, gifts, and grants; modifying provisions of the state parks working capital fund; modifying application provisions for certain licenses; providing for reciprocity of certain safety courses; modifying certain county reimbursement provisions; modifying identification provisions for fish and dark houses; eliminating requirement to publish pamphlet form of laws; amending Minnesota Statutes 2002, sections 84.01, subdivision 3; 84.026; 84.085, subdivision 1; 84.82, subdivision 2; 84.862, by adding a subdivision; 85.22, by adding a subdivision; 86B.401, subdivision 1; 97A.065, subdivision 2; 97C.355, subdivisions 1, 2; repealing Minnesota Statutes 2002, section 97A.051, subdivision 1; Minnesota Rules, part 6262.0100, subpart 2.

Senate File No. 842 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned April 23, 2003

### CONCURRENCE AND REPASSAGE

Senator Olson moved that the Senate concur in the amendments by the House to S.F. No. 842 and that the bill be placed on its repassage as amended.

Senator Hottinger moved that the Senate do not concur in the amendments by the House to S.F. No. 842, 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 to be appointed on the part of the House.

### CALL OF THE SENATE

Senator Pariseau imposed a call of the Senate for the balance of the proceedings on S.F. No. 842. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Hottinger motion.

The roll was called, and there were yeas 31 and nays 36, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Lourey	Pogemiller	Sparks
Berglin	Hottinger	Marko	Ranum	Tomassoni
Betzold	Johnson, D.E.	Marty	Rest	Wiger
Chaudhary	Kelley	Metzen	Scheid	
Cohen	Kiscaden	Moua	Skoe	
Dibble	Kubly	Murphy	Skoglund	
Foley	Langseth	Pappas	Solon	

Those who voted in the negative were:

Bachmann	Hann	LeClair	Ourada	Senjem
Bakk	Johnson, D.J.	Limmer	Pariseau	Stumpf
Belanger	Jungbauer	McGinn	Reiter	Vickerman
Day	Kierlin	Michel	Robling	Wergin
Dille	Kleis	Neuville	Rosen	
Fischbach	Knutson	Nienow	Ruud	
Frederickson	Koering	Olson	Sams	
Gaither	Larson	Ortman	Saxhaug	

The motion did not prevail.

The question recurred on the adoption of the Olson motion.

The roll was called, and there were yeas 36 and nays 31, as follows:

Those who voted in the affirmative were:

Bachmann	Johnson, D.J.	Larson	Pariseau	Stumpf
Bakk	Jungbauer	LeClair	Reiter	Tomassoni
Day	Kierlin	Limmer	Robling	Vickerman
Dille	Kiscaden	Neuville	Rosen	Wergin
Fischbach	Kleis	Nienow	Ruud	
Frederickson	Knutson	Olson	Sams	
Gaither	Koering	Ortman	Saxhaug	
Hann	Langseth	Ourada	Senjem	

Those who voted in the negative were:

Anderson	Foley	Marko	Pappas	Solon
Belanger	Higgins	Marty	Pogemiller	Sparks
Berglin	Hottinger	McGinn	Ranum	Wiger
Betzold	Johnson, D.E.	Metzen	Rest	
Chaudhary	Kelley	Michel	Scheid	
Cohen	Kubly	Moua	Skoe	
Dibble	Lourey	Murphy	Skoglund	

The motion prevailed.

S.F. No. 842 was read the third time, as amended by the House, and placed on its repassage.

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

The roll was called, and there were yeas 37 and nays 30, as follows:

Those who voted in the affirmative were:

Bachmann	Johnson, D.J.	Larson	Ourada	Senjem
Bakk	Jungbauer	LeClair	Pariseau	Stumpf
Day	Kierlin	Limmer	Reiter	Tomassoni
Dille	Kiscaden	McGinn	Robling	Vickerman
Fischbach	Kleis	Neuville	Rosen	Wergin
Frederickson	Knutson	Nienow	Ruud	
Gaither	Koering	Olson	Sams	
Hann	Langseth	Ortman	Saxhaug	

Those who voted in the negative were:

Anderson	Dibble	Kubly	Moua	Scheid
Belanger	Foley	Lourey	Murphy	Skoe
Berglin	Higgins	Marko	Pappas	Skoglund
Betzold	Hottinger	Marty	Pogemiller	Solon
Chaudhary	Johnson, D.E.	Metzen	Ranum	Sparks
Cohen	Kelley	Michel	Rest	Wiger

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

## RECONSIDERATION

Having voted on the prevailing side, Senator Pariseau moved that the vote whereby S.F. No. 842 was passed by the Senate on April 28, 2003, be now reconsidered.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 28 and nays 39, as follows:

Those who voted in the affirmative were:

Anderson	Betzold	Cohen	Foley	Hottinger
Berglin	Chaudhary	Dibble	Higgins	Johnson, D.E.

Kelley	Marty	Pappas	Scheid	Sparks
Kubly	Metzen	Pogemiller	Skoe	Wiger
Lourey	Moua	Ranum	Skoglund	
Marko	Murphy	Rest	Solon	

Those who voted in the negative were:

Bachmann	Hann	Langseth	Olson	Sams
Bakk	Johnson, D.J.	Larson	Ortman	Saxhaug
Belanger	Jungbauer	LeClair	Ourada	Senjem
Day	Kierlin	Limmer	Pariseau	Stumpf
Dille	Kiscaden	McGinn	Reiter	Tomassoni
Fischbach	Kleis	Michel	Robling	Vickerman
Frederickson	Knutson	Neuville	Rosen	Wergin
Gaither	Koering	Nienow	Ruud	

The motion did not prevail.

### MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 307, 321, 428, 317, 361, 1167, 503, 1080, 1145, 1155, 719, 923 and 1214.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 24, 2003

Mr. President:

I have the honor to announce the passage by the House of the following House Files, herewith transmitted: H.F. Nos. 646 and 1426.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 25, 2003

### FIRST READING OF HOUSE BILLS

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

**H.F. No. 307:** A bill for an act relating to elections; providing an exemption for noncommercial signs from ordinances that limit the number of noncommercial signs; amending Minnesota Statutes 2002, section 211B.045.

Referred to the Committee on Rules and Administration.

**H.F. No. 321:** A bill for an act relating to the city of Northfield; authorizing the city to establish and operate related medical facilities in conjunction with its municipal hospital at a site outside the city limits; authorizing Northfield to acquire real or personal property for the related medical facilities.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 257, now on General Orders.

**H.F. No. 428:** A bill for an act relating to cities; specifying and clarifying the authority of cities to exercise certain town powers and to impose service charges for emergency services; amending Minnesota Statutes 2002, section 415.01.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 354, now on General Orders.

**H.F. No. 317:** A bill for an act relating to counties; allowing use of certain county facilities for commercial wireless service providers and allowing the lease of sites for public safety communications equipment; proposing coding for new law in Minnesota Statutes, chapter 375.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 172, now on General Orders.

**H.F. No. 361:** A bill for an act relating to elections; providing procedures and criteria for calling special elections to fill vacancies in certain instances; amending Minnesota Statutes 2002, sections 365.52, subdivision 1, by adding a subdivision; 367.03, subdivision 6.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 329, now on General Orders.

**H.F. No. 1167:** A bill for an act relating to victims; increasing parental liability owed to a victim for acts of certain juvenile offenders; amending certain laws to enhance victim rights; amending Minnesota Statutes 2002, sections 260B.163, subdivision 1; 260B.171, subdivision 4; 611A.01.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1014, now on General Orders.

**H.F. No. 503:** A bill for an act relating to elections; clarifying certain duties; amending Minnesota Statutes 2002, section 204D.04, subdivision 2.

Referred to the Committee on Rules and Administration.

**H.F. No. 1080:** A bill for an act relating to the military; extending certain tuition reimbursement; deleting a reporting requirement; amending Minnesota Statutes 2002, section 192.501, subdivision 2.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 971, now on General Orders.

**H.F. No. 1145:** A bill for an act relating to education; coordinating crisis services with removal of certain students; providing for district student removal reports to department of children, families, and learning; increasing graduation rates of students with emotional or behavioral disturbance; requiring warning signs of mental illness to be included in continuing education requirements for teachers; providing for rulemaking; amending Minnesota Statutes 2002, sections 120B.35, by adding a subdivision; 121A.55; 121A.61, subdivision 3; 122A.09, subdivision 4.

Referred to the Committee on Education.

**H.F. No. 1155:** A bill for an act relating to human services; allowing a licensing change in Goodhue county to an existing ICF/MR.

Referred to the Committee on Finance.

**H.F. No. 719:** A bill for an act relating to liquor; modifying a posting provision; authorizing cities to issue licenses in addition to the number allowed by law; amending Minnesota Statutes 2002, section 340A.318, subdivision 3.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 143, now on General Orders.

**H.F. No. 923:** A bill for an act relating to local government; providing an exception to the conflict of interest law for township officers; amending Minnesota Statutes 2002, section 471.88, by adding a subdivision.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 911, now on General Orders.

**H.F. No. 1214:** A bill for an act relating to transportation; modifying or abolishing certain provisions related to joint county state-aid highway and municipal state-aid street status; deleting requirement for department of transportation to send copies of certain rules to county auditors; abolishing requirement that department of transportation maintain a list of highway engineers; repealing prohibition on establishing new divisions in department of transportation; abolishing obsolete statute related to highway jurisdiction studies; abolishing provision for collective ratemaking by motor carriers; repealing authority of commissioner of transportation over pipeline carriers; repealing certain rules governing design standards of driveways next to highways, motor carriers, aeronautics, and the right of first refusal to certain railroad land; amending Minnesota Statutes 2002, sections 162.02, subdivisions 1, 2, 4; 162.09, subdivision 1; 163.07, subdivision 2; 174.64, subdivision 4; repealing Minnesota Statutes 2002, sections 162.09, subdivision 5; 174.025; 174.031; 221.165; 221.54; 221.55; Minnesota Rules, parts 7800.0100, subparts 1, 3, 5; 7800.0500; 7800.0700; 7800.1400; 7800.1500; 7800.1600; 7800.1700; 7800.3100; 7800.3900; 7800.4810; 7805.0800; 8800.0100, subparts 7, 36; 8800.1200, subpart 3; 8800.3500; 8800.3700; 8800.4000; 8810.4200; 8810.4500; 8810.4600; 8810.4700; 8810.4800; 8810.4900; 8810.5000; 8810.5100; 8810.5500; 8810.9920; 8810.9921; 8850.6900, subparts 4, 6, 11, 12, 17; 8850.7000; 8850.7025; 8850.7040; 8850.7100; 8850.7900; 8850.8200; 8850.8900; 8850.9000; 8850.9050, subparts 1, 2; 8900.0100; 8900.0200; 8900.0300; 8900.0400; 8900.0500; 8900.0600; 8900.0700; 8900.0800; 8900.0900; 8900.1000; 8900.1100; 8910.1000; 8910.2000; 8910.2100; 8910.3000; 8910.3100.

Referred to the Committee on Finance.

**H.F. No. 646:** A bill for an act relating to gambling; state lottery; providing for gaming machines; establishing horse racing purse payments; imposing a tax on gaming machine revenue; requiring a report; appropriating money; amending Minnesota Statutes 2002, sections 240.13, by adding a subdivision; 299L.07, subdivisions 2, 2a; 340A.410, subdivision 5; 349A.01, subdivision 10, by adding subdivisions; 349A.10, subdivision 3; 349A.13; 541.20; 541.21; 609.75, subdivision 3; 609.761, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 297A; 349A.

Senator Hottinger moved that H.F. No. 646 be referred to the Committee on Taxes. The motion prevailed.

**H.F. No. 1426:** A bill for an act relating to workers' compensation; making technical changes; modifying the definition of "personal injury" to include injury or disease resulting from certain vaccines; freezing the medical fee schedule conversion factor for one year; instructing the commissioner of commerce to establish a surcharge rate; amending Minnesota Statutes 2002, sections 79A.12, subdivision 2; 176.011, subdivision 16; 176.081, subdivision 1; 176.092, subdivision 1a; 176.129, subdivisions 1b, 2a; 176.135, subdivision 7; 176.231, subdivision 5; 176.391, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 79.

Referred to the Committee on Rules and Administration for comparison with S.F. No. 1340, now on General Orders.

## REPORTS OF COMMITTEES

Senator Hottinger moved that the Committee Reports at the Desk be now adopted. The motion prevailed.

**Senator Hottinger, from the Committee on Rules and Administration, to which was referred**

**H.F. No. 294** for comparison with companion Senate File, reports the following House File was found not identical with companion Senate File as follows:

GENERAL ORDERS	CONSENT CALENDAR	CALENDAR
H.F. No. S.F. No.	H.F. No. S.F. No.	H.F. No. S.F. No.
294	117	

Pursuant to Rule 45, the Committee on Rules and Administration recommends that H.F. No. 294 be amended as follows:

Delete all the language after the enacting clause of H.F. No. 294 and insert the language after the enacting clause of S.F. No. 117, the first engrossment; further, delete the title of H.F. No. 294 and insert the title of S.F. No. 117, the first engrossment.

And when so amended H.F. No. 294 will be identical to S.F. No. 117, and further recommends that H.F. No. 294 be given its second reading and substituted for S.F. No. 117, and that the Senate File be indefinitely postponed.

Pursuant to Rule 45, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Amendments adopted. Report adopted.

### **Senator Pogemiller from the Committee on Taxes, to which was referred**

**S.F. No. 1505:** A bill for an act relating to taxation; extending the time for qualifying for sales and property tax exemptions for certain electric generating facilities; amending Minnesota Statutes 2002, section 272.02, subdivision 53; Laws 2002, chapter 377, article 3, section 15.

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

Delete everything after the enacting clause and insert:

"ARTICLE 1  
SALES TAX

Section 1. Minnesota Statutes 2002, section 16B.121, is amended to read:

16B.121 [PURCHASE OF RECYCLED, REPAIRABLE, AND DURABLE MATERIALS.]

The commissioner shall take the recycled content and recyclability of commodities to be purchased into consideration in bid specifications. ~~When feasible and when the price of recycled materials does not exceed the price of nonrecycled materials by more than ten percent,~~ The commissioner, and state agencies when purchasing under delegated authority, shall purchase recycled materials, unless the commissioner determines that the price of the recycled materials exceeds the price of nonrecycled materials by more than ten percent or that use of the recycled materials would be impracticable. In order to maximize the quantity and quality of recycled materials purchased, the commissioner, and state agencies when purchasing under delegated authority, may also use other appropriate procedures to acquire recycled materials at the most economical cost to the state.

When purchasing commodities and services, the commissioner, and state agencies when purchasing under delegated authority, shall apply and promote the preferred waste management practices listed in section 115A.02, with special emphasis on reduction of the quantity and toxicity of materials in waste. The commissioner, and state agencies when purchasing under delegated authority, in developing bid specifications, shall consider the extent to which a commodity or product is durable, reusable, or recyclable and marketable through the state resource recovery program and the extent to which the commodity or product contains postconsumer material.

Sec. 2. Minnesota Statutes 2002, section 168.012, subdivision 1, is amended to read:

Subdivision 1. [VEHICLES EXEMPT FROM TAX, FEES, OR PLATE DISPLAY.] (a) The following vehicles are exempt from the provisions of this chapter requiring payment of tax and registration fees, except as provided in subdivision 1c:

(1) vehicles owned and used solely in the transaction of official business by the federal government, the state, or any political subdivision;

(2) vehicles owned and used exclusively by educational institutions and used solely in the transportation of pupils to and from those institutions;



- (3) vehicles used solely in driver education programs at nonpublic high schools;
- (4) vehicles owned by nonprofit charities and used exclusively to transport disabled persons for educational purposes;
- (5) ambulances owned by ambulance services licensed under section 144E.10, the general appearance of which is unmistakable; and
- (6) vehicles used to provide emergency medical services, except as provided in paragraph (b), and owned by the state, a political subdivision, or an ambulance service licensed under section 144E.10; and
- (7) vehicles owned by a commercial driving school licensed under section 171.34, or an employee of a commercial driving school licensed under section 171.34, and the vehicle is used exclusively for driver education and training.
- (b) Vehicles owned by the federal government, municipal fire apparatuses including fire-suppression support vehicles, police patrols, and ambulances, the general appearance of which is unmistakable, are not required to register or display number plates.
- (c) Unmarked vehicles used in general police work, liquor investigations, or arson investigations, and passenger automobiles, pickup trucks, and buses owned or operated by the department of corrections, must be registered and must display appropriate license number plates, furnished by the registrar at cost. Original and renewal applications for these license plates authorized for use in general police work and for use by the department of corrections must be accompanied by a certification signed by the appropriate chief of police if issued to a police vehicle, the appropriate sheriff if issued to a sheriff's vehicle, the commissioner of corrections if issued to a department of corrections vehicle, or the appropriate officer in charge if issued to a vehicle of any other law enforcement agency. The certification must be on a form prescribed by the commissioner and state that the vehicle will be used exclusively for a purpose authorized by this section.
- (d) Unmarked vehicles used by the departments of revenue and labor and industry, fraud unit, in conducting seizures or criminal investigations must be registered and must display passenger vehicle classification license number plates, furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the commissioner of revenue or the commissioner of labor and industry. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the purposes authorized by this section.
- (e) Unmarked vehicles used by the division of disease prevention and control of the department of health must be registered and must display passenger vehicle classification license number plates. These plates must be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the commissioner of health. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the official duties of the division of disease prevention and control.
- (f) Unmarked vehicles used by staff of the gambling control board in gambling investigations and reviews must be registered and must display passenger vehicle classification license number plates. These plates must be furnished at cost by the registrar. Original and renewal applications for these passenger vehicle license plates must be accompanied by a certification signed by the board chair. The certification must be on a form prescribed by the commissioner and state that the vehicles will be used exclusively for the official duties of the gambling control board.
- (g) All other motor vehicles must be registered and display tax-exempt number plates, furnished by the registrar at cost, except as provided in subdivision 1c. All vehicles required to display tax-exempt number plates must have the name of the state department or political subdivision, nonpublic high school operating a driver education program, or licensed commercial driving school, plainly displayed on both sides of the vehicle; except that each state hospital and

institution for the mentally ill and mentally retarded may have one vehicle without the required identification on the sides of the vehicle, and county social service agencies may have vehicles used for child and vulnerable adult protective services without the required identification on the sides of the vehicle. This identification must be in a color giving contrast with that of the part of the vehicle on which it is placed and must endure throughout the term of the registration. The identification must not be on a removable plate or placard and must be kept clean and visible at all times; except that a removable plate or placard may be utilized on vehicles leased or loaned to a political subdivision or to a nonpublic high school driver education program.

**[EFFECTIVE DATE.]** This section is effective July 1, 2003.

Sec. 3. Minnesota Statutes 2002, section 168A.03, is amended to read:

168A.03 [EXEMPT VEHICLES.]

Subdivision 1. The registrar shall not issue a certificate of title for:

- (1) a vehicle owned by the United States;
- ~~(2) a vehicle owned by a manufacturer or dealer and held for sale, even though incidentally moved on the highway or used pursuant to section 168.27 or 168.28, or a vehicle used by a manufacturer solely for testing;~~
- (3) a vehicle owned by a nonresident and not required by law to be registered in this state;
- ~~(4)~~ (3) a vehicle owned by a nonresident and regularly engaged in the interstate transportation of persons or property for which a currently effective certificate of title has been issued in another state;
- ~~(5)~~ (4) a vehicle moved solely by animal power;
- ~~(6)~~ (5) an implement of husbandry;
- ~~(7)~~ (6) special mobile equipment;
- ~~(8)~~ (7) a self-propelled wheelchair or invalid tricycle;
- (9) (8) a trailer (i) having a gross weight of 4,000 pounds or less unless a secured party holds an interest in the trailer or a certificate of title was previously issued by this state or any other state or (ii) designed primarily for agricultural purposes except recreational equipment or a manufactured home, both as defined in section 168.011, subdivisions 8 and 25;
- ~~(10)~~ (9) a snowmobile.

Subd. 2. [DEALERS.] No certificate of title need be obtained for a vehicle owned by a manufacturer or dealer and held for sale, even though incidentally moved on the highway or used pursuant to section 168.27 or 168.28, or a vehicle used by a manufacturer solely for testing.

**[EFFECTIVE DATE.]** This section is effective July 1, 2003.

Sec. 4. Minnesota Statutes 2002, section 297A.61, subdivision 3, is amended to read:

Subd. 3. [SALE AND PURCHASE.] (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

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

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

- (1) prepared food sold by the retailer;
- (2) soft drinks;
- (3) candy; and
- (4) all food sold through vending machines.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer for a consideration of computer software.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp and the granting of any similar license to use real property other than the renting or leasing of it for a continuous period of 30 days or more;

(3) parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

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

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

Granting of membership means both onetime 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;

(5) delivery of aggregate materials and concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the aggregate material or concrete block; and

(6) services as provided in this clause:

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

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

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

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

(v) pet grooming services;

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

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

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

In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services and the provision of taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of this section, "affiliated group of corporations" includes those entities that would be classified as members of an affiliated group under United States Code, title 26, section 1504, and that are eligible to file a consolidated tax return for federal income tax purposes.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, including cable television services and direct satellite services. Telecommunications services are taxed to the extent allowed under federal law if those services:

(1) either (i) originate and terminate in this state; or (ii) originate in this state and terminate outside the state and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state; or (iii) originate outside this state and terminate in this state and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state; or

(2) are rendered by providing a private communications service for which the customer has one or more locations within Minnesota connected to the service and the service is charged to a telephone number customer located in this state or to the account of any transmission instrument in this state.

All charges for mobile telecommunications services, as defined in United States Code, title 4, section 124, are deemed to be provided by the customer's home service provider and sourced to the customer's place of primary use and are subject to tax based upon the customer's place of primary use in accordance with the Mobile Telecommunications Sourcing Act, United States Code, title 4, sections 116 to 126. All other definitions and provisions of the Mobile Telecommunications Sourcing Act as provided in United States Code, title 4, are hereby adopted.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

(k) A sale and a purchase includes the rental of a vehicle by a motor vehicle dealer to a customer when (1) the vehicle is rented by the customer for a consideration, or (2) the motor vehicle dealer is reimbursed pursuant to a service contract as defined in section 65B.29, subdivision 1, clause (1).

[EFFECTIVE DATE.] This section is effective for sales and purchases made on or after July 1, 2003.

Sec. 5. Minnesota Statutes 2002, section 297A.61, is amended by adding a subdivision to read:

Subd. 35. [DIRECT MAIL.] "Direct mail" means printed material delivered or distributed by United States Mail or other delivery service to a mass audience or to addressees on a mailing list provided by the purchaser or at the direction of the purchaser when the cost of the items is not billed directly to the recipients. "Direct mail" includes tangible personal property supplied directly or indirectly by the purchaser to the direct mail seller for inclusion in the package containing the printed material. "Direct mail" does not include multiple identical items of printed material delivered to a single address.

[EFFECTIVE DATE.] This section is effective retroactively for delivery or distribution charges on sales and purchases made after December 31, 2001.

Sec. 6. Minnesota Statutes 2002, section 297A.62, subdivision 3, is amended to read:

Subd. 3. [MANUFACTURED HOUSING AND PARK TRAILERS.] For retail sales of manufactured homes as defined in section 327.31, subdivision 6, for residential uses, the sales tax under subdivision 1 is imposed on 65 percent of the dealer's cost of the manufactured home. For retail sales of new or used park trailers, as defined in section 168.011, subdivision 8, paragraph (b), the sales tax under subdivision 1 is imposed on 65 percent of the sales price of the park trailer. For retail sales of prefabricated homes subject to regulation under Minnesota Rules, chapter 1360 or 1361, for residential use, the sales tax under subdivision 1 is imposed on 65 percent of the manufacturer's wholesale list price of the prefabricated home.

[EFFECTIVE DATE.] This section is effective for sales and purchases occurring on or after July 1, 2003.

Sec. 7. Minnesota Statutes 2002, section 297A.67, subdivision 18, is amended to read:

Subd. 18. [USED AND REREFINED MOTOR OILS.] Used motor oils are exempt. Rerefined motor oils that meet American Petroleum Institute specifications for gasoline or diesel engines are exempt. The exemption for rerefined motor oils expires July 1, 2007.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2003, and before July 1, 2007.

Sec. 8. Minnesota Statutes 2002, section 297A.67, is amended by adding a subdivision to read:

Subd. 31. [RECYCLED COPIER AND PRINTING PAPER.] Copier paper with a minimum postconsumer recycled content of 30 percent by weight is exempt. Uncoated printing paper with a minimum of 30 percent postconsumer recycled content by weight is exempt. Coated printing paper with a minimum of ten percent postconsumer recycled content by weight is exempt. These exemptions expire July 1, 2007.

[EFFECTIVE DATE.] This section is effective for sales and purchases made after June 30, 2003, and before July 1, 2007.

Sec. 9. Minnesota Statutes 2002, section 297A.67, is amended by adding a subdivision to read:

Subd. 32. [SERVICE LOANER VEHICLE COVERED BY WARRANTY.] The loan of a vehicle by a motor vehicle dealer to a customer as a replacement for a vehicle being serviced or repaired is exempt if the vehicle is loaned pursuant to a warranty included in the original purchase price of the vehicle being serviced or repaired.

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

Sec. 10. Minnesota Statutes 2002, section 297A.68, subdivision 36, is amended to read:

Subd. 36. **[DELIVERY OR DISTRIBUTION CHARGES; PRINTED MATERIALS DIRECT MAIL.]** Charges for the delivery or distribution of printed materials, including individual account information, direct mail are exempt if (1) the charges are separately stated, (2) the delivery or distribution is to a mass audience or to a mailing list provided at the direction of the customer, and (3) the cost of the materials is not billed directly to the recipients on an invoice or similar billing document given to the purchaser.

**[EFFECTIVE DATE.]** This section is effective retroactively for delivery or distribution charges on sales and purchases made after December 31, 2001.

Sec. 11. Minnesota Statutes 2002, section 297A.70, subdivision 8, is amended to read:

Subd. 8. **[REGIONWIDE PUBLIC SAFETY RADIO COMMUNICATION SYSTEM; PRODUCTS AND SERVICES.]** Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio communication system established under sections 473.891 to 473.905, are exempt. For purposes of this subdivision, backbone system is defined in section 473.891, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption occurring before August 1, 2003 2005, in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

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

Sec. 12. Minnesota Statutes 2002, section 297A.70, subdivision 16, is amended to read:

Subd. 16. **[CAMP FEES.]** Camp fees to camps or other recreation facilities owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code are exempt if the camps or facilities provide educational and social activities for young people primarily age 18 and under and at least 15 percent of the costs of operating and maintaining the camp are underwritten by charitable contributions.

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made on or after June 30, 2003.

Sec. 13. Minnesota Statutes 2002, section 297A.71, subdivision 10, is amended to read:

Subd. 10. **[AIRCRAFT HEAVY MAINTENANCE FACILITY.]** Materials, equipment, and supplies used or consumed in constructing a heavy maintenance facility for aircraft that is to be owned by the state of Minnesota or one of its political subdivisions and leased by an airline company, an aircraft repair company, or an aircraft engine repair facility described in section 116R.02, subdivision 6, are exempt. Except for equipment owned or leased by a contractor, all machinery, equipment, and tools necessary to the construction and equipping of that facility in order to provide those services are also exempt.

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made on or after July 1, 2003.

Sec. 14. Minnesota Statutes 2002, section 297A.71, is amended by adding a subdivision to read:

Subd. 32. **[CONSTRUCTION MATERIALS; MINNEAPOLIS PLANETARIUM.]** Materials and supplies used or consumed in the construction of a Minneapolis planetarium are exempt.

**[EFFECTIVE DATE.]** This section is effective for purchases made on or after January 1, 2002, and before July 1, 2006.

Sec. 15. Minnesota Statutes 2002, section 297A.71, is amended by adding a subdivision to read:

Subd. 33. [GUTHRIE THEATER.] Materials, equipment, and supplies used or consumed in construction of the Guthrie Theater and the related parking garage are exempt.

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

Sec. 16. Minnesota Statutes 2002, section 297A.71, is amended by adding a subdivision to read:

Subd. 34. [CHILDREN'S THEATRE.] Materials, equipment, and supplies used or consumed in construction of the Minneapolis Children's Theatre are exempt.

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made on or after July 1, 2003.

Sec. 17. Minnesota Statutes 2002, section 297A.71, is amended by adding a subdivision to read:

Subd. 35. [WALKER ART CENTER.] Materials, equipment, and supplies used or consumed in construction of the Walker Art Center are exempt if more than \$70,000,000 is raised from private sources to pay for a portion of the costs of the project.

**[EFFECTIVE DATE.]** This section is effective for purchases made on or after June 1, 2003.

Sec. 18. Minnesota Statutes 2002, section 297B.03, is amended to read:

297B.03 [EXEMPTIONS.]

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.67, subdivision 11;

(2) purchase or use of any motor vehicle by any person who was a resident of another state or country at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota and the motor vehicle was registered in the person's name in the other state or country;

(3) purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.90;

(4) purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code of 1986, as amended through December 31, 1999;

(5) purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota based private or for hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce;

(6) purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs;

(7) purchase of a motor vehicle for use as an ambulance or to provide emergency medical services by an ambulance service licensed under section 144E.10;

(8) purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

(9) purchase of a ready-mixed concrete truck;

(10) purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks;

(11) purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, except a public school, university, or library, but only if the vehicle is:

(i) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose;

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405.

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made on or after July 1, 2003.

Sec. 19. Minnesota Statutes 2002, section 297B.035, is amended by adding a subdivision to read:

Subd. 5. [USE BY DEALER.] If a motor vehicle dealer uses a vehicle, purchased for resale in the ordinary course of business, other than for demonstration purposes, the dealer may elect to pay the motor vehicle sales tax under this chapter or the use tax under chapter 297A based on the reasonable rental value of the vehicle. If the motor vehicle dealer fails to report the use tax under chapter 297A, it is presumed that the dealer elected to pay the motor vehicle sales tax under this chapter.

**[EFFECTIVE DATE.]** This section is effective for purchases made on or after July 1, 2003.

Sec. 20. Laws 1999, chapter 243, article 4, section 19, as amended by Laws 2001, First Special Session chapter 5, article 12, section 88, is amended to read:

Sec. 19. [EFFECTIVE DATES.]

Sections 1, 2, 5, 7, 9, and 11 are effective for sales and purchases made after June 30, 1999.

Section 3 is effective for amended returns and refund claims filed on or after July 1, 1999.

Section 4 is effective the day following final enactment and applies retroactively to all open tax years and to assessments and appeals under Minnesota Statutes, sections 289A.38 and 289A.65, for which the time limits have not expired on the date of final enactment of this act. The provisions of Minnesota Statutes, section 289A.50, apply to refunds claimed under section 4. Refunds claimed under section 4 must be filed by the later of December 31, 1999, or the time limit under Minnesota Statutes, section 289A.40, subdivision 1.

Section 6 is effective retroactively for sales and purchases made after June 30, 1998.

Section 8 is effective for purchases and sales made after the date of final enactment.

Section 10 is effective for purchases made after the date of final enactment and before July 1, 2003 2005.



Section 12 is effective the day after final enactment. Section 12, paragraphs (a) to (c), apply to all local sales taxes enacted after July 1, 1999. Section 12, paragraph (d), applies to all local sales taxes in effect at the time of, or imposed after the day of, the enactment of this section.

Section 13 is effective the day following final enactment.

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

Sec. 21. Laws 2001, First Special Session chapter 5, article 12, section 67, the effective date, is amended to read:

**[EFFECTIVE DATE.]** This section is effective for purchases and sales made after June 30, 2001, and before ~~January 1, 2003~~ July 1, 2005.

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

Sec. 22. [STATE CONVENTION CENTER.]

(a) Building materials, supplies, or equipment used or consumed in constructing or equipping improvements to a state convention center located in a city outside the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2, and governed by an 11-person board of which four are appointed by the governor are exempt if the improvements are financed in whole or in part by nonstate resources including, but not limited to, revenue or general obligations issued by the state convention center board of the city in which the center is located. This exemption applies regardless of whether the items are purchased by the owner or by a contractor, subcontractor, or builder.

(b) This section is intended to clarify the original intent of Minnesota Statutes, section 297A.71, subdivision 2.

**[EFFECTIVE DATE.]** This section is effective the day following final enactment and applies retroactively to sales and purchases made after June 30, 1995, and before July 1, 2001.

Sec. 23. [REPEALER.]

Laws 2002, chapter 377, article 9, section 12, the effective date, is repealed effective the day following final enactment.

## ARTICLE 2

### LOCAL LODGING AND SALES TAX ARTICLE

Section 1. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, and Laws 1998, chapter 389, article 8, section 25, is amended to read:

Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one and one-half percent on sales transactions which are described in Minnesota Statutes 2000, Section 297A.01, Subdivision 3, Clause (c). When the city council determines that the taxes imposed under this subdivision and under section 26 at a rate of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements to the Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this subdivision is reduced to one percent. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

**[EFFECTIVE DATE.]** This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 2. Laws 1980, chapter 511, section 2, as amended by Laws 1998, chapter 389, article 8, section 26, is amended to read:

Sec. 2. [CITY OF DULUTH; TAX ON RECEIPTS BY HOTELS AND MOTELS.]

Notwithstanding Minnesota Statutes, Section 477A.016, or any other law, or ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional tax of one and one-half percent upon the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. When the city council determines that the taxes imposed under this section and section 25 at a rate of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements for the Duluth Entertainment and Convention Center, and (2) the debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this section is reduced to one percent. The tax shall be collected in the same manner as the tax set forth in the Duluth city charter, section 54(d), paragraph one. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

**[EFFECTIVE DATE.]** This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 3. Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended by Laws 1997, chapter 231, article 7, section 40, and Laws 1998, chapter 389, article 8, section 30, is amended to read:

Subd. 2. [USE OF REVENUES.] Revenues received from the tax authorized by subdivision 1 may only be used by the city to pay the cost of collecting the tax, and to pay for the following projects or to secure or pay any principal, premium, or interest on bonds issued in accordance with subdivision 3 for the following projects.

(a) To pay all or a portion of the capital expenses of construction, equipment and acquisition costs for the expansion and remodeling of the St. Paul Civic Center complex, including the demolition of the existing arena and the construction and equipping of a new arena.

(b) The remainder of the funds must be spent for:

(1) capital projects to further residential, cultural, commercial, and economic development in both downtown St. Paul and St. Paul neighborhoods. ~~The amount apportioned under this paragraph shall be no less than 60 percent of the revenues derived from the tax each year, except to the extent that a portion of that amount is required to pay debt service on (1) bonds issued for the purposes of paragraph (a) prior to March 1, 1998; or (2) bonds issued for the purposes of paragraph (a) after March 1, 1998, but only if the city council determines that 40 percent of the revenues derived from the tax together with other revenues pledged to the payment of the bonds, including the proceeds of definitive bonds, is expected to exceed the annual debt service on the bonds; and~~

(2) the operating expenses of cultural organizations in the city, provided that the amount spent under this clause ~~may not exceed~~ must equal ten percent of the total amount spent under this paragraph in any year.

(c) The amount apportioned under paragraph (b) shall be no less than 60 percent of the revenues derived from the tax each year, except to the extent that a portion of that amount is required to pay debt service on (1) bonds issued for the purposes of paragraph (a) prior to March 1, 1998; or (2) bonds issued for the purposes of paragraph (a) after March 1, 1998, but only if the city council determines that 40 percent of the revenues derived from the tax together with other revenues pledged to the payment of the bonds, including the proceeds of definitive bonds, is expected to exceed the annual debt service on the bonds.

(d) If in any year more than 40 percent of the revenue derived from the tax authorized by

subdivision 1 is used to pay debt service on the bonds issued for the purposes of paragraph (a) and to fund a reserve for the bonds, the amount of the debt service payment that exceeds 40 percent of the revenue must be determined for that year. In any year when 40 percent of the revenue produced by the sales tax exceeds the amount required to pay debt service on the bonds and to fund a reserve for the bonds under paragraph (a), the amount of the excess must be made available for capital projects to further residential, cultural, commercial, and economic development in the neighborhoods and downtown until the cumulative amounts determined for all years under the preceding sentence have been made available under this sentence. The amount made available as reimbursement in the preceding sentence is not included in the 60 percent determined under paragraph (b) (c).

(d) (e) By January 15 of each odd-numbered year, the mayor and the city council must report to the legislature on the use of sales tax revenues during the preceding two-year period.

**[EFFECTIVE DATE.]** This section is effective for distributions after April 30, 2003.

Sec. 4. Laws 1996, chapter 471, article 2, section 29, is amended to read:

Sec. 29. [CITY OF HERMANTOWN; SALES AND USE TAX.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] (a) Notwithstanding Minnesota Statutes, section 477A.016, or any other contrary provision of law, ordinance, or city charter, the city of Hermantown may, by ordinance, impose an additional sales and use tax of up to one percent on sales ~~transactions, storage, and use~~ taxable pursuant to Minnesota Statutes, chapter 297A, that occur within the city.

(b) The proceeds of the first one-half of one percent of tax imposed under this section must be used to meet the costs of by the city for the following projects:

- (1) extending a sewer interceptor line;
- (2) construction of a booster pump station, reservoirs, and related improvements to the water system; and
- (3) construction of a police and fire station.

(c) Revenues received from the remaining one-half of one percent of the tax authorized under this section must be used by the city to pay all or part of the capital and administrative costs of developing, acquiring, constructing, and initially furnishing and equipping for the following projects:

- (1) construction of a community recreation center;
- (2) completion of a civic center services complex;
- (3) construction and relocation of a new public works facility;
- (4) construction of roads, street improvements, and other traffic control measures within the city; and
- (5) acquisition, construction, and improvement of parks and trails within the city.

(d) Authorized expenses include, but are not limited to, acquiring property, paying construction, administrative, and operating expenses related to the development of the projects listed in paragraph (c), paying debt service on bonds or other obligations, including lease obligations, issued to finance construction, expansion, or improvement of the projects listed in paragraph (c), and other compatible uses, including but not limited to, parking, lighting, and landscaping.

Subd. 2. [REFERENDUM.] (a) If the Hermantown city council proposes to impose the sales tax authorized by this section, it shall conduct a referendum on the issue.

(b) If the Hermantown city council initially imposes the tax at a rate less than one percent and proposes increasing it at a later date up to the authorized rate in subdivision 1, it shall conduct a referendum on the increase.

(c) The question of imposing or increasing the tax must be submitted to the voters at a special or general election. The tax may not be imposed unless a majority of votes cast on the question of imposing the tax are in the affirmative. The commissioner of revenue shall prepare a suggested form of question to be presented at the election. This subdivision applies notwithstanding any city charter provision to the contrary.

Subd. 3. [ENFORCEMENT; COLLECTION; AND ADMINISTRATION OF TAXES.] A sales tax imposed under this section must be reported and paid to the commissioner of revenue with the state sales taxes, and be subject to the same penalties, interest, and enforcement provisions. The proceeds of the tax, less refunds and a proportionate share of the cost of collection, shall be remitted at least quarterly to the city. The commissioner shall deduct from the proceeds remitted an amount that equals the indirect statewide cost as well as the direct and indirect department costs necessary to administer, audit, and collect the tax. The amount deducted shall be deposited in the state general fund.

Subd. 3a. [BONDING AUTHORITY.] (a) The city may issue general obligation bonds under Minnesota Statutes, chapter 475, to finance the costs in subdivision 1, paragraph (c). The total amount of bonds issued for the projects under subdivision 1, paragraph (c), may not exceed \$12,900,000 in the aggregate. An election to approve the bonds is not required.

(b) The bonds are not included in computing any debt limitation applicable to the city and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(c) The taxes authorized under this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them.

Subd. 4. [TERMINATION.] The portion of the tax authorized under this section to finance the improvements described in subdivision 1, paragraph (b), terminates at the later of (1) ten years after the date of initial imposition of the tax, or (2) on the first day of the second month next succeeding a determination by the city council that sufficient funds have been received from that portion of the tax dedicated to finance the those improvements described in subdivision 1, clauses (1) to (3), and to prepay or retire at maturity the principal, interest, and premium due on any bonds issued for the improvements. The portion of the tax authorized to finance the improvements described in subdivision 1, paragraph (c), terminates when the revenues raised are sufficient to finance those improvements, up to an amount equal to \$12,900,000 plus any interest, premium, and other costs associated with the bonds issued under subdivision 3a. The city council may terminate this portion of the tax earlier. Any funds remaining after completion of the improvements and retirement or redemption of the bonds may be placed in the general fund of the city.

Subd. 5. [LOCAL APPROVAL; EFFECTIVE DATE.] This section is effective the day after final enactment, upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the city of Hermantown.

[EFFECTIVE DATE.] This section is effective the day after the governing body of the city of Hermantown and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 5. Laws 1998, chapter 389, article 8, section 43, subdivision 3, is amended to read:

Subd. 3. [USE OF REVENUES.] Revenues received from the taxes authorized by subdivisions 1 and 2 must be used by the city to pay for the cost of collecting and administering the taxes and to pay for the following projects:

(1) transportation infrastructure improvements including both regional highway and airport improvements;

- (2) improvements to the civic center complex;
- (3) a municipal water, sewer, and storm sewer project necessary to improve regional ground water quality; and
- (4) construction of a regional recreation and sports center and associated other facilities available for both community and student use, that are located on state-owned land at or adjacent to the Rochester center.

The total amount of capital expenditures or bonds for these projects that may be paid from the revenues raised from the taxes authorized in this section may not exceed ~~\$71,500,000~~ \$111,500,000. The total amount of capital expenditures or bonds for the project in clause (4) that may be paid from the revenues raised from the taxes authorized in this section may not exceed ~~\$20,000,000~~ \$28,000,000.

**[EFFECTIVE DATE.]** This section is effective the day after the governing body of Rochester and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 6. Laws 1998, chapter 389, article 8, section 43, subdivision 4, is amended to read:

Subd. 4. **[BONDING AUTHORITY.]** (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects. An election to approve the bonds under Minnesota Statutes, section 475.58, may be held in combination with the election to authorize imposition of the tax under subdivision 1. Whether to permit imposition of the tax and issuance of bonds may be posed to the voters as a single question. The question must state that the sales tax revenues are pledged to pay the bonds, but that the bonds are general obligations and will be guaranteed by the city's property taxes.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, section 275.60.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

The aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements may not exceed ~~\$71,500,000~~ \$111,500,000, plus an amount equal to the costs related to issuance of the bonds.

(d) The taxes may be pledged to and used for the payment of the bonds and any bonds issued to refund them, only if the bonds and any refunding bonds are general obligations of the city.

**[EFFECTIVE DATE.]** This section is effective the day after the governing body of Rochester and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. Laws 1999, chapter 243, article 4, section 18, subdivision 1, is amended to read:

Subdivision 1. **[SALES AND USE TAX.]** (a) Notwithstanding Minnesota Statutes, section ~~297A.48, subdivision 1a,~~ 477A.016, or any other provision of law, ordinance, or city charter, if approved by the city voters at the first municipal general election held after the date of final enactment of this act or at a special election held November 2, 1999, the city of Proctor may impose by ordinance a sales and use tax of up to one-half of one percent for the purposes specified in subdivision 3, paragraph (a). The provisions of Minnesota Statutes, section ~~297A.48~~ 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

(b) The city of Proctor may impose by ordinance an additional sales and use tax of up to one-half of one percent if approved by the city voters at a general election or at a special election held for this purpose. The revenues received from this additional tax must be used for the purposes specified in subdivision 3, paragraph (b).

**[EFFECTIVE DATE.]** This section is effective the day following final enactment, upon compliance by the city of Proctor with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 8. Laws 1999, chapter 243, article 4, section 18, subdivision 3, is amended to read:

Subd. 3. [USE OF REVENUES.] (a) Revenues received from taxes authorized by subdivisions 1, paragraph (a), and 2 must be used by the city to pay the cost of collecting the taxes and to pay for construction and improvement of the following city facilities:

- (1) streets; and
- (2) constructing and equipping the Proctor community activity center.

Authorized expenses include, but are not limited to, acquiring property, paying construction and operating expenses related to the development of an authorized facility, and paying debt service on bonds or other obligations, including lease obligations, issued to finance the construction, expansion, or improvement of an authorized facility. The capital expenses for all projects authorized under this paragraph that may be paid with these taxes is limited to \$3,600,000, plus an amount equal to the costs related to issuance of the bonds.

(b) Revenues received from taxes authorized by subdivision 1, paragraph (b), must be used by the city to pay the cost of collecting the taxes and for construction and improvements of city streets, public utilities, sidewalks, bikeways, and trails.

**[EFFECTIVE DATE.]** This section is effective the day following final enactment, upon compliance by the city of Proctor with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 9. Laws 1999, chapter 243, article 4, section 18, subdivision 4, is amended to read:

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects described in subdivision 3. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and ~~279.64~~ 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

(d) For projects described in subdivision 3, paragraph (a), the aggregate principal amount of bonds, plus the aggregate of the taxes used directly to pay eligible capital expenditures and improvements, may not exceed \$3,600,000, plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds. For projects described in subdivision 3, paragraph (b), the aggregate principal amount of bonds may not exceed \$7,200,000, plus an amount equal to the costs related to issuance of the bonds, including interest on the bonds.

(e) The sales and use and excise taxes authorized in this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them only if the bonds and any refunding bonds are general obligations of the city.

**[EFFECTIVE DATE.]** This section is effective the day following final enactment, upon compliance by the city of Proctor with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 10. [CITY OF BEAVER BAY; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAXES.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law or ordinance, if approved by the voters of the city at the next general election held after the date of final enactment of this act, the city of Beaver Bay may impose by ordinance a sales and use tax at a rate of up to one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] The revenues received from taxes authorized by subdivision 1 must be used to pay the bonded indebtedness on the city community building and to provide funding for recreational facilities, the upgrading of the water and sewer system, upgrading and replacement of fire equipment, and improvement of streets.

Subd. 3. [TERMINATION OF TAXES.] The authority granted under subdivision 1 to the city of Beaver Bay to impose sales and use taxes expires when the city council determines that the amount of revenue received to pay the costs of the projects described in subdivision 2 shall meet or exceed \$1,500,000. Any funds remaining after completion of the projects may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after the governing body of the city of Beaver Bay and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. [CITY OF BEMIDJI.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the city voters at the general election held on November 5, 2002, the city of Bemidji may impose by ordinance a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] Revenues received from the tax authorized by subdivision 1 must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the acquisition, construction, and improvement of parks and trails within the city, as provided for in the city of Bemidji's parks, open space and trail system plan, adopted by the Bemidji city council on November 21, 2001. Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities and improvements, and securing and paying debt service on bonds or other obligations issued to finance acquisition, construction, improvement, or development of parks and trails within the city of Bemidji.

Subd. 3. [BONDS.] Pursuant to the approval of the city voters at the general election held on November 5, 2002, the city of Bemidji may issue without additional election general obligation bonds of the city in an amount not to exceed \$9,826,000 to pay capital and administrative expenses for the acquisition, construction, improvement, and development of parks and trails as specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal of any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

Subd. 4. [TERMINATION OF TAX.] The tax imposed under subdivision 1 expires when the Bemidji city council determines that the amount described in subdivision 3 has been received from the tax to finance the capital and administrative costs for acquisition, construction, improvement, and development of parks and trails and to repay or retire at maturity the principal, interest, and premium due on any bonds issued for the park and trail improvements under subdivision 3. Any funds remaining after completion of the park and trail improvements and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

Subd. 5. [EXEMPTION.] Products and services used for repair or maintenance of aircraft are exempt from the taxes imposed under this section.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Bemidji with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 12. [CITY OF CLOQUET; TAXES AUTHORIZED.]

Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, if approved by the voters pursuant to Minnesota Statutes, section 297A.99, the city of Cloquet may impose by ordinance a sales and use tax of up to one-half of one percent for the purpose specified in subdivision 3. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [EXCISE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Cloquet may impose by ordinance, for the purposes specified in subdivision 3, an excise tax of up to \$20 per motor vehicle, as defined by ordinance, purchased or acquired from any person engaged within the city in the business of selling motor vehicles at retail.

Subd. 3. [USE OF REVENUES.] Revenues received from taxes authorized by subdivisions 1 and 2 must be used by the city to pay the cost of collecting the taxes and to pay for the following projects:

(1) construction and implementation of riverfront task force park improvements including Veteran's Park; and

(2) extension of water and sewer lines and other improvements to city infrastructure necessary for construction of a city industrial park.

Authorized expenses include, but are not limited to, acquiring property and paying construction expenses related to these improvements, and paying debt service on bonds or other obligations issued to finance acquisition and construction of these improvements.

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the improvements described in subdivision 3 in an amount that does not exceed \$6,000,000. An election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The debt represented by the bonds is not included in computing any debt limitation applicable to the city, and any levy of taxes under Minnesota Statutes, section 475.61, to pay principal of and interest on the bonds is not subject to any levy limitation.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under subdivisions 1 and 2 expire at the earlier of (1) 12 years, or (2) when the city council determines that sufficient funds have been received from the taxes to finance the capital and administrative costs of the improvements described in subdivision 3, plus the additional amount needed to pay the costs related to issuance of bonds under subdivision 4, including interest on the bonds. Any funds remaining after completion of the project and retirement or redemption of the bonds may be placed in the general fund of the city. The taxes imposed under subdivisions 1 and 2 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after the governing body of the city of Cloquet and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. [CITY OF HOPKINS; FOOD AND BEVERAGE TAX.]

Subdivision 1. [SALES AND USE TAX.] Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of Hopkins may, by ordinance, impose a sales tax of up to one percent on the gross receipts of all food and beverages, including on-sale intoxicating beverages and fermented malt beverages, sold at licensed on-sale liquor establishments, restaurants, or other places of refreshment located within the geographic



boundaries of the city. The imposition of this tax is subject to the referendum requirement in subdivision 3.

Subd. 2. [USE OF PROCEEDS FROM FOOD AND BEVERAGE TAX.] The proceeds of any tax imposed under subdivision 1 shall be used by the city to fund public arts purposes. Authorized expenses include, but are not limited to, expenses related to public art facilities, community or public arts projects, or purchase or acquisition of art for public purposes.

Subd. 3. [REFERENDUM.] The tax must not be imposed until it has been submitted to the voters at a general or special election and a majority of votes cast on the question of approving the imposition of the tax is in the affirmative.

Subd. 4. [ENFORCEMENT, COLLECTION, AND ADMINISTRATION OF THE TAX.] The tax shall be collected and administered in the same manner as general local sales taxes under Minnesota Statutes, section 297A.99, subdivision 9.

Subd. 5. [EXPIRATION.] The tax imposed under this section expires five years after it first becomes effective.

[EFFECTIVE DATE.] This section is effective upon approval by the city of Hopkins city council and compliance with Minnesota Statutes, section 645.021, subdivision 3.

#### Sec. 14. [LODGING TAX; ITASCA COUNTY AUTHORITY.]

Notwithstanding Minnesota Statutes, section 469.190, subdivisions 1 and 4, no town located in Itasca county may impose the local lodging tax authorized in Minnesota Statutes, section 469.190, but the county of Itasca may impose the local lodging tax authorized in that section in all towns and unorganized territories within the county. Any existing taxes imposed by a town in that county will expire the day that a county tax is imposed under this section.

If the county board exercises the authority under this section, it must determine by resolution that imposition of the tax is in the county's interest. The resolution is subject to the same notice and reverse referendum requirements that would apply under Minnesota Statutes, section 469.190, subdivision 5, if the county was only imposing the tax in an unorganized territory. The provisions of Minnesota Statutes, section 469.190, subdivisions 2, 3, 6, and 7, also apply to a tax imposed under this section.

[EFFECTIVE DATE.] This section is effective the day after the governing body of Itasca county and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

#### Sec. 15. [CITY OF MEDFORD; SALES AND USE TAX.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, the city of Medford may, by ordinance, impose a sales and use tax of one-half of one percent for the purposes specified in subdivision 2. Except as otherwise specifically provided, the provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] The proceeds of the tax imposed under this section must be used to pay up to \$5,000,000 in costs related to improving the city's wastewater system and wastewater treatment plant.

Subd. 3. [REFERENDUM.] If the Medford city council proposes to impose the tax authorized by this section, the question of imposing the tax must be submitted to the voters at the next general election. The tax may not be imposed unless the majority of votes cast on the question of imposing the tax are in the affirmative. The commissioner of revenue shall prepare a suggested form of the question to be presented at the election. The question must state that the sales tax revenues would be pledged to pay any bonds issued under subdivision 4 and that these bonds are guaranteed by the city's property taxes.

Subd. 4. [BONDING AUTHORITY.] (a) The city may issue bonds under Minnesota Statutes, chapter 475, to finance the capital expenditure and improvement projects authorized under subdivision 2. The total amount of bonds issued for the projects listed in subdivision 2 may not exceed \$5,000,000 in aggregate. An election to approve the bonds, as required under Minnesota Statutes, section 475.58, is not required.

(b) The issuance of the bonds under this subdivision is not subject to Minnesota Statutes, sections 275.60 and 275.61.

(c) The bonds are not included in computing any debt limitation applicable to the city, and the levy of taxes under Minnesota Statutes, section 475.61, to pay the principal of and interest on the bonds is not subject to any levy limitation.

(d) The taxes authorized under this section may be pledged to and used for the payment of the bonds and any bonds issued to refund them only if the bonds and any refunding bonds are general obligations of the city.

Subd. 5. [TERMINATION OF TAXES.] The taxes imposed under this section expire at the earlier of (1) 20 years after the taxes are first imposed, or (2) when the city council first determines that the amount of revenues raised to pay for the projects under subdivision 2 shall meet or exceed the sum of \$5,000,000, plus an amount equal to the costs related to the issuance of bonds under subdivision 4. Any funds remaining after completion of the projects and retirement or redemption of the bonds may be placed in the general funds of the city.

[EFFECTIVE DATE.] This section is effective the day after compliance with the governing body of the city of Medford with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 16. [CITY OF NEWPORT; LODGING TAX.]

Subdivision 1. [LODGING TAX.] Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, the city of Newport may, by ordinance, impose a tax of up to three percent upon the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. The tax does not apply to the furnishing of lodging by a business having less than 25 lodging rooms. The total amount of taxes imposed under this section and under Minnesota Statutes, section 469.190, shall not exceed three percent.

Subd. 2. [USE OF PROCEEDS.] The proceeds of any tax imposed in subdivision 1 shall be used by the city to fund economic development and redevelopment of the city. Authorized expenses include, but are not limited to, acquisition and development costs of open space, parks, and trails.

Subd. 3. [ENFORCEMENT, COLLECTION, AND ADMINISTRATION.] The tax shall be collected and administered in the same manner as local lodging taxes under Minnesota Statutes, section 469.190.

[EFFECTIVE DATE.] This section is effective upon approval by the Newport city council and compliance with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 17. [CITY OF PARK RAPIDS.]

Subdivision 1. [SALES AND USE TAX AUTHORIZED.] Notwithstanding Minnesota Statutes, section 477A.016, or any other provision of law, ordinance, or city charter, pursuant to the approval of the city voters at the next general election or at a special election held for this purpose, the city of Park Rapids may impose by ordinance a sales and use tax of one percent for the purposes specified in subdivision 2. The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the tax authorized under this subdivision.

Subd. 2. [USE OF REVENUES.] Revenues received from the tax authorized by subdivision 1 must be used for the cost of collecting and administering the tax and to pay all or part of the capital or administrative costs of the development, acquisition, construction, and improvement of the following projects:

(1) two-thirds of the cost of construction and operation of a community center that may include a senior citizen center, fitness center, swimming pool, meeting rooms, indoor track, and racquetball, basketball, and tennis courts, provided that an amount equal to one-third of the cost of construction is received from private sources;

(2) capital improvement projects including, but not limited to, installation of water, sewer, storm sewer, street improvements, new city water tower and well, costs related to improvements to marked trunk highway 34; and

(3) park improvements.

Authorized expenses include, but are not limited to, acquiring property, paying construction expenses related to the development of these facilities and improvements, and securing and paying debt service on bonds or other obligations issued to finance acquisition, construction, improvement, or development.

Subd. 3. [BONDS.] Pursuant to the approval of the city voters to impose the tax authorized in subdivision 1, the city of Park Rapids may issue without an additional election general obligation bonds of the city to pay capital and administrative expenses for the acquisition, construction, improvement, and development of the projects specified in subdivision 2. The debt represented by the bonds must not be included in computing any debt limitations applicable to the city, and the levy of taxes required by Minnesota Statutes, section 475.61, to pay the principal or any interest on the bonds must not be subject to any levy limitations or be included in computing or applying any levy limitation applicable to the city.

Subd. 4. [TERMINATION OF TAX.] The tax imposed under subdivision 1 expires the earlier of July 1, 2023, or when the city council determines that sufficient revenues have been received to retire the bonds in subdivision 3. Any funds remaining after completion of the projects specified in subdivision 2 and retirement or redemption of the bonds may be placed in the general fund of the city. The tax imposed under subdivision 1 may expire at an earlier time if the city so determines by ordinance.

[EFFECTIVE DATE.] This section is effective the day after compliance by the governing body of the city of Park Rapids with Minnesota Statutes, section 645.021, subdivision 3.

### ARTICLE 3 PROPERTY TAX

Section 1. Minnesota Statutes 2002, section 216B.2424, subdivision 5, is amended to read:

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

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

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

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

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

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

(d) Of the 75 megawatts of biomass electric energy installed capacity required under paragraph (a), clause (2), no more than 25 megawatts of this capacity may be provided by a St. Paul district heating and cooling system cogeneration facility utilizing waste wood as a primary fuel source. The St. Paul district heating and cooling system cogeneration facility need not use biomass that complies with the definition in subdivision 1.

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

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

(2) a proposal for a new facility to satisfy more than ten but not more than 20 megawatts of the electrical generation requirements by a small business-sponsored independent power producer facility to be located within the northern quarter of the state, which means the area located north of Constitutional Route No. 8 as described in section 161.114, subdivision 2, and that utilizes biomass residue wood, sawdust, bark, chipped wood, or brush to generate electricity. A facility described in this clause is not required to utilize biomass complying with the definition in subdivision 1, but must have the capacity required by this clause operational by December 31, 2002 2005.

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

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

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

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

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

Sec. 2. Minnesota Statutes 2002, section 270B.12, is amended by adding a subdivision to read:

Subd. 13. [COUNTY ASSESSORS; CLASS 1B HOMESTEADS.] The commissioner may disclose to a county assessor, and to the assessor's designated agents or employees, a listing of parcels of property qualifying for the class 1b property tax classification under section 273.13, subdivision 22.

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

Sec. 3. Minnesota Statutes 2002, section 272.02, subdivision 26, is amended to read:

Subd. 26. [LOW-INCOME HOUSING.] A structure that is situated on real property is exempt if it is used for:

(i) housing for the elderly or for low- and moderate-income families as defined in Title II of the National Housing Act, as amended through December 31, 1990, and funded by a direct federal loan or federally insured loan made pursuant to Title II of the act; or

(ii) housing lower income families or elderly or handicapped persons, as defined in Section 8 of the United States Housing Act of 1937, as amended.

In order for a structure to be exempt under item (i) or (ii), it must also meet each of the following criteria:

(A) is owned by an entity which is operated as a nonprofit corporation organized under chapter 317A;

(B) is owned by an entity which has not entered into a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, or, if the entity which owns the structure has entered into a housing assistance payments contract under Section 8 of the United States Housing Act of 1937, the contract provides assistance for less than 90 percent of the dwelling units in the structure, excluding dwelling units intended for management or maintenance personnel;

(C) operates an on-site congregate dining program in which participation by residents is mandatory, and provides assisted living or similar social and physical support services for residents; and

(D)(1) was not assessed and did not pay tax under chapter 273 prior to the 1991 levy, while meeting the other conditions of this subdivision; or

(2) is physically attached to a church exempt from taxation under subdivision 6, and not less than 30 percent of the units therein are occupied by individuals or families whose annual income does not exceed 50 percent of the median family income, as most recently established by the United States Department of Housing and Urban Development for the applicable standard metropolitan statistical area, adjusted for family size.

An exemption under this subdivision remains in effect for taxes levied in each year or partial year of the term of its permanent financing.

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

Sec. 4. Minnesota Statutes 2002, section 272.02, subdivision 31, is amended to read:

Subd. 31. **[BUSINESS INCUBATOR PROPERTY.]** Property owned by a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code of 1986, as amended through December 31, 1997, that is intended to be used as a business incubator in a high-unemployment county, is exempt. As used in this subdivision, a "business incubator" is a facility used for the development of nonretail businesses, offering access to equipment, space, services, and advice to the tenant businesses, for the purpose of encouraging economic development, diversification, and job creation in the area served by the organization, and "high-unemployment county" is a county that had an average annual unemployment rate of 7.9 percent or greater in 1997. Property that qualifies for the exemption under this subdivision is limited to no more than two contiguous parcels and structures that do not exceed in the aggregate 40,000 square feet. This exemption expires after taxes payable in ~~2005~~ 2011.

Sec. 5. Minnesota Statutes 2002, section 272.02, subdivision 47, is amended to read:

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

(1) be designed to utilize poultry litter as a primary fuel source; and

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

Construction of the facility must be commenced after January 1, ~~2000~~ 2003, and before December 31, ~~2002~~ 2003. 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 2004, payable in 2005, and thereafter.

Sec. 6. Minnesota Statutes 2002, section 272.02, subdivision 53, is amended to read:

Subd. 53. [ELECTRIC GENERATION FACILITY; PERSONAL PROPERTY.] Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a 3.2 megawatt run-of-the-river hydroelectric generation facility and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize two turbine generators at a dam site existing on March 31, 1994;
- (2) be located on publicly owned land and within 1,500 feet of a 13.8 kilovolt distribution substation; and
- (3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

Construction of the facility must be commenced after January 1, 2002, and before January 1, ~~2004~~ 2005. 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.

Sec. 7. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 56. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a combined-cycle combustion-turbine electric generation facility that exceeds 150 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 owned by an electric generation and transmission cooperative;
- (3) be located within ten miles of parallel existing 24-inch and 30-inch natural gas pipelines and a 345-kilovolt high-voltage electric transmission line; and
- (4) be designed to provide intermediate energy and ancillary services, and have received a certificate of need under section 216B.243, demonstrating demand for its capacity.

(b) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2009. 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.

(c) The exemption under this section will take effect only if the owner of the facility enters into agreements with the governing bodies of the county and the city or town in which the facility is located. The agreements may include a requirement that the facility must pay a host fee to compensate the county and city or town for hosting the facility.

**[EFFECTIVE DATE.]** This section is effective for taxes levied in 2005, payable in 2006, and thereafter.

Sec. 8. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 57. [ELECTRIC GENERATION FACILITY PERSONAL PROPERTY.] (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a combined-cycle combustion-turbine electric generation facility that exceeds 550 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

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

(2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

(3) be located within five miles of an existing natural gas pipeline and within four miles of an existing electrical transmission substation; and

(4) be designed to provide energy and ancillary services and have received a certificate of need under section 216B.243.

(b) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2007. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

[EFFECTIVE DATE.] This section is effective for assessment year 2005, taxes payable in 2006, and thereafter.

Sec. 9. Minnesota Statutes 2002, section 273.01, is amended to read:

273.01 [LISTING AND ASSESSMENT, TIME.]

All real property subject to taxation shall be listed and at least ~~one-fourth~~ one-fifth of the parcels listed shall be appraised each year with reference to their value on January 2 preceding the assessment so that each parcel shall be reappraised at maximum intervals of ~~four~~ five years. All real property becoming taxable in any year shall be listed with reference to its value on January 2 of that year. Except as provided in this section and section 274.01, subdivision 1, all real property assessments shall be completed two weeks prior to the date scheduled for the local board of review or equalization. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board of review or the county board of equalization has adjourned; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. Any changes made by the assessor after adjournment must be fully documented and maintained in a file in the assessor's office and shall be available for review by any person. A copy of any changes made during this period shall be sent to the county board no later than December 31 of the assessment year. In the event a valuation and classification is not placed on any real property by the dates scheduled for the local board of review or equalization the valuation and classification determined in the preceding assessment shall be continued in effect and the provisions of section 273.13 shall, in such case, not be applicable, except with respect to real estate which has been constructed since the previous assessment. Real property containing iron ore, the fee to which is owned by the state of Minnesota, shall, if leased by the state after January 2 in any year, be subject to assessment for that year on the value of any iron ore removed under said lease prior to January 2 of the following year. Personal property subject to taxation shall be listed and assessed annually with reference to its value on January 2; and, if acquired on that day, shall be listed by or for the person acquiring it.

[EFFECTIVE DATE.] This section is effective for assessments on or after January 2, 2004.

Sec. 10. Minnesota Statutes 2002, section 273.08, is amended to read:

273.08 [ASSESSOR'S DUTIES.]

The assessor shall actually view, and determine the market value of each tract or lot of real property listed for taxation, including the value of all improvements and structures thereon, at maximum intervals of ~~four~~ five years and shall enter the value opposite each description.

**[EFFECTIVE DATE.]** This section is effective for assessments on or after January 2, 2004.

Sec. 11. Minnesota Statutes 2002, section 273.11, is amended by adding a subdivision to read:

Subd. 21. [VALUATION EXCLUSION FOR LEAD PAINT REMOVAL.] Owners of property classified as class 1a, 1b, 1c, 2a, 4b, or 4bb under section 273.13 may apply for a valuation exclusion under this subdivision, provided that the property is located in a city which has authorized valuation exclusions under this subdivision. A city which authorizes valuation exclusions under this subdivision must establish guidelines for qualifying lead paint removal projects and must designate an agency within the city to issue certificates of completion of qualifying projects.

The property owner must obtain a certificate from the city stating that the project has been completed and the cost incurred by the owner in completing the project. Only projects originating after April 1, 2003, may qualify for exclusion under this subdivision. The property owner shall apply for a valuation exclusion to the assessor on a form prescribed by the assessor.

A qualifying property is eligible for a valuation exclusion equal to 50 percent of the actual costs incurred, to a maximum exclusion of \$10,000, for a period of five years. The valuation exclusion shall terminate upon the sale of the property. If a property owner applies for exclusion under this subdivision between January 1 and June 30 of any year, the exclusion shall first apply for taxes payable in the following year. If a property owner applies for exclusion under this subdivision between July 1 and December 31 of any year, the exclusion shall first apply for taxes payable in the second following year.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004 and subsequent years.

Sec. 12. Minnesota Statutes 2002, section 273.11, is amended by adding a subdivision to read:

Subd. 22. [VALUATION OF CLASS 4D CERTIFIED PROPERTY.] In determining the market value of class 4d rental property certified under section 462A.071, the assessor shall reduce the value of the property by its restricted use value. "Restricted use value" is the amount of market value reduction that results from the restrictions on uses that qualify the property for certification as class 4d under section 273.13, subdivision 25, paragraph (e). The assessor shall determine the restricted use value of the property using guidelines set by the commissioner of revenue.

**[EFFECTIVE DATE.]** This section is effective for taxes levied in 2003, payable in 2004, and thereafter.

Sec. 13. Minnesota Statutes 2002, section 273.11, is amended by adding a subdivision to read:

Subd. 23. [VALUATION EXCLUSION FOR SEWAGE TREATMENT SYSTEM IMPROVEMENTS.] Owners of property classified as class 1a, 1b, 1c, 2a, 4b, 4bb, or noncommercial 4c under section 273.13 may apply for a valuation exclusion under this subdivision, provided that the following conditions are met:

(1) a notice of noncompliance has been issued by a licensed compliance inspector with regard to the individual sewage treatment system serving the property under section 115.55, subdivision 5b;

(2) the owner of the property furnishes documentation to the satisfaction of the assessor that the property's individual sewage treatment system has been replaced or refurbished between January 1, 2003, and December 31, 2007; and

(3) a certificate of compliance has been issued for the new or refurbished system under section 115.55, subdivision 5.

Application shall be made to the assessor on a form prescribed by the assessor. Property meeting the requirements above shall be eligible for a valuation exclusion equal to 50 percent of



the actual costs incurred, to a maximum exclusion of \$7,500, for a period of five years. The valuation exclusion shall terminate upon the sale of the property. If a property owner applies for exclusion under this subdivision between January 1 and June 30 of any year, the exclusion shall first apply for taxes payable in the following year. If a property owner applies for exclusion under this subdivision between July 1 and December 31 of any year, the exclusion shall first apply for taxes payable in the second following year.

[EFFECTIVE DATE.] This section is effective for taxes payable in 2004 and subsequent years.

Sec. 14. [273.1115] [HOMESTEAD RESORTS; VALUATION AND DEFERMENT.]

Subdivision 1. [REQUIREMENTS.] Real property qualifying for classification as class 1c under section 273.13, subdivision 22, paragraph (c), is entitled to valuation and tax deferment under this section, provided that if part of a resort is not classified as class 1c, only that portion of the value of the property that is classified as class 1c property qualifies under this section.

Subd. 2. [DETERMINATION OF VALUE.] Upon timely application by the owner, as provided in subdivision 4, the value of real property described in subdivision 1 must be determined by the assessor solely with reference to its classification value as class 1c property, notwithstanding sections 272.03, subdivision 8, and 273.11. The owner must furnish information on the income generated by the property and other information required by the assessor to determine the value of the property. The assessor shall not consider any added values resulting from other factors.

Subd. 3. [SEPARATE DETERMINATION OF MARKET VALUE AND TAX.] The assessor shall, however, make a separate determination of the market value of the real estate. The assessor shall record on the property assessment records the tax based upon the appropriate local tax rate applicable to the property in the taxing district.

Subd. 4. [APPLICATION.] Application for deferment of taxes and assessment under this section must be filed by May 1 of the year prior to the year in which the taxes are payable. The application must be filed with the assessor of the taxing district in which the real property is located on a form prescribed by the commissioner of revenue. The assessor may require proof by affidavit or otherwise that the property qualifies under subdivision 1. An application approved by the assessor continues in effect for subsequent years until the property no longer qualifies under subdivision 1.

Subd. 5. [ADDITIONAL TAXES.] When real property valued and assessed under this section no longer qualifies under subdivision 1, the portion no longer qualifying is subject to additional taxes, in the amount equal to the difference between the taxes determined in accordance with subdivision 2, and the amount determined under subdivision 3, provided, however, that the amount determined under subdivision 3 must not be greater than it would have been had the actual bona fide sale price of the real property at an arms length transaction been used in lieu of the market value determined under subdivision 3. The additional taxes must be extended against the property on the tax list for the current year, except that no interest or penalties may be levied on the additional taxes if timely paid, and except that the additional taxes must only be levied with respect to the last seven years that the property has been valued and assessed under this section.

Subd. 6. [LIEN.] The tax imposed by this section is a lien on the property assessed to the same extent and for the same duration as other taxes imposed on property within this state. The tax must be annually extended by the county auditor and when payable must be collected and distributed in the manner provided by law for the collection and distribution of other property taxes.

Subd. 7. [SPECIAL LOCAL ASSESSMENTS.] The payment of special local assessments levied after June 30, 2003, for improvements made to any real property described in subdivision 2, together with the interest thereon must, on timely application under subdivision 4, be deferred as long as the property qualifies under subdivision 1. If special assessments against the property have been deferred under this subdivision, the governmental unit shall file with the county recorder in the county in which the property is located a certificate containing the legal description of the

affected property and of the amount deferred. When the property no longer qualifies under subdivision 1, all deferred special assessments plus interest are payable in equal installments spread over the time remaining until the last maturity date of the bonds issued to finance the improvement for which the assessments were levied. If the bonds have matured, the deferred special assessments plus interest are payable within 90 days. The provisions of section 429.061, subdivision 2, apply to the collection of these installments. Penalty must not be levied on the special assessments if timely paid.

Subd. 8. [CONTINUATION OF TAX TREATMENT UPON SALE.] When real property qualifying under subdivision 1 is sold, no additional taxes or deferred special assessments plus interest may be extended against the property if:

- (1) the property continues to qualify pursuant to subdivision 1; and
- (2) the new owner files an application for continued deferment within 30 days after the sale.

Subd. 9. [APPLICABILITY OF SPECIAL ASSESSMENT PROVISIONS.] This section applies to special local assessments levied after June 30, 2003, and payable in the years thereafter, but shall not apply to any special assessments levied at any time by a county or district court under the provisions of chapter 116A.

[EFFECTIVE DATE.] This section is effective for taxes levied in 2003, payable in 2004, and thereafter. For applications for taxes payable in 2004 only, the application deadline in subdivision 4 is extended to August 1, 2003.

Sec. 15. Minnesota Statutes 2002, section 273.13, subdivision 22, is amended to read:

Subd. 22. [CLASS 1.] (a) Except as provided in subdivision 23 and in paragraphs (b) and (c), real estate which is residential and used for homestead purposes is class 1a. In the case of a duplex or triplex in which one of the units is used for homestead purposes, the entire property is deemed to be used for homestead purposes. The market value of class 1a property must be determined based upon the value of the house, garage, and land.

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

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

(1) any blind person who is blind as defined in section 256D.35, or the blind person and the blind person's spouse; or

(2) any person, hereinafter referred to as "veteran," who:

(i) served in the active military or naval service of the United States; and

(ii) is entitled to compensation under the laws and regulations of the United States for permanent and total service-connected disability due to the loss, or loss of use, by reason of amputation, ankylosis, progressive muscular dystrophies, or paralysis, of both lower extremities, such as to preclude motion without the aid of braces, crutches, canes, or a wheelchair; and

(iii) has acquired a special housing unit with special fixtures or movable facilities made necessary by the nature of the veteran's disability, or the surviving spouse of the deceased veteran for as long as the surviving spouse retains the special housing unit as a homestead; or

(3) any person who:

~~(i) is permanently and totally disabled and; or~~

~~(ii) receives 90 percent or more of total household income, as defined in section 290A.03, subdivision 5, from~~

- ~~(A) aid from any state as a result of that disability; or~~
  - ~~(B) supplemental security income for the disabled; or~~
  - ~~(C) workers' compensation based on a finding of total and permanent disability; or~~
  - ~~(D) social security disability, including the amount of a disability insurance benefit which is converted to an old age insurance benefit and any subsequent cost of living increases; or~~
  - ~~(E) aid under the federal Railroad Retirement Act of 1937, United States Code Annotated, title 45, section 228b(a)5; or~~
  - ~~(F) a pension from any local government retirement fund located in the state of Minnesota as a result of that disability; or~~
  - ~~(G) pension, annuity, or other income paid as a result of that disability from a private pension or disability plan, including employer, employee, union, and insurance plans and~~
- ~~(iii) has household income as defined in section 290A.03, subdivision 5, of \$50,000 or less; or~~
- (4) any person who is permanently and totally disabled and whose household income as defined in section 290A.03, subdivision 5, is 275 percent or less of the federal poverty level.

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

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

Permanently and totally disabled for the purpose of this subdivision means a condition which is permanent in nature and totally incapacitates the person from working at an occupation which brings the person an income. The first \$32,000 market value of class 1b property has a net class rate of .45 percent of its market value. The remaining market value of class 1b property has a class rate using the rates for class 1a or class 2a property, whichever is appropriate, of similar market value.

(c) Class 1c property is commercial use real property that abuts a lakeshore line and is devoted to temporary and seasonal residential occupancy for recreational purposes but not devoted to commercial purposes for more than 250 days in the year preceding the year of assessment, and that includes a portion used as a homestead by the owner, which includes a dwelling occupied as a homestead by a shareholder of a corporation that owns the resort ~~or~~, a partner in a partnership that owns the resort, or a member of a limited liability company that owns the resort even if the title to the homestead is held by the corporation ~~or~~, partnership, or limited liability company. For purposes of this clause, property is devoted to a commercial purpose on a specific day if any portion of the property, excluding the portion used exclusively as a homestead, is used for residential occupancy and a fee is charged for residential occupancy. The first \$500,000 of market value of class 1c property has a class rate of one percent, and the remaining market value of class 1c property has a class rate of one percent, with the following limitation: the area of the property must not exceed 100 feet of lakeshore footage for each cabin or campsite located on the property up to a total of 800 feet and 500 feet in depth, measured away from the lakeshore. If any portion of the class 1c resort property is classified as class 4c under subdivision 25, the entire property must meet the requirements of subdivision 25, paragraph (d), clause (1), to qualify for class 1c treatment under this paragraph.

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

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

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

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

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

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

**[EFFECTIVE DATE.]** This section is effective for property taxes levied in 2003, payable in 2004, and thereafter, except that the amendments to paragraph (b) are effective for taxes payable in 2005 and thereafter.

Sec. 16. Minnesota Statutes 2002, section 273.1315, is amended to read:

273.1315 [CERTIFICATION OF 1B PROPERTY.]

Any property owner seeking classification and assessment of the owner's homestead as class 1b property pursuant to section 273.13, subdivision 22, paragraph (b), ~~clause (2) or (3)~~, shall file with the commissioner of revenue for each assessment year a 1b homestead declaration, on a form prescribed by the commissioner. The declaration shall contain the following information:

(a) the information necessary to verify that the property owner or the owner's spouse satisfies the requirements of section 273.13, subdivision 22, paragraph (b), ~~clause (2) or (3)~~, for 1b classification; and

(b) ~~the property owner's household income, as defined in section 290A.03, for the previous calendar year; and~~

(e) any additional information prescribed by the commissioner.

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

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

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2005 and thereafter.

Sec. 17. Minnesota Statutes 2002, section 275.025, subdivision 4, is amended to read:

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

Sec. 18. Minnesota Statutes 2002, section 275.065, subdivision 1, is amended to read:

Subdivision 1. [PROPOSED LEVY.] (a) Notwithstanding any law or charter to the contrary, on or before September ~~15~~ 5, each taxing authority, other than a school district, shall adopt a proposed budget and shall certify to the county auditor the proposed or, in the case of a town, the final property tax levy for taxes payable in the following year.

(b) On or before September ~~30~~ 20, each school district shall certify to the county auditor the proposed property tax levy for taxes payable in the following year. The school district shall certify the proposed levy as:

(1) the state determined school levy amount as prescribed under section 126C.13, subdivision 2;

(2) voter approved referendum and debt levies; and

(3) the sum of the remaining school levies, or the maximum levy limitation certified by the commissioner of children, families, and learning according to section 126C.48, subdivision 1, less the amounts levied under clauses (1) and (2).

(c) If the board of estimate and taxation or any similar board that establishes maximum tax levies for taxing jurisdictions within a first class city certifies the maximum property tax levies for funds under its jurisdiction by charter to the county auditor by September ~~15~~ 5, the city shall be deemed to have certified its levies for those taxing jurisdictions.

(d) For purposes of this section, "taxing authority" includes all home rule and statutory cities, towns, counties, school districts, and special taxing districts as defined in section 275.066. Intermediate school districts that levy a tax under chapter 124 or 136D, joint powers boards established under sections 123A.44 to 123A.446, and common school districts No. 323, Franconia, and No. 815, Prinsburg, are also special taxing districts for purposes of this section.

Sec. 19. Minnesota Statutes 2002, section 275.065, subdivision 1a, is amended to read:

Subd. 1a. [OVERLAPPING JURISDICTIONS.] In the case of a taxing authority lying in two or more counties, the home county auditor shall certify the proposed levy and the proposed local tax rate to the other county auditor by September ~~20~~ 10. The home county auditor must estimate the levy or rate in preparing the notices required in subdivision 3, if the other county has not certified the appropriate information. If requested by the home county auditor, the other county auditor must furnish an estimate to the home county auditor.

Sec. 20. Minnesota Statutes 2002, 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~~ October 17 and on or before ~~November 24~~ October 31 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. If the information necessary to provide these notices is not available by the time required to mail the notice by October 31, they must be mailed no later than November 24.

If the county provides access to parcel-specific property tax information on its Web site, it may elect to provide the information required under this subdivision by that means instead of mailing the notices to taxpayers. If the county elects to provide the information through the Web site, it must provide a notice in its newsletter or by publication in a newspaper described in subdivision 5a that any taxpayer may contact the county and request a mailed notice, which must be mailed within ten days of the receipt of the request. Beginning in 2004, information regarding the taxpayer's option to request a mailed notice must be included with the property tax statement.

(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 general tax, the final tax amount will be its proposed tax. In the case of taxing authorities required to hold a public meeting under subdivision 6, the notice must clearly state that

each taxing authority, including regional library districts established under section 134.201, and including the metropolitan taxing districts as defined in paragraph (i), but excluding all other special taxing districts and towns, will hold a public meeting to receive public testimony on the proposed budget and proposed or final property tax levy, or, in case of a school district, on the current budget and proposed property tax levy. It must clearly state the time and place of each taxing authority's meeting, a telephone number for the taxing authority that taxpayers may call if they have questions related to the notice, and an address where comments will be received by mail.

(d) The notice must state for each parcel:

(1) the market value of the property as determined under section 273.11, and used for computing property taxes payable in the following year and for taxes payable in the current year as each appears in the records of the county assessor on ~~November 1~~ October 10 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, and state general tax, net of the residential and agricultural homestead credit under section 273.1384, 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)~~ (ii) the proposed tax amount.

If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

In the case of a town or the state general 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 the city of St. Paul, the levy for the St. Paul library agency must be listed separately from the remaining amount of the city's levy. In the case of Ramsey county, any amount levied under section 134.07 must be listed separately from the remaining amount of the county'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~~ 3 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.

(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. 21. [275.75] [CHARTER EXEMPTION FOR AID LOSS.]

Notwithstanding any other provision of a municipal charter that limits ad valorem taxes to a lesser amount, or that would require voter approval for any increase, the governing body of a

municipality may by resolution increase its levy for taxes payable in 2004 and 2005 only by an amount equal to the reduction in the amount of aid it is certified to receive under sections 477A.011 to 477A.03 for that same payable year compared to the amount certified in 2003.

Sec. 22. Minnesota Statutes 2002, section 276.04, subdivision 2, is amended to read:

Subd. 2. [CONTENTS OF TAX STATEMENTS.] (a) The treasurer shall provide for the printing of the tax statements. The commissioner of revenue shall prescribe the form of the property tax statement and its contents. The statement must contain a tabulated statement of the dollar amount due to each taxing authority and the amount of the state tax from the parcel of real property for which a particular tax statement is prepared. The dollar amounts attributable to the county, the state tax, the voter approved school tax, the other local school tax, the township or municipality, and the total of the metropolitan special taxing districts as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The amounts due all other special taxing districts, if any, may be aggregated. If the county levy under this paragraph includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount. In the case of Ramsey county, if the county levy under this paragraph includes an amount for public library service under section 134.07, the amount attributable for that purpose must be separately stated from the remaining county levy amount. The amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount. The amount of the tax on contamination value imposed under sections 270.91 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar amount of any special assessments, may be rounded to the nearest even whole dollar. For purposes of this section whole odd-numbered dollars may be adjusted to the next higher even-numbered dollar. The amount of market value excluded under section 273.11, subdivision 16, if any, must also be listed on the tax statement.

(b) The property tax statements for manufactured homes and sectional structures taxed as personal property shall contain the same information that is required on the tax statements for real property.

(c) Real and personal property tax statements must contain the following information in the order given in this paragraph. The information must contain the current year tax information in the right column with the corresponding information for the previous year in a column on the left:

- (1) the property's estimated market value under section 273.11, subdivision 1;
- (2) the property's taxable market value after reductions under section 273.11, subdivisions 1a and 16;
- (3) the property's gross tax, calculated by adding the property's total property tax to the sum of the aids enumerated in clause (4);
- (4) a total of the following aids:
  - (i) education aids payable under chapters 122A, 123A, 123B, 124D, 125A, 126C, and 127A;
  - (ii) local government aids for cities, towns, and counties under chapter 477A;
  - (iii) disparity reduction aid under section 273.1398; and
  - (iv) homestead and agricultural credit aid under section 273.1398;
- (5) for homestead residential and agricultural properties, the credits under section 273.1384;
- (6) any credits received under sections 273.119; 273.123; 273.135; 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit received under section 273.135 must be separately stated and identified as "taconite tax relief"; and
- (7) the net tax payable in the manner required in paragraph (a).



(d) If the county uses envelopes for mailing property tax statements and if the county agrees, a taxing district may include a notice with the property tax statement notifying taxpayers when the taxing district will begin its budget deliberations for the current year, and encouraging taxpayers to attend the hearings. If the county allows notices to be included in the envelope containing the property tax statement, and if more than one taxing district relative to a given property decides to include a notice with the tax statement, the county treasurer or auditor must coordinate the process and may combine the information on a single announcement.

The commissioner of revenue shall certify to the county auditor the actual or estimated aids enumerated in clause (4) that local governments will receive in the following year. The commissioner must certify this amount by January 1 of each year.

Sec. 23. Minnesota Statutes 2002, section 278.03, subdivision 1, is amended to read:

Subdivision 1. [REAL PROPERTY.] ~~In the case of real property,~~ If the proceedings instituted by the filing of the petition have not been completed before the 16th day of May next following the filing or, in the case of class 1c property or class 4c resort property before the 16th day of July for taxes payable in 2004 and 2005 only, the petitioner shall pay to the county treasurer 50 percent of the tax levied for such year against the property involved, unless permission to continue prosecution of the petition without such payment is obtained as herein provided. If the proceedings instituted by the filing of the petition have not been completed by the next October 16, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2b(2) agricultural nonhomestead property, November 16, the petitioner shall pay to the county treasurer 50 percent of the unpaid balance of the taxes levied for the year against the property involved if the unpaid balance is \$2,000 or less and 80 percent of the unpaid balance if the unpaid balance is over \$2,000, unless permission to continue prosecution of the petition without payment is obtained as herein provided. The petitioner, upon ten days' notice to the county attorney and to the county auditor, given at least ten days prior to the 16th day of May or, in the case of class 1c or class 4c resort property, the 16th day of July for taxes payable in 2004 and 2005 only, or the 16th day of October, or, in the case of class 1b agricultural homestead, class 2a agricultural homestead, and class 2b(2) agricultural nonhomestead property, the 16th day of November, may apply to the court for permission to continue prosecution of the petition without payment; and, if it is made to appear

(1) that the proposed review is to be taken in good faith;

(2) that there is probable cause to believe that the property may be held exempt from the tax levied or that the tax may be determined to be less than 50 percent of the amount levied; and

(3) that it would work a hardship upon petitioner to pay the taxes due,

the court may permit the petitioner to continue prosecution of the petition without payment, or may fix a lesser amount to be paid as a condition of continuing the prosecution of the petition.

Failure to make payment of the amount required when due shall operate automatically to dismiss the petition and all proceedings thereunder unless the payment is waived by an order of the court permitting the petitioner to continue prosecution of the petition without payment. The petition shall be automatically reinstated upon payment of the entire tax plus interest and penalty if the payment is made within one year of the dismissal. The county treasurer shall, upon request of the petitioner, issue duplicate receipts for the tax payment, one of which shall be filed by the petitioner in the proceeding.

Sec. 24. Minnesota Statutes 2002, section 278.05, subdivision 6, is amended to read:

Subd. 6. [DISMISSAL OF PETITION; EXCLUSION OF CERTAIN EVIDENCE.] (a) Information, including income and expense figures, verified net rentable areas, and anticipated income and expenses, for income-producing property must be provided to the county assessor ~~within 60 days after the petition has been filed under this chapter no later than 60 days after the applicable filing deadline contained in section 278.01, subdivision 1 or 4.~~ Failure to provide the information required in this paragraph shall result in the dismissal of the petition, unless (1) the failure to provide it was due to the unavailability of the evidence at ~~that~~ the time that the

information was due, or (2) the petitioner was not informed in writing by the assessor of the requirement to provide the information.

If the petitioner proves that the assessor did not provide the written information, the petitioner has an additional 30 days to provide the information from the time the petitioner was informed of the requirement to provide the information, otherwise the petition shall be dismissed.

(b) Provided that the information as contained in paragraph (a) is timely submitted to the county assessor, the county assessor shall furnish the petitioner at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. The petitioner shall furnish to the county assessor at least five days before the hearing under this chapter with the property's appraisal, if any, which will be presented to the court at the hearing. An appraisal of the petitioner's property done by or for the county shall not be admissible as evidence if the county assessor does not comply with the provisions in this paragraph. The petition shall be dismissed if the petitioner does not comply with the provisions in this paragraph.

**[EFFECTIVE DATE.]** This section is effective for petitions filed on or after July 1, 2003.

Sec. 25. Minnesota Statutes 2002, section 279.01, subdivision 1, is amended to read:

Subdivision 1. **[DUE DATES; PENALTIES.]** Except as provided in ~~subdivision 3 or 4~~ this section, on May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, a penalty shall accrue and thereafter be charged upon all unpaid taxes on real estate on the current lists in the hands of the county treasurer. The penalty shall be at a rate of two percent on homestead property until May 31 and four percent on June 1. The penalty on nonhomestead property shall be at a rate of four percent until May 31 and eight percent on June 1. This penalty shall not accrue until June 1 of each year, or 21 days after the postmark date on the envelope containing the property tax statements, whichever is later, on commercial use real property used for seasonal residential recreational purposes and classified as class 1c or 4c, and on other commercial use real property classified as class 3a, provided that over 60 percent of the gross income earned by the enterprise on the class 3a property is earned during the months of May, June, July, and August. Any property owner of such class 3a property who pays the first half of the tax due on the property after May 15 and before June 1, or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, shall attach an affidavit to the payment attesting to compliance with the income provision of this subdivision. Thereafter, for both homestead and nonhomestead property, on the first day of each month beginning July 1, up to and including October 1 following, an additional penalty of one percent for each month shall accrue and be charged on all such unpaid taxes provided that if the due date was extended beyond May 15 as the result of any delay in mailing property tax statements no additional penalty shall accrue if the tax is paid by the extended due date. If the tax is not paid by the extended due date, then all penalties that would have accrued if the due date had been May 15 shall be charged. When the taxes against any tract or lot exceed \$50, one-half thereof may be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later; and, if so paid, no penalty shall attach; the remaining one-half shall be paid at any time prior to October 16 following, without penalty; but, if not so paid, then a penalty of two percent shall accrue thereon for homestead property and a penalty of four percent on nonhomestead property. Thereafter, for homestead property, on the first day of November an additional penalty of four percent shall accrue and on the first day of December following, an additional penalty of two percent shall accrue and be charged on all such unpaid taxes. Thereafter, for nonhomestead property, on the first day of November and December following, an additional penalty of four percent for each month shall accrue and be charged on all such unpaid taxes. If one-half of such taxes shall not be paid prior to May 16 or 21 days after the postmark date on the envelope containing the property tax statement, whichever is later, the same may be paid at any time prior to October 16, with accrued penalties to the date of payment added, and thereupon no penalty shall attach to the remaining one-half until October 16 following.

This section applies to payment of personal property taxes assessed against improvements to leased property, except as provided by section 277.01, subdivision 3.

A county may provide by resolution that in the case of a property owner that has multiple tracts or parcels with aggregate taxes exceeding \$50, payments may be made in installments as provided in this subdivision.

The county treasurer may accept payments of more or less than the exact amount of a tax installment due. If the accepted payment is less than the amount due, payments must be applied first to the penalty accrued for the year the payment is made. Acceptance of partial payment of tax does not constitute a waiver of the minimum payment required as a condition for filing an appeal under section 278.03 or any other law, nor does it affect the order of payment of delinquent taxes under section 280.39.

Sec. 26. Minnesota Statutes 2002, section 279.01, is amended by adding a subdivision to read:

Subd. 5. [SEASONAL RESIDENTIAL RECREATIONAL PROPERTY USED FOR COMMERCIAL PURPOSES.] For taxes payable in 2004 and 2005 only, in the case of class 1c property and class 4c seasonal residential recreational property used for commercial purposes, no penalties shall accrue to the first one-half property tax payment as provided in this section if paid by July 15. On July 16, a penalty shall accrue and thereafter be charged upon all unpaid taxes. On class 1c property the penalty is at a rate of two percent until July 31, and four percent on August 1. On class 4c seasonal residential recreational property used for commercial purposes, the penalty is four percent until July 31 and eight percent on August 1. Thereafter, for both class 1c and class 4c seasonal residential recreational property used for commercial purposes, on the first day of September and on the first day of October, an additional penalty of one percent shall accrue and be charged on unpaid taxes. The remaining one-half property taxes must be paid and penalties accrue as provided in subdivision 1.

Sec. 27. Minnesota Statutes 2002, section 290A.03, subdivision 8, is amended to read:

Subd. 8. [CLAIMANT.] (a) "Claimant" means a person, other than a dependent, as defined under sections 151 and 152 of the Internal Revenue Code disregarding section 152(b)(3) of the Internal Revenue Code, who filed a claim authorized by this chapter and who was a resident of this state as provided in chapter 290 during the calendar year for which the claim for relief was filed.

(b) In the case of a claim relating to rent constituting property taxes, the claimant shall have resided in a rented or leased unit on which ad valorem taxes or payments made in lieu of ad valorem taxes, including payments of special assessments imposed in lieu of ad valorem taxes, are payable at some time during the calendar year covered by the claim.

(c) "Claimant" shall not include a resident of a nursing home, intermediate care facility, ~~or~~ long-term residential facility, or a facility that accepts group residential housing payments whose rent constituting property taxes is paid pursuant to the supplemental security income program under title XVI of the Social Security Act, the Minnesota supplemental aid program under sections 256D.35 to 256D.54, the medical assistance program pursuant to title XIX of the Social Security Act, ~~or~~ the general assistance medical care program pursuant to section 256D.03, subdivision 3, or the group residential housing program under chapter 256I.

If only a portion of the rent constituting property taxes is paid by these programs, the resident shall be a claimant for purposes of this chapter, but the refund calculated pursuant to section 290A.04 shall be multiplied by a fraction, the numerator of which is income as defined in subdivision 3, paragraphs (1) and (2), reduced by the total amount of income from the above sources other than vendor payments under the medical assistance program or the general assistance medical care program and the denominator of which is income as defined in subdivision 3, paragraphs (1) and (2), plus vendor payments under the medical assistance program or the general assistance medical care program, to determine the allowable refund pursuant to this chapter.

(d) Notwithstanding paragraph (c), if the claimant was a resident of the nursing home, intermediate care facility ~~or~~, long-term residential facility, or facility for which the rent was paid for the claimant by the group residential housing program for only a portion of the calendar year covered by the claim, the claimant may compute rent constituting property taxes by disregarding

the rent constituting property taxes from the nursing home, ~~intermediate care facility~~, or ~~long-term residential facility~~ and use only that amount of rent constituting property taxes or property taxes payable relating to that portion of the year when the claimant was not in the facility. The claimant's household income is the income for the entire calendar year covered by the claim.

(e) In the case of a claim for rent constituting property taxes of a part-year Minnesota resident, the income and rental reflected in this computation shall be for the period of Minnesota residency only. Any rental expenses paid which may be reflected in arriving at federal adjusted gross income cannot be utilized for this computation. When two individuals of a household are able to meet the qualifications for a claimant, they may determine among them as to who the claimant shall be. If they are unable to agree, the matter shall be referred to the commissioner of revenue whose decision shall be final. If a homestead property owner was a part-year Minnesota resident, the income reflected in the computation made pursuant to section 290A.04 shall be for the entire calendar year, including income not assignable to Minnesota.

(f) If a homestead is occupied by two or more renters, who are not husband and wife, the rent shall be deemed to be paid equally by each, and separate claims shall be filed by each. The income of each shall be each renter's household income for purposes of computing the amount of credit to be allowed.

**[EFFECTIVE DATE.]** This section is effective for claims based on rent paid in 2003 and thereafter.

Sec. 28. Laws 1989, chapter 211, section 8, subdivision 2, as amended by Laws 2002, chapter 390, section 24, is amended to read:

Subd. 2. [OPERATION OF DISTRICT.] (a) A hospital district created under this section shall be subject to Minnesota Statutes, sections 447.32, except subdivision 1, to 447.41, and except as provided otherwise in this act.

(b) A hospital district created under this section is a municipal corporation and a political subdivision of the state.

**[EFFECTIVE DATE.]** This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the Cook county hospital district.

Sec. 29. Laws 1989, chapter 211, section 8, subdivision 4, as amended by Laws 2002, chapter 390, section 24, is amended to read:

Subd. 4. [TAX LEVY.] The tax levied under Minnesota Statutes, section 447.34, shall not exceed \$300,000 ~~in any year, and its~~ for taxes levied in 2002. For taxes levied in 2003 and subsequent years, the tax must not exceed the lesser of:

(1) the product of the hospital district's property tax levy limitation for the previous year determined under this subdivision, multiplied by 103 percent; or

(2) the product of the hospital district's property tax levy limitation for the previous year determined under this subdivision multiplied by the ratio of the most recent available annual medical care expenditure category of the revised Consumer Price Index, U.S. citywide average, for all urban consumers prepared by the United States Department of Labor to the same annual index for the previous year.

The proceeds of the tax may be used for all purposes of the hospital district.

**[EFFECTIVE DATE.]** This section is effective upon compliance with Minnesota Statutes, section 645.021, subdivision 3, by the governing body of the Cook county hospital district.

Sec. 30. Laws 2001, First Special Session chapter 5, article 3, section 96, is amended to read:

Sec. 96. [REPEALER.]

(a) Minnesota Statutes 2000, sections 273.13, subdivision 24a; 273.1382; 273.1399; 275.078;

275.08, subdivision 1e; 473.446, subdivisions 1a and 1b; and 473.3915, are repealed effective for taxes levied in 2001, payable in 2002, and thereafter and aids or credits payable in 2002 and thereafter.

(b) Laws 1988, chapter 426, section 1; Laws 1988, chapter 702, section 16; Laws 1992, chapter 511, article 2, section 52, as amended by Laws 1997, chapter 231, article 2, section 50, and Laws 1998, chapter 389, article 3, section 32; Laws 1996, chapter 471, article 8, section 45; Laws 1999, chapter 243, article 6, section 14; Laws 1999, chapter 243, article 6, section 15; and Laws 2000, chapter 490, article 6, section 17, are repealed effective for taxes levied in 2001, payable in 2002 and thereafter.

(c) Minnesota Statutes 2000, sections 126C.30; 126C.31; 126C.32; 126C.33; 126C.34; 126C.35; and 126C.36, are repealed effective July 1, 2001.

(d) Minnesota Statutes 2000, section 273.126 and 462A.071, are repealed effective for property taxes payable in 2004, and any agreement entered into pursuant to the provisions of those sections expires, effective January 1, 2004, regardless of the term of the agreement.

Sec. 31. Laws 2002, chapter 377, article 3, section 15, the effective date, is amended to read:

**[EFFECTIVE DATE.]** This section is effective for sales made after August 31, 2002, and on or before December 31, ~~2003~~ 2004.

Sec. 32. **[PROPERTY TAX ASSESSMENT OF LOW-INCOME HOUSING, RULES.]**

The commissioner of revenue shall develop guidelines for use by assessors in calculating the restricted use value of class 4d property under Minnesota Statutes, section 273.11, subdivision 21.

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

Sec. 33. **[COMMERCIAL-INDUSTRIAL LAND VALUE TAXATION; LOCAL OPTION.]**

The governing body of any municipality that has a population in excess of 70,000, or any municipality located in the taconite tax relief area defined in Minnesota Statutes, section 273.134, may by resolution adopt a system of valuing commercial-industrial property in its jurisdiction that is based on the value of the land, not including improvements. The governing body may make the election under this section if it finds that implementation of the land value system will enhance economic development in the city. An election under this section must be made by December 31, 2003. If any municipality makes the election, it must notify the commissioner of revenue of the election and the legislature must enact during the 2004 legislative session the legislation necessary to implement the system for taxes levied in 2004, payable in 2005, and thereafter.

Sec. 34. **[LEGISLATIVE APPROVAL OF CONSUMPTIVE USE OF WATER.]**

Pursuant to Minnesota Statutes, section 103G.265, subdivision 3, the legislature approves the consumptive use under a permit of more than 2,000,000 gallons per day average in a 30-day period in Rosemount, in connection with a gas fueled combined cycle electric generating facility, subject to the commissioner of natural resources making a determination that the water remaining in the basin of origin will be adequate to meet the basin's need for water and approval by the commissioner of natural resources of all applicable permits.

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

Sec. 35. **[LEGISLATIVE APPROVAL OF CONSUMPTIVE USE OF WATER.]**

Pursuant to Minnesota Statutes, section 103G.265, subdivision 3, the legislature approves the consumptive use under a permit of more than 2,000,000 gallons per day average in a 30-day period in Mankato, in connection with a gas fueled combined cycle electric generating facility, subject to the commissioner of natural resources making a determination that the water remaining in the basin of origin will be adequate to meet the basin's need for water and approval by the commissioner of natural resources of all applicable permits.

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

ARTICLE 4

LOCAL DEVELOPMENT

Section 1. [469.1083] [COUNTY ECONOMIC DEVELOPMENT AUTHORITY; METROPOLITAN AREA.]

Subdivision 1. [ECONOMIC DEVELOPMENT POWERS AND DUTIES.] A county located in the metropolitan area may, by resolution of the county board, grant an existing county housing and redevelopment authority any of the powers and duties of an economic development authority under sections 469.090 to 469.093, 469.095 to 469.106, 469.108, and 469.1081. For the purposes of this section, a county community development authority is a county housing and redevelopment authority that has been granted economic development authority powers and duties. In applying sections 469.090 to 469.093, 469.095 to 469.106, 469.108, and 469.1081 to a county community development authority, the county is considered to be the city and the county board is considered to be the city council.

Subd. 2. [RELATION TO LOCAL AUTHORITIES.] Nothing in this section shall alter or impair the powers or duties of a city, a municipal housing and redevelopment authority, or a municipal economic development authority.

Subd. 3. [LOCAL APPROVAL.] If an economic development project is constructed in the county under this section and the project is within the boundaries of a home rule charter or statutory city, the location of the project must be approved by the governing body of the city.

**[EFFECTIVE DATE.]** This section is effective the day following final enactment and applies in the counties of Anoka, Hennepin, Ramsey, and Washington.

Sec. 2. Minnesota Statutes 2002, section 469.169, is amended by adding a subdivision to read:

Subd. 16. [ADDITIONAL BORDER CITY ALLOCATIONS.] (a) In addition to tax reductions authorized in subdivisions 7 to 15, the commissioner shall allocate \$750,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Any portion of the allocation provided in this paragraph may alternatively be used for tax reductions under section 469.1732 or 469.1734.

(b) The commissioner shall allocate \$750,000 for tax reductions under section 469.1732 or 469.1734 to cities with border city enterprise zones located on the western border of the state. The commissioner shall allocate this amount among the cities on a per capita basis. Any portion of the allocation provided in this paragraph may alternatively be used for tax reductions as provided in section 469.171.

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

Sec. 3. Minnesota Statutes 2002, section 469.1731, subdivision 3, is amended to read:

Subd. 3. [FILING.] The city must file a copy of the resolution and development plan with the commissioner of trade and economic development. The designation takes effect for the first calendar year that begins more than 90 30 days after the filing.

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

Sec. 4. Minnesota Statutes 2002, section 469.174, subdivision 10, is amended to read:

Subd. 10. [REDEVELOPMENT DISTRICT.] (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the

authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way; or

(3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:

(i) have or had a capacity of more than 1,000,000 gallons;

(ii) are located adjacent to rail facilities; and

(iii) have been removed or are unused, underused, inappropriately used, or infrequently used; or

(4) a qualifying disaster area, as defined in subdivision 10b.

(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, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures.

(f) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).

**[EFFECTIVE DATE.]** This section is effective for districts for which the request for certification is made after the day following final enactment.

Sec. 5. Minnesota Statutes 2002, section 469.174, is amended by adding a subdivision to read:

Subd. 10b. **[QUALIFIED DISASTER AREA.]** A "qualified disaster area" is an area that meets the following requirements:

(1) parcels consisting of 70 percent of the area of the district were occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures immediately before the disaster or emergency;

(2) the area of the district was subject to a disaster or emergency, as defined in section 273.123, subdivision 1, within the 18-month period ending on the day the request for certification of the district is made; and

(3) 50 percent or more of the buildings in the area have suffered substantial damage as a result of the disaster or emergency.

**[EFFECTIVE DATE.]** This section is effective for districts for which the request for certification is made after the day following final enactment.

Sec. 6. Minnesota Statutes 2002, section 469.174, is amended by adding a subdivision to read:

Subd. 28. **[QUALIFIED HOUSING DISTRICT.]** "Qualified housing district" means:

(1) a housing district for a residential rental project or projects in which the only properties receiving assistance from revenues derived from tax increments from the district meet all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1992, regardless of whether the project actually receives a low-income housing credit; or

(2) a housing district for a single-family homeownership project or projects, if 95 percent or more of the homes receiving assistance from tax increments from the district are purchased by qualified purchasers. A qualified purchaser means the first purchaser of a home after the tax increment assistance is provided whose income is at or below 100 percent of the median gross income for a family of the same size as the purchaser. Median gross income is the greater of (i) area median gross income, or (ii) the statewide median gross income, as determined by the secretary of housing and urban development.

Sec. 7. Minnesota Statutes 2002, section 469.176, subdivision 7, is amended to read:

Subd. 7. **[PARCELS NOT INCLUDABLE IN DISTRICTS.]** (a) The authority may request inclusion in a tax increment financing district and the county auditor may certify the original tax capacity of a parcel or a part of a parcel that qualified under the provisions of section 273.111 or 273.112 or chapter 473H for taxes payable in any of the five calendar years before the filing of the request for certification only for:

(1) a district in which 85 percent or more of the planned buildings and facilities (determined on the basis of square footage) are a qualified manufacturing facility or a qualified distribution facility or a combination of both; or



(2) a qualified housing district as ~~defined in section 273.1399, subdivision 1.~~

(b)(1) A distribution facility means buildings and other improvements to real property that are used to conduct activities in at least each of the following categories:

- (i) to store or warehouse tangible personal property;
- (ii) to take orders for shipment, mailing, or delivery;
- (iii) to prepare personal property for shipment, mailing, or delivery; and
- (iv) to ship, mail, or deliver property.

(2) A manufacturing facility includes space used for manufacturing or producing tangible personal property, including processing resulting in the change in condition of the property, and space necessary for and related to the manufacturing activities.

(3) To be a qualified facility, the owner or operator of a manufacturing or distribution facility must agree to pay and pay 90 percent or more of the employees of the facility at a rate equal to or greater than 160 percent of the federal minimum wage for individuals over the age of 20.

Sec. 8. Minnesota Statutes 2002, section 469.1761, is amended by adding a subdivision to read:

Subd. 3a. [MIXED-INCOME OCCUPANCY PROJECTS.] (a) Notwithstanding the income requirements in section 469.174, subdivision 11, or subdivisions 2 and 3, an authority may create housing districts for developments that contain both owner-occupied and residential rental units for mixed-income occupancy. Such a district 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 subdivision, "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 that 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 for districts for which certification is requested after July 31, 2003.

Sec. 9. Minnesota Statutes 2002, section 469.1763, subdivision 2, is amended to read:

Subd. 2. [EXPENDITURES OUTSIDE DISTRICT.] (a) For each tax increment financing

district, an amount equal to at least 75 percent of the revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue derived from tax increments for the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in the district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code;

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing.

Sec. 10. Minnesota Statutes 2002, section 469.177, subdivision 1, is amended to read:

Subdivision 1. [ORIGINAL NET TAX CAPACITY.] (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4.

(b) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after certification of the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is improved or three years pass after approval of the plat under section 273.11, subdivision 1, the increase in net tax capacity must be added to the original net tax capacity.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building that was demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building was demolished or removed, but applying the class rates for the current year.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

[EFFECTIVE DATE.] This section is effective for districts for which the request for certification is made after the day following final enactment.

Sec. 11. Minnesota Statutes 2002, section 469.1792, is amended to read:

469.1792 [SPECIAL DEFICIT AUTHORITY.]

Subdivision 1. [SCOPE.] This section applies only to an authority with a preexisting district for which:

(1) the increments from the district were insufficient to pay preexisting obligations as a result of the class rate changes or the elimination of the state-determined general education property tax levy under this act, or both; or

(2)(i) the development authority has a binding contract with a person requiring the authority to pay to the person an amount that may not exceed the increment from the district or a specific development within the district; and

(ii) the authority is unable to pay the full amount under the contract from the pledged increments or other increments from the district that would have been due if the class rate changes or elimination of the state-determined general education property tax levy or both had not been made under Laws 2001, First Special Session chapter 5;

(3) the authority amends its tax increment financing plan to establish an affordable housing account to which increments are pledged; or

(4) the authority amends its tax increment financing plan to establish a hazardous substance, pollutant, or contaminant remediation account to which increments are pledged.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Affordable housing account" means an account in which increment is deposited solely for affordable housing activities as defined in section 469.174, subdivision 11.

(c) "Hazardous substance, pollutant, or contaminant remediation account" means an account in which increment is deposited solely for removal or remediation activities described in section 469.174, subdivisions 16 to 19.

(d) "Preexisting district" means a tax increment financing district for which the request for certification was made before August 1, 2001.

(e) (e) "Preexisting obligation" means a bond or binding contract that:

(1) was issued or approved before August 1, 2001, or was issued pursuant to a binding contract entered into before August 1, 2001;

(2) is secured by increments from a preexisting district.

Subd. 3. [ACTIONS AUTHORIZED.] (a) An authority with a district qualifying under this section may take ~~either or both~~ any or all of the following actions for any or all of its preexisting districts:

(1) the authority may elect that the original local tax rate under section 469.177, subdivision 1a, does not apply to the district; ~~and~~

(2) the authority may elect the fiscal disparities contribution will be computed under section 469.177, subdivision 3, paragraph (a), regardless of the election that was made for the district; or

(3) the authority may elect to extend the duration of the district by up to eight additional years beyond the duration limit on the collection of increment under section 469.176, subdivision 1b or 1e, or a special law applicable to the district.

(b) The authority may take action under this subdivision only after the municipality approves the action, by resolution, after notice and public hearing in the manner provided under section 469.175, subdivision 2.

(c) The additional increment that may be collected as a result of actions taken under this section and any increments transferred to the district under section 469.1763, subdivision 6, is limited to the lesser of:

(1) the amount the authority is obligated to pay under preexisting obligations out of the increments from the district that result in application of this section under subdivision 1; or

(2) an amount estimated to represent the difference between the increment that would have been collected if the class rate changes and elimination of the state-determined general education property tax levy had not been made under Laws 2001, First Special Session chapter 5, for the term of the district under general law, and the actual increments collected for the term of the district.

Subd. 4. [EXPENDITURES FROM AFFORDABLE HOUSING ACCOUNTS.] Increment from an affordable housing account may be spent by an authority anywhere within its area of operation. Notwithstanding the definition of a project under section 469.174, increments may be spent to assist housing that meets the requirements under section 469.1761. The limitation imposed by section 469.1763, subdivision 2, does not apply to any transfers of increment to the affordable housing account to the extent that the amount transferred to the account under this subdivision does not exceed ten percent of the revenue derived from tax increments paid by properties in the district in the year.

Subd. 5. [EXPENDITURES FROM HAZARDOUS SUBSTANCE, POLLUTANT, OR CONTAMINANT REMEDIATION ACCOUNT.] Increment from a hazardous substance, pollutant, or contaminant remediation account may be spent by an authority anywhere within its area of operation. Notwithstanding the definition of a project under section 469.174, increments may be expended to remediation and removal activities that meet the requirements of section 469.176, subdivision 4b or 4e. The limitation imposed by section 469.1763, subdivision 2, does not apply to any transfers of increment to the hazardous substance, pollutant, or contaminant remediation account to the extent that the amount transferred to the account under this subdivision does not exceed ten percent of the revenue derived from tax increments paid by properties in the district in the year.

[EFFECTIVE DATE.] This section is effective for actions taken and resolutions approved after June 30, 2003.

Sec. 12. Laws 1967, chapter 558, section 1, subdivision 5, as amended by Laws 1979, chapter 135, section 1, and Laws 1985, chapter 98, section 2, is amended to read:

Subd. 5. Promotion of tourist, agricultural and industrial developments. The amount to be spent annually for the purposes of this subdivision shall not exceed ~~one dollar~~ five dollars per capita of the county's population.

**[EFFECTIVE DATE.]**

This section is effective the day after the governing body of Beltrami county and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. Laws 1978, chapter 464, section 1, is amended to read:

Section 1. [ANOKA COUNTY; HOUSING AND REDEVELOPMENT.]

Subdivision 1. There is created in the county of Anoka a public body corporate and politic, to be known as the Anoka county housing and redevelopment authority, having all of the powers and duties of a housing and redevelopment authority under the provisions of the municipal housing and redevelopment act, Minnesota Statutes, ~~Section 462.411 to 462.711~~ sections 469.001 to 469.047. For the purposes of applying the provisions of the municipal housing and redevelopment act to Anoka county, the county has all of the powers and duties of a municipality, the county board has all of the powers and duties of a governing body, the chairman of the county board has all of the powers and duties of a mayor, and the area of operation includes the area within the territorial boundaries of the county.

Subd. 2. This section shall not limit or restrict any existing housing and redevelopment authority or prevent a municipality from creating an authority. ~~The county shall not exercise~~

~~jurisdiction in any municipality where a municipal housing and redevelopment authority is established. If a municipal housing and redevelopment authority requests the Anoka county housing and redevelopment authority to handle the housing duties of the municipal authority, the Anoka county housing and redevelopment authority shall act and have exclusive jurisdiction for housing in the municipality. A transfer of duties relating to housing shall not transfer any duties relating to redevelopment.~~

Subd. 3. [TAXING DISTRICT.] The taxing district of the Anoka county housing and redevelopment authority shall include all cities and towns within Anoka county, except that a city may limit its participation as provided in this subdivision. The Anoka county board shall notify all cities and towns located within Anoka county if it adopts a resolution granting economic development authority powers to the Anoka county housing and redevelopment authority under Minnesota Statutes, section 469.1083, subdivision 1. Within 12 months following the Anoka county board's adoption of the resolution, a city may adopt a resolution requesting limited participation. Such limited participation shall be effective only if each of the following criteria are met:

- (1) the city has created a housing and redevelopment authority prior to December 13, 1994;
- (2) the city has not transferred jurisdiction for housing to the Anoka county housing and redevelopment authority under subdivision 2; and
- (3) the Anoka county housing and redevelopment authority levy within the city is not pledged for the repayment of bonds or other forms of indebtedness.

The levy of the Anoka county housing and redevelopment authority within a city with limited participation must not exceed 40 percent of the maximum levy allowed by law. The Anoka county housing and redevelopment authority shall not undertake a housing project, a housing development project, a redevelopment project, or an economic development project within the boundaries of a city with limited participation. A city with limited participation may, at any time, adopt a resolution revoking its limited participation status.

[EFFECTIVE DATE.] This section is effective the day after the governing body of Anoka county and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

#### Sec. 14. [DEFINITIONS.]

Subdivision 1. [DEFINITIONS.] For the purposes of sections 14 to 20, the terms defined in this section have the following meanings.

Subd. 2. [LAKES AREA ECONOMIC DEVELOPMENT AUTHORITY.] "Lakes area economic development authority" or "authority" means the lakes area economic authority established as provided in section 15.

Subd. 3. [PERSON.] "Person" means an individual, partnership, corporation, cooperative, or other organization or entity, public or private.

Subd. 4. [MEMBER.] "Member" means the city of Alexandria or Garfield or the township of Alexandria or La Grand, or any other municipality, the geographic area of which is included within the jurisdiction of the authority.

Subd. 5. [MUNICIPALITY.] "Municipality" means a statutory or home rule charter city or town located in Douglas county.

#### Sec. 15. [LAKES AREA ECONOMIC DEVELOPMENT AUTHORITY.]

Subdivision 1. [ESTABLISHMENT.] A lakes area economic development authority with jurisdiction over the geographic area of its members is established as a public corporation and political subdivision of the state with perpetual succession and all the rights, powers, privileges, immunities, and duties that may be validly granted to or imposed upon a municipal corporation, as provided in sections 14 to 20.

Subd. 2. [BOARD OF COMMISSIONERS.] The authority is governed by a board of commissioners to be selected as follows: the mayor of each member city, and the chair of the town board of each member town shall appoint one commissioner, subject to the approval of the respective city council or town board. The terms of the commissioner are as provided in subdivision 5.

Subd. 3. [TIME LIMITS FOR SELECTION, ALTERNATIVE APPOINTMENT BY DISTRICT JUDGE.] The initial appointment of commissioners must be made no later than 60 days after sections 14 to 20 become effective. Subsequent appointments must be made within 60 days before the expiration of a term in the same manner as the predecessor was selected. A vacancy on the board must be filled within 60 days after it occurs. If a selection is not made within the prescribed time, the chief judge of the seventh judicial district of the Minnesota district court on application by an interested person shall appoint an eligible person to the board.

Subd. 4. [VACANCIES.] If a vacancy occurs in the office of commissioner, the vacancy must be filled for the unexpired term in a like manner as provided for selection of the commissioner who vacated the office. The office must be considered vacant under the conditions specified in Minnesota Statutes, section 351.02.

Subd. 5. [TERMS OF OFFICE.] The terms of the initial appointees to the board of commissioners are for three, four, five, and six years and must be established by lot among the initial four commissioners. The mayor or town board chair of any new member added under section 18 shall designate the term, not to exceed six years, of the first commissioner selected to represent the member. Succeeding terms of all commissioners are six years, except that each commissioner serves until a successor has been duly selected and qualified.

Subd. 6. [REMOVAL.] A commissioner may be removed by the unanimous vote of the appointing governing body, with or without cause.

Subd. 7. [QUALIFICATIONS.] A commissioner may, but need not, be a resident of the territory of the member appointing that commissioner.

Subd. 8. [COMPENSATION.] A commissioner must be paid a per diem compensation for attending a regular or special meeting in an amount determined by the board. A commissioner must be reimbursed for all reasonable expenses incurred in the performance of the commissioner's duties as determined by the board.

Sec. 16. [POWERS; APPLICATION OF EDA LAW.]

Subdivision 1. [USE OF EDA POWERS.] Except as otherwise provided in sections 14 to 20, the authority may exercise any of the powers of an economic development authority (EDA) provided by Minnesota Statutes, sections 469.090 to 469.1082, and for this purpose the term "city" means a member. Minnesota Statutes, sections 469.096 to 469.101, 469.103 to 469.106, and 469.108 to 469.1081, apply to the authority, except that the authority's fiscal year is the calendar year.

Subd. 2. [LAW THAT IS NOT APPLICABLE.] The provisions in:

(1) Minnesota Statutes, section 469.091, subdivision 1, expressly relating to:

(i) the adoption of an enabling resolution;

(ii) Minnesota Statutes, section 469.092; or

(iii) housing and redevelopment authorities; and

(2) Minnesota Statutes, sections 469.093, 469.095, 469.102, and 469.107;

do not apply to the authority.

Sec. 17. [MEMBERS MUST LEVY TAXES FOR AUTHORITY.]

(a) A member shall, at the request of the authority, levy a tax in any year for the benefit of the authority. The tax is, for each member, a pro rata portion of the total amount of tax requested by the authority based on the taxable market value within a member's jurisdiction, but in no event may the tax in any year exceed 0.01813 percent of taxable market value. For purposes of this section, "taxable market value" has the meaning as given in Minnesota Statutes, section 273.032.

(b) The treasurer of each member city or town shall, within 15 days after receiving the property tax settlements from the county treasurer, pay to the treasurer of the authority the amount collected for this purpose. The money must be used by the authority for the purposes provided by sections 14 to 20.

Sec. 18. [ADDITION AND WITHDRAWAL OF MEMBERS.]

Subdivision 1. [ADDITIONS.] A municipality upon a resolution adopted by a four-fifths vote of all of its governing body may petition the authority to be included within the jurisdiction of the authority and, if approved by the authority, the geographic area of the municipality must be included within the jurisdiction of the authority and subject to the jurisdiction of the authority under sections 14 to 20.

Subd. 2. [WITHDRAWALS.] A municipality may withdraw from the authority by resolution of its governing body. The municipality must notify the board of commissioners of the authority of the withdrawal by providing a copy of the resolution at least two years in advance of the proposed withdrawal. Unless the authority and the withdrawing member agree otherwise by action of their governing bodies, the taxable property of the withdrawing member is subject to the property tax levy under section 17 for two taxes payable years following the notification of the withdrawal and the withdrawing member retains any rights, obligations, and liabilities obtained or incurred during its participation.

Sec. 19. [CONTRACTS WITH NONPROFIT CORPORATIONS.]

The authority may enter into contracts with one or more nonprofit corporations to make, from funds of and under guidelines set by the authority, loans or grants for projects the authority may undertake under sections 14 to 20. Minnesota Statutes, section 465.719, does not apply so long as the nonprofit corporation is not described in Minnesota Statutes, section 465.719, subdivision 1, paragraph (b), item (i), or (b), item (ii).

Sec. 20. [RELATION TO EXISTING LAWS.]

Sections 14 to 20 must be given full effect notwithstanding any law or charter that is inconsistent with them.

Sec. 21. [LOCAL APPROVAL; EFFECTIVE DATE.]

Sections 14 to 20 are only effective as to all affected governing bodies on the day after the last of the governing bodies or town boards of the cities of Alexandria and Garfield and the towns of Alexandria and La Grand in Douglas county and the chief clerical officer of each of them timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 22. [MULTICITY HOUSING AND REDEVELOPMENT AUTHORITY.]

Subdivision 1. [ESTABLISHED.] A multicity authority is established that includes the cities of Arden Hills, Blaine, Circle Pines, Mounds View, New Brighton, Roseville, and Shoreview, to be known as the housing and redevelopment authority in and for the "I-35W Corridor Coalition."

Subd. 2. [PURPOSES.] In addition to the purposes set forth in Minnesota Statutes, sections 469.001 to 469.047, the purposes of the authority are:

- (1) to assist homeowners with flexible financing tools to complete home improvement projects;
- (2) to assist owners through the complex construction process when renovating their homes;
- (3) to assist individuals and families to become new homeowners;



(4) to reduce the number of substandard housing units; and

(5) to keep the community's housing stock usable for future generations.

Subd. 3. [DEFINITIONS.] (a) For the purposes of this section, the terms defined in Minnesota Statutes, sections 469.001 to 469.047, have the meanings given to them. The terms defined in this subdivision apply to this section unless the context indicates a different meaning.

(b) "Area of operation" means the area within the territorial boundaries of the seven cities.

(c) "Authority" means the housing and redevelopment authority in and for the I-35W Corridor Coalition.

(d) "Multicounty authority" means the authority.

(e) "State public body" means the authority.

Subd. 4. [COMMISSIONERS.] The authority consists of 14 commissioners who shall be the mayor or acting mayor and the city manager, acting city manager, city administrator, or acting city administrator of each city in the authority. The term of the mayor or acting mayor is coterminous with the mayoral term of office. In the case of the city manager, acting city manager, city administrator, or acting city administrator, the term is five years from the date of appointment. Each commissioner has one vote.

Subd. 5. [LEVY AUTHORITY.] Subject to the consent by resolution of the cities in and for which a levy is created, the authority may levy a tax upon all taxable property within its area of operation in accordance with Minnesota Statutes, section 469.033, subdivision 6. Any tax levied under this section by the authority is not considered to be in addition to any tax previously levied or to be levied under Minnesota Statutes, section 469.033, subdivision 6. A levy by the authority under this section and a levy by any city under Minnesota Statutes, section 469.033, subdivision 6, may not together exceed the levy limits in that section. The levy is effective after the resolutions of consent have been adopted by all the cities in the area of operation.

Subd. 6. [APPROVAL OF EXISTING AUTHORITIES.] All projects, redevelopment plans, or levies must be approved by the cities in which they will be located, implemented, or levied. Approval of projects, redevelopment plans, or levies is not required by the county in which the affected city is located or by an existing housing and redevelopment authority or economic development authority of the affected city.

Subd. 7. [APPLICATION OF OTHER LAWS.] Provisions in Minnesota Statutes, sections 469.001 to 469.047, applicable to housing and redevelopment authorities also apply to the housing and redevelopment authority in and for the I-35W Corridor Coalition subject to this section.

Subd. 8. [SUNSET.] This section expires on December 31, 2013.

Subd. 9. [EFFECTIVE DATE.] This section is effective for the cities of Arden Hills, Blaine, Circle Pines, Mounds View, New Brighton, Roseville, and Shoreview after the governing body and its chief clerical officer of the last of those seven cities timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 23. [CITY OF DETROIT LAKES.]

Notwithstanding limitations on the amount of increment that may be pooled to eliminate a deficit under Minnesota Statutes, section 469.1763, subdivision 6, the city of Detroit Lakes may transfer available increments from any of its tax increment financing districts to TIF District 21-1 to be used to eliminate a deficit in the increment generated by TIF District 21-1 that is required to pay debt service on obligations issued for the district. The authority under this section applies to deficits occurring in 2000 and subsequent years.

[EFFECTIVE DATE.] This section is effective upon approval by the governing body of Detroit Lakes and compliance with Minnesota Statutes, section 645.021.

Sec. 24. [CITY OF DULUTH; EXPENDITURE OF TAX INCREMENTS.]

Subdivision 1. [EXPENDITURES AUTHORIZED.] Notwithstanding Minnesota Statutes, section 469.1764, the Duluth economic development authority may expend up to \$3,000,000 of tax increments collected from development district No. 3 on activities located outside the geographic boundaries of the district, subject to the conditions in this section.

Subd. 2. [LOCATION OF EXPENDITURES.] Tax increments must be spent within the area bounded by the following described lines:

(1) to the north by a line described as follows: beginning at the intersection of the centerline of 29th Avenue West and the southerly line of West Michigan Street, thence southwesterly along the southerly line of West Michigan Street to the east limit of the DM&IR railway right-of-way; thence northwesterly along the easterly limit of the DM&IR railway right-of-way to the centerline of West Superior Street to its intersection with the centerline of Jenswold Street; thence southwesterly along the centerline of Jenswold Street to its intersection with the centerline of the Northern Pacific Railway Company's main line to St. Paul; thence southwesterly along the centerline of the Northern Pacific Railway Company's main line to St. Paul to its intersection with the extended centerline of 37th Avenue West;

(2) to the west by a line described as follows: beginning at the intersection of the centerline of the Northern Pacific Railway Company's main line to St. Paul and the extended centerline of 37th Avenue West; then southeasterly along said extended centerline of 37th Avenue West to its intersection with the centerline of Interstate highway 35;

(3) to the south by the centerline of Interstate highway 35; and

(4) to the east by the centerline of 29th Avenue West.

Subd. 3. [LIMITATIONS ON USE.] All expenditures of tax increments permitted by this section must meet the requirements of Minnesota Statutes, section 469.176, subdivision 4j.

[EFFECTIVE DATE.] This section is effective June 1, 2003.

Sec. 25. [CITY OF DULUTH; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] Upon approval of the governing body of the city of Duluth, the Duluth economic development authority may create an economic development tax increment financing district for aircraft related facilities. Except as otherwise provided in this section, the provisions of Minnesota Statutes, sections 469.174 to 469.179, apply to the district.

Subd. 2. [SPECIAL RULES.] (a) Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, paragraph (a), clause (3), no tax increment shall be paid to the authority after 25 years after receipt by the authority of the first tax increment for the district authorized by this section.

(b) The development in the district authorized by this section shall be deemed to be a purpose authorized under Minnesota Statutes, section 469.176, subdivision 4c, paragraph (a).

(c) For purposes of Minnesota Statutes, section 469.177, subdivision 12, the applicable maximum duration limit of the district authorized by this section shall be as set forth in paragraph (a).

[EFFECTIVE DATE.] This section is effective upon compliance with the requirements of Minnesota Statutes, sections 469.1782 and 645.021.

Sec. 26. [CITY OF MONTICELLO; EXTENSION OF TIME FOR ACTIVITY IN A TAX INCREMENT FINANCING DISTRICT.]

The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of a tax increment financing district, must be considered to be met for the city of Monticello tax increment financing district no. 1-22 if the activities are undertaken within ten years from the date of certification of the district.

[EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Monticello with the requirements of Minnesota Statutes, section 645.021.

Sec. 27. [CITY OF NEW HOPE; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [SPECIAL RULES.] (a) At the election of the city, upon adoption of the tax increment financing plan for a district or districts described in this section, the rules provided under this section apply to each such district.

For purposes of this section, "district" means a redevelopment or soils condition tax increment financing district established by the city of New Hope or the economic development authority of the city within the following area: beginning at the intersection of Winnetka Avenue N. and the westerly extension of 58th Avenue N., east on the westerly extension of 58th Avenue N. to Sumter Avenue N., south on Sumter Avenue N. to Bass Lake Road, east on Bass Lake Road to the city boundaries of New Hope and Crystal, MN, south along that city boundary to St. Raphael Drive, west on St. Raphael Drive to Sumter Avenue N., south on Sumter Avenue N. to 53rd Avenue N., west on 53rd Avenue N. to Winnetka Avenue N., north on Winnetka Avenue N. to 55th Avenue N., west on 55th Avenue N. to Zealand Avenue N., north on Zealand Avenue N. to Bass Lake Road, east on Bass Lake Road to Yukon Avenue N., north on Yukon Avenue N. to Meadow Lake Road E., east on Meadow Lake Road E. to the intersection with the west property line of New Hope golf course, south along the west property line of New Hope golf course to Bass Lake Road, east on Bass Lake Road to Winnetka Avenue N., north on Winnetka Avenue N. to the point of beginning. The total number of parcels that may be included within all such redevelopment or soils condition tax increment financing districts must not exceed 131 and the total acreage, including roads, easements, and rights-of-way, must not exceed 130 acres.

(b) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, applies as if the limit is nine years.

(c) The limitations on expenditure of increment outside of the district under Minnesota Statutes, section 469.1763, subdivision 2, do not apply, provided that increments may only be expended on improvements or activities within the area identified in paragraph (a).

(d) The requirement relating to the original local tax rate for the district under Minnesota Statutes, section 469.177, subdivision 1a, does not apply.

(e) The requirements for qualifying a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels identified as 08-118-21-22-0001, 08-118-21-33-0008, 08-118-21-33-0009, 08-118-21-33-0010, 08-118-21-33-0011, 08-118-21-33-0013, 08-118-21-33-0018, 08-118-21-33-0019, 08-118-21-33-0025, 08-118-21-33-0027, 08-118-21-33-0029, 08-118-21-33-0082, and 08-118-21-33-0087, which are deemed substandard for the purpose of qualifying the district as a redevelopment district.

Subd. 2. [EXPIRATION.] (a) The exception under subdivision 1, paragraph (c), from the limitations of Minnesota Statutes, section 469.1763, subdivision 2, expires 20 years after the receipt of the first increment from a district for which the city has elected that this section applies.

(b) The authority to approve tax increment financing plans to establish a tax increment financing district subject to this section expires on December 31, 2013.

Subd. 3. [EFFECTIVE DATE.] This section is effective upon approval by the governing bodies of the city of New Hope and Hennepin county and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 28. [CITY OF RICHFIELD; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [AUTHORIZATION.] The city of Richfield may create a tax increment financing district consisting of an area bordered by crosstown highway 62 on the north, 66th street on the south, trunk highway 77 on the east, and the east side of 16th avenue to the west. The city or its housing and redevelopment authority may be the authority for the purposes of Minnesota Statutes, sections 469.174 to 469.179.

Subd. 2. [DISTRICT IS REDEVELOPMENT DISTRICT.] The redevelopment tax increment district created pursuant to subdivision 1 is deemed to be a redevelopment district and is subject to Minnesota Statutes, sections 469.174 to 469.179, except that expenditures for activities as defined in Minnesota Statutes, section 469.1763, subdivision 1, paragraph (b), anywhere in the district are deemed to be the costs of correcting conditions that allow the designation of redevelopment districts pursuant to Minnesota Statutes, section 469.174, subdivision 10.

[EFFECTIVE DATE.] This section is effective upon local approval by the city of Richfield in compliance with Minnesota Statutes, section 645.021.

Sec. 29. [CITY OF ROSEVILLE; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [SPECIAL RULES.] (a) At the election of the city, upon adoption of the tax increment financing plan for a district or districts described in this section, the rules provided under this section apply to each such district.

For purposes of this section, "district" means a redevelopment or soils condition tax increment financing district established by the city of Roseville or the economic development authority of the city within an area generally described as follows: from the Northwest corner of Section 4, Township 29, Range 23, Ramsey County, Minnesota, south 1,265 feet along the centerline of Cleveland Avenue to the point of beginning, then easterly a distance of approximately 902 feet, then southerly 315 feet, then easterly 416 feet to the west right-of-way line of the 33 foot wide Prior Avenue, then southerly along that line approximately 602 feet to the intersection with a line running southwesterly approximately 790 feet to a point along the centerline of County Road C-2 which is approximately 980 feet east of its intersection with the centerline of Cleveland Avenue, then southerly approximately 650 feet, then easterly 35 feet, then southerly approximately 300 feet, then easterly 240 feet, then southerly 270 feet, then easterly 580 feet, then north and easterly along an irregular line on the eastern boundary of Langton Lake a distance of 835 feet, then easterly 2,346 feet along the south edge of platted and Oasis Park property, then southerly a distance of 2,101 feet to the south right-of-way of County Road C, then westerly along the south right-of-way a distance of approximately 4,210 feet to the intersection with the centerline of Cleveland Avenue, then northerly along the Cleveland Avenue centerline a distance of approximately 4,371 feet to the point of beginning. Also included are the additional connected public rights-of-way and public lands as follows: the Terrace Drive right-of-way from the eastern boundary of the Business Park boundary, easterly approximately 1,000 feet to the intersection with the western right-of-way of Snelling Avenue; the County Road C right-of-way from the eastern boundary of the Business Park boundary, easterly approximately 1,080 feet to the intersection with the centerline of Snelling Avenue; and the area generally west of Cleveland Avenue between Cleveland Avenue and marked Interstate Highway 35W, from County Road C approximately 3,000 feet north, encompassing entry ramps, wetlands, and regional storm water storage ponds.

(b) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, applies as if the limit is nine years.

(c) The limitations on expenditure of increment outside of the district under Minnesota Statutes, section 469.1763, subdivision 2, do not apply, provided that increments may only be expended on improvements or activities within the areas identified in paragraph (a).

(d) The requirement relating to the original local tax rate for the district under Minnesota Statutes, section 469.177, subdivision 1a, does not apply.

Subd. 2. [APPLICATION OF OTHER LAWS.] All references in Minnesota Statutes to tax increment financing districts created and tax increments generated under Minnesota Statutes, sections 469.174 to 469.1799, apply subject to this section, provided that Minnesota Statutes, sections 469.174 to 469.1799, apply only to the extent specified in this section.

Subd. 3. [EXPIRATION.] (a) The exception under subdivision 1, paragraph (c), from the limitations of Minnesota Statutes, section 469.1763, subdivision 2, expires 20 years after the receipt of the first increment from a district for which the city has elected that this section applies.

(b) The authority to approve tax increment financing plans to establish a tax increment financing district subject to this section expires on December 31, 2013.

[EFFECTIVE DATE.] This section is effective upon approval by the governing bodies of the city of Roseville and Ramsey county and upon compliance by the the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 30. [CITY OF ST. MICHAEL; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [ESTABLISHMENT OF DISTRICT.] The city of St. Michael may establish a redevelopment tax increment financing district subject to Minnesota Statutes, sections 469.174 to 469.179, except as provided in this section. The district must be established within an area that includes the downtown and town center areas as designated by the city as well as all parcels adjacent to marked trunk highway 241 within the city.

Subd. 2. [SPECIAL RULES.] (a) Notwithstanding the requirements of Minnesota Statutes, section 469.174, subdivision 10, the district may be established and operated as a redevelopment district.

(b) Notwithstanding the restrictions of Minnesota Statutes, sections 469.176, subdivisions 4 and 4j, and 469.1763, subdivision 2, revenues derived from tax increments from the district created under this section may be used to meet the cost of land acquisition, removal of buildings in the right-of-way acquisition area, and other costs incurred by the city of St. Michael in the expansion and improvement of marked trunk highway 241 within the city.

(c) Minnesota Statutes, section 469.176, subdivision 5, does not apply to the district.

[EFFECTIVE DATE.] This section is effective the day after the governing body of the city of St. Michael complies with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 31. [KANDIYOHI COUNTY AND CITY OF WILLMAR.]

Subdivision 1. [POWERS.] Notwithstanding Minnesota Statutes, sections 469.090 and 469.1082, Kandiyohi county may exercise the powers of a city under Minnesota Statutes, sections 469.090 to 469.107. Kandiyohi county and the city of Willmar may enter into a joint powers agreement under Minnesota Statutes, section 471.59, to jointly or cooperatively exercise any of the powers common to both the county and the city under Minnesota Statutes, sections 469.090 to 469.107, in a manner to be determined by a majority of the Kandiyohi county board and the Willmar city council.

Subd. 2. [SPECIAL TAXING DISTRICT.] A joint powers entity created under this section is a political subdivision of the state and a special taxing district as defined by Minnesota Statutes, section 275.066, clause (24), with the power to adopt and certify a property tax levy to the county auditor.

Subd. 3. [EFFECTIVE DATE; NO LOCAL APPROVAL REQUIRED.] Under Minnesota Statutes, section 645.023, subdivision 1, paragraph (a), no local approval of this section is required.

[EFFECTIVE DATE.] This sections is effective the day after final enactment.

Sec. 32. CITY OF HOPKINS; TAX INCREMENT FINANCING DISTRICT; EXTENSION OF FIVE-YEAR RULE.]

The requirements of Minnesota Statutes, section 469.1763, subdivision 3, that activities must be undertaken within a five-year period from the date of certification of tax increment financing district must be considered to be met for the city of Hopkins redevelopment tax increment district 2-11, if the activities are undertaken within ten years from the date of certification of the district.

[EFFECTIVE DATE.] This section is effective upon compliance by the governing body of the city of Hopkins with the provisions of Minnesota Statutes, section 645.021.

Sec. 33. [CITIES OF ELGIN, EYOTA, BYRON, AND ORONOCO; TAX INCREMENT FINANCING DISTRICTS.]

Subdivision 1. [AUTHORIZATION.] Notwithstanding the mileage limitation in Minnesota Statutes, section 469.174, subdivision 27, the cities of Elgin, Eyota, Byron, and Oronoco are deemed to be small cities for purposes of Minnesota Statutes, sections 469.174 to 469.1799, as long as they do not exceed the population limit in that section.

Subd. 2. [LOCAL APPROVAL.] This section is available for each of the cities of Elgin, Eyota, Byron, and Oronoco upon approval of that city's governing body and compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

ARTICLE 5  
PUBLIC FINANCE

Section 1. [37.31] [ISSUANCE OF BONDS.]

Subdivision 1. [BONDING AUTHORITY.] The society may issue negotiable bonds in a principal amount that the society determines necessary to provide sufficient money for achieving its purposes, including the payment of interest on bonds of the society, the establishment of reserves to secure its bonds, the payment of fees to a third party providing credit enhancement, and the payment of all other expenditures of the society incident to and necessary or convenient to carry out its corporate purposes and powers. Bonds of the society may be issued as bonds or notes or in any other form authorized by law. The principal amount of bonds issued and outstanding under this section at any time may not exceed \$20,000,000, excluding bonds for which refunding bonds or crossover refunding bonds have been issued.

Subd. 2. [REFUNDING OF BONDS.] The society may issue bonds to refund outstanding bonds of the society, to pay any redemption premiums on those bonds, and to pay interest accrued or to accrue to the redemption date next succeeding the date of delivery of the refunding bonds. The society may apply the proceeds of any refunding bonds to the purchase or payment at maturity of the bonds to be refunded, or to the redemption of outstanding bonds on the redemption date next succeeding the date of delivery of the refunding bonds and may, pending the application, place the proceeds in escrow to be applied to the purchase, retirement, or redemption of the bonds. Pending use, escrowed proceeds may be invested and reinvested in obligations issued or guaranteed by the state or the United States or by any agency or instrumentality of the state or the United States, or in certificates of deposit or time deposits secured in a manner determined by the society, maturing at a time appropriate to assure the prompt payment of the principal and interest and redemption premiums, if any, on the bonds to be refunded. The income realized on any investment may also be applied to the payment of the bonds to be refunded. After the terms of the escrow have been fully satisfied, any balance of the proceeds and any investment income may be returned to the society for use by it in any lawful manner. All refunding bonds issued under this subdivision must be issued and secured in the manner provided by resolution of the society.

Subd. 3. [KIND OF BONDS.] Bonds issued under this section must be negotiable investment securities within the meaning and for all purposes of the Uniform Commercial Code, subject only to the provisions of the bonds for registration. The bonds issued must be limited obligations of the society not secured by its full faith and credit and payable solely from specified sources or assets.

Subd. 4. [RESOLUTION AND TERMS OF SALE.] The bonds of the society must be authorized by a resolution or resolutions adopted by the society. The bonds must bear the date or dates, mature at the time or times, bear interest at a fixed or variable rate, including a rate varying periodically at the time or times and on the terms determined by the society, or any combination of fixed and variable rates, be in the denominations, be in the form, carry the registration privileges, be executed in the manner, be payable in lawful money of the United States, at the place or places within or without the state, and be subject to the terms of redemption or purchase before maturity as the resolutions or certificates provide. If, for any reason existing at the date of issue of the bonds or existing at the date of making or purchasing any loan or securities from the proceeds or after that date, the interest on the bonds is or becomes subject to federal income taxation, this fact does not affect the validity or the provisions made for the security of the bonds. The society may

make covenants and take or have taken actions that are in its judgment necessary or desirable to comply with conditions established by federal law or regulations for the exemption of interest on its obligations. The society may refrain from compliance with those conditions if in its judgment this would serve the purposes and policies set forth in this chapter with respect to any particular issue of bonds, unless this would violate covenants made by the society. The maximum maturity of a bond, whether or not issued for the purpose of refunding, must be 30 years from its date. The bonds of the society may be sold at public or private sale, at a price or prices determined by the society; provided that:

(1) the aggregate price at which an issue of bonds is initially offered by underwriters to investors, as stated in the authority's official statement with respect to the offering, must not exceed by more than three percent the aggregate price paid by the underwriters to the society at the time of delivery;

(2) the commission paid by the society to an underwriter for placing an issue of bonds with investors must not exceed three percent of the aggregate price at which the issue is offered to investors as stated in the society's offering statement; and

(3) the spread or commission must be an amount determined by the society to be reasonable in light of the risk assumed and the expenses of issuance, if any, required to be paid by the underwriters.

Subd. 5. [EXEMPTION.] The notes and bonds of the society are not subject to sections 16C.03, subdivision 4, and 16C.05.

Subd. 6. [RESERVES; FUNDS; ACCOUNTS.] The society may establish reserves, funds, or accounts necessary to carry out the purposes of the society or to comply with any agreement made by or any resolution passed by the society.

#### Sec. 2. [37.32] [TENDER OPTION.]

An obligation may be issued giving its owner the right to tender or the society to demand tender of the obligation to the society or another person designated by it, for purchase at a specified time or times, if the society has first entered into an agreement with a suitable financial institution obligating the financial institution to provide funds on a timely basis for purchase of bonds tendered. The obligation is not considered to mature on any tender date and the purchase of a tendered obligation is not considered a payment or discharge of the obligation by the society. Obligations tendered for purchase may be remarketed by or on behalf of the society or another purchaser. The society may enter into agreements it considers appropriate to provide for the purchase and remarketing of tendered obligations, including:

(1) provisions under which undelivered obligations may be considered tendered for purchase and new obligations may be substituted for them;

(2) provisions for the payment of charges of tender agents, remarketing agents, and financial institutions extending lines of credit or letters of credit assuring repurchase; and

(3) provisions for reimbursement of advances under letters of credit that may be paid from the proceeds of the obligations or from tax and other revenues appropriated for the payment and security of the obligations and similar or related provisions.

#### Sec. 3. [37.33] [BOND FUND.]

Subdivision 1. [CREATION AND CONTENTS.] The society may establish a special fund or funds for the security of one or more or all series of its bonds. The funds must be known as debt service reserve funds. The society may pay into each debt service reserve fund:

(1) the proceeds of sale of bonds to the extent provided in the resolution or indenture authorizing the issuance of them;

(2) money directed to be transferred by the society to the debt service reserve fund; and

(3) other money made available to the society from any other source only for the purpose of the fund.

Subd. 2. [USE OF FUNDS.] Except as provided in this section, the money credited to each debt service reserve fund must be used only for the payment of the principal of bonds of the society as they mature, the purchase of the bonds, the payment of interest on them, or the payment of any premium required when the bonds are redeemed before maturity. Money in a debt service reserve fund must not be withdrawn at a time and in an amount that reduces the amount of the fund to less than the amount the society determines to be reasonably necessary for the purposes of the fund. However, money may be withdrawn to pay principal or interest due on bonds secured by the fund if other money of the society is not available.

Subd. 3. [INVESTMENT.] Money in a debt service reserve fund not required for immediate use may be invested in accordance with section 37.07.

Subd. 4. [MINIMUM AMOUNT OF RESERVE AT ISSUANCE.] If the society establishes a debt service reserve fund for the security of any series of bonds, it shall not issue additional bonds that are similarly secured if the amount of any of the debt service reserve funds at the time of issuance does not equal or exceed the minimum amount required by the resolution creating the fund, unless the society deposits in each fund at the time of issuance, from the proceeds of the bonds, or otherwise, an amount that when added together with the amount then in the fund will be at least the minimum amount required.

Subd. 5. [TRANSFER OF EXCESS.] To the extent consistent with the resolutions and indentures securing outstanding bonds, the society may at the close of a fiscal year transfer to any other fund or account from any debt service reserve fund any excess in that reserve fund over the amount determined by the society to be reasonably necessary for the purpose of the reserve fund.

#### Sec. 4. [37.34] [MONEY OF THE SOCIETY.]

The society may contract with the holders of any of its bonds as to the custody, collection, securing, investment, and payment of money of the society or money held in trust or otherwise for the payment of bonds, and to carry out the contract. Money held in trust or otherwise for the payment of bonds or in any way to secure bonds and deposits of the money may be secured in the same manner as money of the society, and all banks and trust companies are authorized to give security for the deposits.

#### Sec. 5. [37.35] [NONLIABILITY.]

Subdivision 1. [NONLIABILITY OF INDIVIDUALS.] No member of the society or other person executing the bonds is liable personally on the bonds or is subject to any personal liability or accountability by reason of their issuance.

Subd. 2. [NONLIABILITY OF STATE.] The state is not liable on bonds of the society issued under section 37.31 and those bonds are not a debt of the state. The bonds must contain on their face a statement to that effect.

#### Sec. 6. [37.36] [PURCHASE AND CANCELLATION BY SOCIETY.]

Subject to agreements with bondholders that may then exist, the society may purchase out of money available for the purpose, bonds of the society which shall then be canceled, at a price not exceeding the following amounts:

(1) if the bonds are then redeemable, the redemption price then applicable plus accrued interest to the next interest payment date of the bonds; or

(2) if the bonds are not redeemable, the redemption price applicable on the first date after the purchase upon which the bonds become subject to redemption plus accrued interest to that date.

#### Sec. 7. [37.37] [STATE PLEDGE AGAINST IMPAIRMENT OF CONTRACTS.]



The state pledges and agrees with the holders of bonds issued under section 37.31 that the state will not limit or alter the rights vested in the society to fulfill the terms of any agreements made with the bondholders or in any way impair the rights and remedies of the holders until the bonds, together with interest on them, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the bondholders, are fully met and discharged. The society may include this pledge and agreement of the state in any agreement with the holders of bonds issued under section 37.31.

Sec. 8. Minnesota Statutes 2002, section 373.01, subdivision 3, is amended to read:

Subd. 3. [CAPITAL NOTES.] A county board may, by resolution and without referendum, issue capital notes subject to the county debt limit to purchase capital equipment useful for county purposes that has an expected useful life at least equal to the term of the notes. The notes shall be payable in not more than five years and shall be issued on terms and in a manner the board determines. A tax levy shall be made for payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds. For purposes of this subdivision, "capital equipment" means public safety, ambulance, road construction or maintenance, and medical, ~~and data processing~~ equipment, and computer hardware and original operating system software.

Sec. 9. Minnesota Statutes 2002, section 373.45, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] (a) As used in this section, the following terms have the meanings given.

(b) "Authority" means the Minnesota public facilities authority.

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

(d) "Debt obligation" means a general obligation bond issued by a county, or a bond payable from a county lease obligation under section 641.24, to provide funds for the construction of:

- (1) jails;
- (2) correctional facilities;
- (3) law enforcement facilities;
- (4) social services and human services facilities; or
- (5) solid waste facilities.

Sec. 10. Minnesota Statutes 2002, section 373.47, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY TO INCUR DEBT.] (a) Subject to prior approval by the public safety radio system planning committee under section 473.907, the governing body of a county may finance the cost of designing, constructing, and acquiring public safety communication system infrastructure and equipment for use on the statewide, shared public safety radio system by issuing:

(1) capital improvement bonds under section 373.40, as if the infrastructure and equipment qualified as a "capital improvement" within the meaning of section 373.40, subdivision 1, paragraph (b); and

(2) capital notes under the provisions of section 373.01, subdivision 3, as if the equipment qualified as "capital equipment" within the meaning of section 373.01, subdivision 3.

~~(b) For purposes of this section, "county" means the following counties: Anoka, Benton, Carver, Chisago, Dakota, Dodge, Fillmore, Freeborn, Goodhue, Hennepin, Houston, Isanti, Mower, Olmsted, Ramsey, Rice, Scott, Sherburne, Steele, Wabasha, Washington, Wright, and Winona.~~

~~(c) The authority to incur debt under this section is not effective until July 1, 2003, for the~~

following counties: Benton, Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Sherburne, Steele, Wabasha, Wright, and Winona.

Sec. 11. Minnesota Statutes 2002, section 376.009, is amended to read:

376.009 [COUNTY HOSPITAL DEFINED; MAY HAVE MANY BUILDINGS, SITES.]

For the purposes of sections 376.01 to 376.06, "county hospital" means any hospital owned or operated by a county which may consist of any number of buildings at one location or any number of buildings at different locations within the county. The county board of any county that has not established a county hospital may by resolution authorize a statutory or home rule charter city in the county and its city council to exercise the powers of a county and the county board under sections 376.01 to 376.07, in which case references in sections 376.01 to 376.07 to "county" and "county board" refer to the city so designated and its governing body, respectively.

Sec. 12. Minnesota Statutes 2002, section 376.55, subdivision 3, is amended to read:

Subd. 3. [FINANCING.] The county board may transfer surplus funds from any fund except the road and bridge, sinking or drainage ditch funds for the purpose of establishing, acquiring, maintaining, enlarging, or adding to a county nursing home. When surplus funds are not available for transfer, a county board may issue bonds to pay the cost of establishing, acquiring, equipping, furnishing, enlarging, or adding to a county nursing home, subject to section 376.56.

Sec. 13. Minnesota Statutes 2002, section 376.55, is amended by adding a subdivision to read:

Subd. 7. [CITY POWERS.] The county board of any county that has not established a nursing home may by resolution authorize a statutory or home rule charter city within the county to exercise the powers of a county under sections 376.55 to 376.60. A city so designated may exercise within its boundaries all the powers of a county under sections 376.55 to 376.60.

Sec. 14. Minnesota Statutes 2002, section 376.56, subdivision 3, is amended to read:

Subd. 3. [CHAPTER 475 BONDS.] Bonds issued under section 376.55, subdivision 3, may be general obligations of the county and may be issued and sold, and taxes levied for their payment as provided under chapter 475. No election shall be required to authorize the bond issue for acquiring, improving, remodeling, or replacing an existing nursing home without increasing the total number of accommodations for residents in all nursing homes in the county. The revenues of the nursing home shall also be pledged for the payment of the bonds and for any interest and premium. Part of the proceeds may be deposited in the debt service fund for the issue, to capitalize interest and create a reserve to reduce or eliminate the tax otherwise required by section 475.61 to be levied before issuing the bonds. The remaining proceeds from the sale of the bonds and any surplus funds transferred under section 376.55, subdivision 3 must be credited to and deposited in the county nursing home building fund of the county in which the nursing home is located.

Sec. 15. Minnesota Statutes 2002, section 383B.77, subdivision 1, is amended to read:

Subdivision 1. [CREATION.] The Hennepin county housing and redevelopment authority is created in the county of Hennepin. It shall have all of the powers and duties of a housing and redevelopment authority under sections 469.001 to 469.047. For the purposes of applying the municipal housing and redevelopment act to Hennepin county, the county has all of the powers and duties of a city, the county board has all the powers and duties of a governing body, the chair of the county board has all of the powers and duties of a mayor, and, notwithstanding section 469.008, the area of operation includes the area within the territorial boundaries of the county.

Sec. 16. Minnesota Statutes 2002, section 383B.77, subdivision 2, is amended to read:

Subd. 2. [LIMITATION.] This section does not limit or restrict any existing housing and redevelopment authority or prevent a municipality from creating an authority. For purposes of this subdivision, "housing and redevelopment authority" includes any municipal department, agency, or authority of the city of Minneapolis which exercises the powers of a housing and redevelopment authority pursuant to section 469.003 or other law. The county authority shall

notify a municipal authority by January 31 of each year as to the activities the county authority plans to participate in within the municipality. The municipal authority shall notify the county authority within 45 days of the date of the notice from the county authority, if the municipal authority does not consent to the activities of the county authority. ~~The county authority shall not exercise its powers in a municipality where a housing and redevelopment authority was created under Minnesota Statutes 1969, chapter 462, before June 8, 1971, except as provided in this subdivision.~~ If a city housing and redevelopment authority requests the county housing and redevelopment authority to exercise any power or perform any function of the municipal authority, the county authority may do so.

Sec. 17. Minnesota Statutes 2002, section 410.32, is amended to read:

410.32 [CITIES MAY ISSUE CAPITAL NOTES TO BUY CAPITAL EQUIPMENT.]

Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment having and computer hardware and original operating system software, provided the equipment or software has an expected useful life at least as long as the term of the notes. The notes shall be payable in not more than five years and be issued on terms and in the manner the city determines. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the market value of taxable property in the city for that year. A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds. Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city. Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 18. [410.326] [CAPITAL IMPROVEMENT BONDS.]

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Bonds" mean an obligation defined under section 475.51.

(b) "Capital improvement" means acquisition or betterment of public lands, development rights in the form of conservation easements under chapter 84C, buildings or other improvements for the purpose of a city hall, administrative building, public safety, public works facility, parks, library, and roads and bridges. An improvement must have an expected useful life of five years or more to qualify. Capital improvement does not include light rail transit or any activity related to it or to a recreational or sports facility building, including, but not limited to, a gymnasium, ice arena, racquet sports facility, swimming pool, exercise room, or health spa, unless the building is part of an outdoor park and is incidental to the primary purpose of outdoor recreation.

(c) "City" means a home rule charter or statutory city.

Subd. 2. [ELECTION REQUIREMENT.] (a) Bonds issued by a city to finance capital improvements under an approved capital improvements plan are not subject to the election requirements of section 475.58. The bonds are subject to the net debt limits under section 475.53. The bonds must be approved by an affirmative vote of three-fifths of the members of a five-member city council. In the case of a city council having more than five members, the bonds must be approved by a vote of at least two-thirds of the city council.

(b) Before the issuance of bonds qualifying under this section, the city must publish a notice of its intention to issue the bonds and the date and time of the hearing to obtain public comment on the matter. The notice must be published in the official newspaper of the city or in a newspaper of general circulation in the city. Additionally, the notice may be posted on the official Web site, if any, of the city. The notice must be published at least 14 but not more than 28 days before the date of the hearing.

(c) A city may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of issuing the obligations, if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the city in the last general election and is filed with the city clerk within 30 days after the public hearing. The commissioner of revenue shall prepare a suggested form of the question to be presented at the election.

Subd. 3. [CAPITAL IMPROVEMENT PLAN.] (a) A city may adopt a capital improvement plan. The plan must cover at least a five-year period beginning with the date of its adoption. The plan must set forth the estimated schedule, timing, and details of specific capital improvements by year, together with the estimated cost, the need for the improvement, and sources of revenue to pay for the improvement. In preparing the capital improvement plan, the city council must consider for each project and for the overall plan:

(1) the condition of the city's existing infrastructure, including the projected need for repair or replacement;

(2) the likely demand for the improvement;

(3) the estimated cost of the improvement;

(4) the available public resources;

(5) the level of overlapping debt in the city;

(6) the relative benefits and costs of alternative uses of the funds;

(7) operating costs of the proposed improvements; and

(8) alternatives for providing services most efficiently through shared facilities with other cities or local government units.

(b) The capital improvement plan and annual amendments to it must be approved by the city council after public hearing.

Subd. 4. [LIMITATIONS ON AMOUNT.] A city may not issue bonds under this section if the maximum amount of principal and interest to become due in any year on all the outstanding bonds issued under this section, including the bonds to be issued, will equal or exceed 0.05367 percent of taxable market value of property in the county. Calculation of the limit must be made using the taxable market value for the taxes payable year in which the obligations are issued and sold. This section does not limit the authority to issue bonds under any other special or general law.

Subd. 5. [APPLICATION OF CHAPTER 475.] Bonds to finance capital improvements qualifying under this section must be issued under the issuance authority in chapter 475 and the provisions of chapter 475 apply, except as otherwise specifically provided in this section.

Sec. 19. Minnesota Statutes 2002, section 412.301, is amended to read:

412.301 [FINANCING PURCHASE OF CERTAIN EQUIPMENT.]

The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase public safety equipment, ambulance equipment, road construction or maintenance equipment, and other capital equipment having and computer hardware and original operating system software, provided the equipment or software has an expected useful life at least as long as the terms of the certificates or notes. Such certificates or notes shall be payable in not more than five years and except that certificates or notes issued after June 30, 2003, and before July 1, 2008, shall be payable in not more than ten years. The certificates or notes shall be issued on such terms and in such manner as the council may determine. If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of

voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election. A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

Sec. 20. Minnesota Statutes 2002, section 469.175, subdivision 3, is amended to read:

Subd. 3. [MUNICIPALITY APPROVAL.] A county auditor shall not certify the original net tax capacity of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the district is located. If an authority that proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. The published notice must include a map of the area of the district from which increments may be collected and, if the project area includes additional area, a map of the project area in which the increments may be expended. The hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings, and shall set forth in writing the reasons and supporting facts for each determination:

(1) that the proposed tax increment financing district is a redevelopment district, a renewal or renovation district, a housing district, a soils condition district, or an economic development district; if the proposed district is a redevelopment district or a renewal or renovation district, the reasons and supporting facts for the determination that the district meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented in writing and retained and made available to the public by the authority until the district has been terminated;

(2) that the proposed development or redevelopment, in the opinion of the municipality, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan. The requirements of this clause do not apply if the district is a qualified housing district, as defined in section 273.1399, subdivision 1;

(3) that the tax increment financing plan conforms to the general plan for the development or redevelopment of the municipality as a whole;

(4) that the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the project by private enterprise;

(5) that the municipality elects the method of tax increment computation set forth in section 469.177, subdivision 3, clause (b), if applicable.

When the municipality and the authority are not the same, the municipality shall approve or disapprove the tax increment financing plan within 60 days of submission by the authority. When the municipality and the authority are not the same, the municipality may not amend or modify a tax increment financing plan except as proposed by the authority pursuant to subdivision 4. Once approved, the determination of the authority to undertake the project through the use of tax increment financing and the resolution of the governing body shall, except as provided in subdivision 9, be conclusive of the findings therein and of the public need for the financing.

Sec. 21. Minnesota Statutes 2002, section 469.175, is amended by adding a subdivision to read:

Subd. 9. [LIMITS ON ACTIONS.] (a) A taxpayer in the county where the district is located or another person in interest may contest an action as provided in this subdivision. The procedure set out in this subdivision is the exclusive means to contest:

(1) the formation and approval or the legality of a district, or a tax financing plan or its modification;

(2) the inclusion of a parcel in a district; or

(3) the legality of the collection or retention of a tax increment from the district, or the legality of the bonds issued under a tax increment financing plan based on a defect in the formation of the district or the adoption or approval of the plan or its modification.

This restriction applies to proceedings under section 469.1771.

(b) The contestant must object in writing to the authority within 90 days after the adoption of a resolution approving a tax increment financing plan under subdivision 3 or modification of the plan under subdivision 4.

(c) After the 90-day period has expired, no government unit or state agency may contest the matters described in paragraph (a).

(d) The state auditor retains all rights and powers granted to the state auditor under section 469.1771, except to the extent otherwise provided in this subdivision.

(e) If the state auditor files a notice of noncompliance with the county attorney regarding a matter limited by this subdivision, and the notice is filed after 30 days from the adoption of the approving resolution, then in any action begun later by the county attorney under section 469.1771, subdivision 1, paragraph (b), the remedy in district court is limited to the remedies that would apply under section 469.1771, subdivision 2b, paragraphs (c) and (d), for petitions filed by the attorney general in tax court under section 469.1771, subdivision 2b, paragraph (a).

Sec. 22. Minnesota Statutes 2002, section 473.39, is amended by adding a subdivision to read:

Subd. 1j. [OBLIGATIONS.] After July 1, 2003, in addition to the authority in subdivisions 1a, 1b, 1c, 1d, 1e, 1g, 1h, and 1i, the council may issue certificates of indebtedness, bonds, or other obligations under this section in an amount not exceeding \$45,000,000 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.

[APPLICATION.] This section applies to the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 23. Minnesota Statutes 2002, section 475.58, subdivision 3b, is amended to read:

Subd. 3b. [STREET RECONSTRUCTION.] (a) A municipality may, without regard to the election requirement under subdivision 1, issue and sell obligations for street reconstruction, if the following conditions are met:

(1) the streets are reconstructed under a street reconstruction plan that describes the streets to be reconstructed, the estimated costs, and any planned reconstruction of other streets in the municipality over the next five years, and the plan and issuance of the obligations has been approved by a vote of all of the members of the governing body following a public hearing for which notice has been published in the official newspaper at least ten days but not more than 28 days prior to the hearing; and

(2) if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the last municipal general election and is filed with the municipal clerk within 30 days of the public hearing, the municipality may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of the issuance of the obligations.

(b) Obligations issued under this subdivision are subject to the debt limit of the municipality and are not excluded from net debt under section 475.51, subdivision 4.

For purposes of this subdivision, street reconstruction includes utility replacement and relocation and other activities incidental to the street reconstruction, but does not include the portion of project cost allocable to widening a street or adding curbs and gutters where none previously existed.

Sec. 24. [BONDS ISSUANCE VALIDATED.]

The provisions of Minnesota Statutes, sections 373.47, subdivision 1, and 473.907, subdivision 3, requiring prior review and approval by the public radio safety committee do not apply to the general obligation bonds issued by Anoka county in a principal amount of \$10,500,000 on November 20, 2002.

[EFFECTIVE DATE.] This section is effective upon compliance by the governing body of Anoka county with the provisions of Minnesota Statutes, section 645.021.

Sec. 25. [CORPORATE STATUS FOR CERTAIN FEDERAL TAX LAW.]

For purposes of section 1.103-1 of the federal income tax regulations, Lewis and Clark Rural Water System, Inc. is hereby recognized as a corporation authorized to act on behalf of its members, including its Minnesota member governmental units, to provide drinking water to their communities and to issue debt obligations in its own name on behalf of some or all of its members, provided that Minnesota member governmental units are not liable for the payment of principal of or interest on such obligations.

Sec. 26. [EFFECTIVE DATES.]

This article is effective the day following final enactment. Sections 20 and 21 apply to all districts, regardless of when created, and are effective the day following final enactment and for all actions commenced after November 13, 2001.

## ARTICLE 6

### DEPARTMENT INCOME, CORPORATE FRANCHISE, AND ESTATE TAX INITIATIVES

Section 1. Minnesota Statutes 2002, section 289A.10, subdivision 1, is amended to read:

Subdivision 1. [RETURN REQUIRED.] In the case of a decedent who has an interest in property with a situs in Minnesota, the personal representative must submit a Minnesota estate tax return to the commissioner, on a form prescribed by the commissioner, if:

(1) a federal estate tax return is required to be filed; or

(2) the federal gross estate exceeds \$700,000 for estates of decedents dying after December 31, 2001, and before January 1, 2004; \$850,000 for estates of decedents dying after December 31, 2003, and before January 1, 2005; \$950,000 for estates of decedents dying after December 31, 2004, and before January 1, 2006; and \$1,000,000 for estates of decedents dying after December 31, 2005.

The return must contain a computation of the Minnesota estate tax due. The return must be signed by the personal representative.

[EFFECTIVE DATE.] This section is effective for estates of decedents dying after December 31, 2002.

Sec. 2. Minnesota Statutes 2002, section 289A.19, subdivision 4, is amended to read:

Subd. 4. [ESTATE TAX RETURNS.] When in the commissioner's judgment good cause exists, the commissioner may extend the time for filing an estate tax return for not more than six

months. When an extension to file the federal estate tax return has been granted under section 6081 of the Internal Revenue Code, the time for filing the estate tax return is extended for that period.

**[EFFECTIVE DATE.]** This section is effective for estates of decedents dying after December 31, 2001.

Sec. 3. Minnesota Statutes 2002, section 289A.31, is amended by adding a subdivision to read:

Subd. 8. [LIABILITY OF VENDOR FOR REPAYMENT OF REFUND.] If an individual income tax refund resulting from claiming an education credit under section 290.0674 is paid by means of directly depositing the proceeds of the refund into a bank account controlled by the vendor of the product or service upon which the education credit is based, and the commissioner subsequently disallows the credit, the commissioner may seek repayment of the refund from the vendor. The amount of the repayment must be assessed and collected in the same time and manner as an erroneous refund under section 289A.37, subdivision 2.

**[EFFECTIVE DATE.]** This section is effective for refunds paid to accounts controlled by a vendor on or after the day following final enactment.

Sec. 4. Minnesota Statutes 2002, section 289A.56, subdivision 3, is amended to read:

Subd. 3. [WITHHOLDING TAX, ENTERTAINER WITHHOLDING TAX, WITHHOLDING FROM PAYMENTS TO OUT-OF-STATE CONTRACTORS, ESTATE TAX, AND SALES TAX OVERPAYMENTS.] When a refund is due for overpayments of withholding tax, entertainer withholding tax, or withholding from payments to out-of-state contractors, ~~or estate tax~~, interest is computed from the date of payment to the date the refund is paid or credited. For purposes of this subdivision, the date of payment is the later of the date the tax was finally due or was paid.

For the purposes of computing interest on estate tax refunds, interest is paid from the later of the date of overpayment, the date the estate tax return is due, or the date the original estate tax return is filed to the date the refund is paid.

For purposes of computing interest on sales and use tax refunds, interest is paid from the date of payment to the date the refund is paid or credited, if the refund claim includes a detailed schedule reflecting the tax periods covered in the claim. If the refund claim submitted does not include a detailed schedule reflecting the tax periods covered in the claim, interest is computed from the date the claim was filed.

**[EFFECTIVE DATE.]** This section is effective for estates of decedents dying after December 31, 2003.

Sec. 5. Minnesota Statutes 2002, section 289A.60, subdivision 7, is amended to read:

Subd. 7. [PENALTY FOR FRIVOLOUS RETURN.] If a taxpayer files what purports to be a tax return or a claim for refund but which does not contain information on which the substantial correctness of the purported return or claim for refund may be judged or contains information that on its face shows that the purported return or claim for refund is substantially incorrect and the conduct is due to a position that is frivolous or a desire that appears on the purported return or claim for refund to delay or impede the administration of Minnesota tax laws, then the individual shall pay a penalty of \$500 the greater of \$1,000 or 25 percent of the amount of tax required to be shown on the return. In a proceeding involving the issue of whether or not a person is liable for this penalty, the burden of proof is on the commissioner.

**[EFFECTIVE DATE.]** This section is effective for returns filed after December 31, 2003.

Sec. 6. Minnesota Statutes 2002, section 290.01, subdivision 19b, is amended to read:

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



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

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

(3) the amount paid to others, less the amount used to claim the credit allowed under section 290.0674, not to exceed \$1,625 for each qualifying child in grades kindergarten to 6 and \$2,500 for each qualifying child in grades 7 to 12, for tuition, textbooks, and transportation of each qualifying child in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. For the purposes of this clause, "tuition" includes fees or tuition as defined in section 290.0674, subdivision 1, clause (1). As used in this clause, "textbooks" includes books and other instructional materials and equipment purchased or leased for use in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. Equipment expenses qualifying for deduction includes expenses as defined and limited in section 290.0674, subdivision 1, clause (3). "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. For purposes of the subtraction provided by this clause, "qualifying child" has the meaning given in section 32(c)(3) of the Internal Revenue Code;

(4) income as provided under section 290.0802;

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

~~(6) to the extent not deducted in determining federal taxable income or used to claim the long-term care insurance credit under section 290.0672, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the percent limit does not apply. If the individual deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:~~

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

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

~~(7) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;~~

(8) to the extent included in federal taxable income, postservice benefits for youth community service under section 124D.42 for volunteer service under United States Code, title 42, sections 12601 to 12604;

(9) (7) 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;

(10) (8) for taxable years beginning before January 1, 2008, the amount of the federal small

ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

(11) (9) for individuals who are allowed a federal foreign tax credit for taxes that do not qualify for a credit under section 290.06, subdivision 22, an amount equal to the carryover of subnational foreign taxes for the taxable year, but not to exceed the total subnational foreign taxes reported in claiming the foreign tax credit. For purposes of this clause, "federal foreign tax credit" means the credit allowed under section 27 of the Internal Revenue Code, and "carryover of subnational foreign taxes" equals the carryover allowed under section 904(c) of the Internal Revenue Code minus national level foreign taxes to the extent they exceed the federal foreign tax credit; and

(12) (10) in each of the five tax years immediately following the tax year in which an addition is required under subdivision 19a, clause (7), an amount equal to one-fifth of the delayed depreciation. For purposes of this clause, "delayed depreciation" means the amount of the addition made by the taxpayer under subdivision 19a, clause (7), minus the positive value of any net operating loss under section 172 of the Internal Revenue Code generated for the tax year of the addition. The resulting delayed depreciation cannot be less than zero.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2003.

Sec. 7. Minnesota Statutes 2002, section 290.01, subdivision 19d, is amended to read:

Subd. 19d. [CORPORATIONS; MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME.] For corporations, there shall be subtracted from federal taxable income after the increases provided in subdivision 19c:

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

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

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

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

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

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

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

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

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

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

(iv) for capital losses incurred in taxable years beginning before January 1, 1987, a capital loss

carryover to each of the five taxable years succeeding the loss year to the extent such loss was not used in a prior taxable year and subject to the provisions of Minnesota Statutes 1986, section 290.16, shall be allowed;

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

(7) in the case of mines, oil and gas wells, other natural deposits, and timber for which percentage depletion was disallowed pursuant to subdivision 19c, clause (11), a reasonable allowance for depletion based on actual cost. In the case of leases the deduction must be apportioned between the lessor and lessee in accordance with rules prescribed by the commissioner. In the case of property held in trust, the allowable deduction must be apportioned between the income beneficiaries and the trustee in accordance with the pertinent provisions of the trust, or if there is no provision in the instrument, on the basis of the trust's income allocable to each;

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

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

(10) 80 percent of royalties, fees, or other like income accrued or received from a foreign operating corporation or a foreign corporation which is part of the same unitary business as the receiving corporation;

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

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

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

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

(15) the amount of any refund of environmental taxes paid under section 59A of the Internal Revenue Code;

(16) for taxable years beginning before January 1, 2008, the amount of the federal small ethanol producer credit allowed under section 40(a)(3) of the Internal Revenue Code which is included in gross income under section 87 of the Internal Revenue Code;

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

(18) any decrease in subpart F income, as defined in section 952(a) of the Internal Revenue

Code, for the taxable year when subpart F income is calculated without regard to the provisions of section 614 of Public Law Number 107-147; and

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

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

Sec. 8. Minnesota Statutes 2002, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, 7.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- (3) On all over \$57,710, 7.85 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$21,630, 5.35 percent;
- (2) On all over \$21,630, but not over \$86,910, 7.05 percent;
- (3) On all over \$86,910, 7.85 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section

290.01, subdivision 19a, clauses (1), (5), and (6), and reduced by the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1), (5), and (6), and reduced by the amounts specified in section 290.01, subdivision 19b, clause (1).

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2002.

Sec. 9. Minnesota Statutes 2002, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. **[CREDIT ALLOWED.]** (a) An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals 1.9125 percent of the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$5,770, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 8.5 percent of the first \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than \$13,450. The credit is reduced by 5.73 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ten percent of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is the credit less than zero.

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

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter, the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income.

(g) For tax years beginning after December 31, 2001, and before December 31, 2004, the \$5,770 in paragraph (b) is ~~increased to \$6,770~~, the \$15,080 in paragraph (c) is ~~increased to \$16,080~~, and the \$17,890 in paragraph (d) is ~~increased to \$18,890~~, after being adjusted for inflation under subdivision 7, are each increased by \$1,000 for married taxpayers filing joint returns.

(h) For tax years beginning after December 31, 2004, and before December 31, 2007, the \$5,770 in paragraph (b) is ~~increased to \$7,770~~, the \$15,080 in paragraph (c) is ~~increased to \$17,080~~, and the \$17,890 in paragraph (d) is ~~increased to \$19,890~~, after being adjusted for inflation under subdivision 7, are each increased by \$2,000 for married taxpayers filing joint returns.

(i) For tax years beginning after December 31, 2007, and before December 31, 2010, the \$5,770 in paragraph (b) is ~~increased to \$8,770~~, the \$15,080 in paragraph (c) is ~~increased to \$18,080~~, and the \$17,890 in paragraph (d) is ~~increased to \$20,890~~, after being adjusted for inflation under subdivision 7, are each increased by \$3,000 for married taxpayers filing joint returns. For tax years beginning after December 31, 2008, the \$3,000 is adjusted annually for inflation under subdivision 7.

(j) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2002.

Sec. 10. Minnesota Statutes 2002, section 290.0675, subdivision 2, is amended to read:

Subd. 2. [CREDIT ALLOWED.] A married couple filing a joint return is allowed a credit against the tax imposed under section 290.06.

~~The minimum taxable income for the married couple to be eligible for the credit is \$25,680, and the minimum earned income in order for the couple to be eligible for the credit is \$14,250 for each spouse.~~

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2002.

Sec. 11. Minnesota Statutes 2002, section 290.0675, subdivision 3, is amended to read:

Subd. 3. [CREDIT AMOUNT.] The credit amount is the difference between the tax on the couple's joint Minnesota taxable income under the rates and income levels in section 290.06, subdivision 2c, paragraph (a), as adjusted for the taxable year by section 290.06, subdivision 2d, and the sum of the tax under the rates and income levels of section 290.06, subdivision 2c, paragraph (b), as adjusted for the taxable year by section 290.06, subdivision 2d, on the earned income of the lesser-earning spouse, and the tax under the rates and income levels of section 290.06, subdivision 2c, paragraph (b), as adjusted for the taxable year by section 290.06, subdivision 2d, on the couple's joint Minnesota taxable income, minus the earned income of the lesser-earning spouse.

The commissioner of revenue shall prepare and make available to taxpayers a comprehensive table showing the credit under this section at brackets of earnings of the lesser-earning spouse and joint taxable income. The brackets of earnings shall not be more than \$2,000.

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2002.

Sec. 12. Minnesota Statutes 2002, section 290.0679, subdivision 2, is amended to read:

Subd. 2. [CONDITIONS FOR ASSIGNMENT.] A qualifying taxpayer may assign all or part of an anticipated refund for the current and future taxable years to a financial institution or a qualifying organization. A financial institution or qualifying organization accepting assignment must pay the amount secured by the assignment to a third-party vendor. The commissioner of children, families, and learning shall ~~provide a list of categories of~~, upon request from a third-party vendor, ~~certify that the vendor's products and services that qualify for the education credit to financial institutions and qualifying organizations. A denial of a certification is subject to the contested case procedure under chapter 14.~~ A financial institution or qualifying organization that accepts assignments under this section must verify as part of the assignment documentation that the product or service to be provided by the third-party vendor ~~qualifies~~ has been certified by the commissioner of children, families, and learning as qualifying for the education credit. The amount assigned for the current and future taxable years may not exceed the maximum allowable education credit for the current taxable year. Both the taxpayer and spouse must consent to the assignment of a refund from a joint return.

**[EFFECTIVE DATE.]** This section is effective for assignments made on or after the day following final enactment.

Sec. 13. Minnesota Statutes 2002, section 290.0802, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following terms have the meanings given.

(a) "Adjusted gross income" means federal adjusted gross income as used in section 22(d) of the Internal Revenue Code for the taxable year, plus a lump sum distribution as defined in section 402(e)(3) of the Internal Revenue Code, and less any pension, annuity, or disability benefits included in federal gross income but not subject to state taxation other than the subtraction allowed under section 290.01, subdivision 19b, clause (4).

(b) "Disability income" means disability income as defined in section 22(c)(2)(B)(iii) of the Internal Revenue Code.

(c) "Nontaxable retirement and disability benefits" means the amount of pension, annuity, or disability benefits that would be included in the reduction under section 22(c)(3) of the Internal Revenue Code and pension, annuity, or disability benefits included in federal gross income but not subject to state taxation other than the subtraction allowed under section 290.01, subdivision 19b, clause (4).

(d) "Qualified individual" means a qualified individual as defined in section 22(b) of the Internal Revenue Code.

~~(e) "Social security benefits above the second federal threshold" means the amount of social security benefits included in federal taxable income due to the provisions of section 13215 of the Omnibus Budget Reconciliation Act of 1993, Public Law Number 103-66.~~

**[EFFECTIVE DATE.]** This section is effective for tax years beginning after December 31, 2002.

Sec. 14. Minnesota Statutes 2002, 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 pensions exempt from tax under this chapter pursuant to section 352.15, subdivision 1; 353.15, subdivision 1; 354.10, subdivision 1; 354B.30; or 354C.165, 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, ~~2000~~ 2002.

**[EFFECTIVE DATE.]** This section is effective for estates of decedents dying after December 31, 2002.

Sec. 15. Minnesota Statutes 2002, section 291.03, subdivision 1, is amended to read:

Subdivision 1. [TAX AMOUNT.] The tax imposed shall be an amount equal to the proportion of the maximum credit computed under section 2011 of the Internal Revenue Code, as amended through December 31, 2000, for state death taxes as the Minnesota gross estate bears to the value of the federal gross estate. ~~For a resident decedent, the tax shall be the maximum credit computed under section 2011 of the Internal Revenue Code reduced by the amount of the death tax paid the other state and credited against the federal estate tax if this results in a larger amount of tax than the proportionate amount of the credit.~~ The tax determined under this paragraph shall not be greater than the federal estate tax computed under section 2001 of the Internal Revenue Code after the allowance of the federal credits allowed under section 2010 of the Internal Revenue Code of 1986, as amended through December 31, 2000. For the purposes of this section, expenses which are deducted for federal income tax purposes under section 642(g) of the Internal Revenue Code as amended through December 31, 2002, are not allowable in computing the tax under this chapter.

**[EFFECTIVE DATE.]** This section is effective for estates of decedents dying after December 31, 2002.

Sec. 16. Minnesota Statutes 2002, section 352.15, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTION; EXCEPTIONS.] None of the money, annuities, or other benefits mentioned in this chapter is assignable either in law or in equity or subject to state estate tax, ~~or to~~ execution, levy, attachment, garnishment, or other legal process, except as provided in subdivision 1a or section 518.58, 518.581, or 518.6111.

**[EFFECTIVE DATE.]** This section is effective for estates of decedents dying after December 31, 2002.

Sec. 17. Minnesota Statutes 2002, section 353.15, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTION; EXCEPTIONS.] No money, annuity, or benefit provided for in this chapter is assignable or subject to ~~any state estate tax, or to~~ execution, levy, attachment, garnishment, or legal process, except as provided in subdivision 2 or section 518.58, 518.581, or 518.6111.

**[EFFECTIVE DATE.]** This section is effective for estates of decedents dying after December 31, 2002.

Sec. 18. Minnesota Statutes 2002, section 354.10, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTION; EXCEPTIONS.] The right of a teacher to take advantage of the benefits provided by this chapter, is a personal right only and is not assignable. All money to the credit of a teacher's account in the fund or any money payable to the teacher from the fund belongs to the state of Minnesota until actually paid to the teacher or a beneficiary under this chapter. The association may acknowledge a properly completed power of attorney form. An assignment or attempted assignment of a teacher's interest in the fund, or of the beneficiary's interest in the fund, by a teacher or a beneficiary is void and exempt ~~from taxation under chapter 291 and~~ from garnishment or levy under attachment or execution, except as provided in subdivision 2 or 3, or section 518.58, 518.581, or 518.6111.

**[EFFECTIVE DATE.]** This section is effective for estates of decedents dying after December 31, 2002.

Sec. 19. Minnesota Statutes 2002, section 354B.30, is amended to read:



## 354B.30 [PROHIBITION ON LOANS OR PRETERMINATION DISTRIBUTIONS.]

(a) No participant may obtain a loan from the plan or obtain any distribution from the plan at a time before the participant terminates the employment that gave rise to plan coverage.

(b) No amounts to the credit of the plan are assignable either in law or in equity, ~~are subject to state estate tax,~~ or are subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518.6111.

**[EFFECTIVE DATE.]** This section is effective for estates of decedents dying after December 31, 2002.

Sec. 20. Minnesota Statutes 2002, section 354C.165, is amended to read:

## 354C.165 [PROHIBITION ON LOANS OR PRETERMINATION DISTRIBUTIONS.]

(a) Except as provided in paragraph (c), no participant may obtain a loan or any distribution from the plan before the participant terminates the employment that gave rise to plan coverage.

(b) No amounts to the credit of the plan are assignable either in law or in equity, ~~are subject to state estate tax,~~ or are subject to execution, levy, attachment, garnishment, or other legal process, except as provided in section 518.58, 518.581, or 518.6111.

(c) Unless prohibited by or subject to a penalty under federal law, a teacher who is a participant in the supplemental retirement plan may request, in writing, a transfer of all or a portion of the funds accumulated in the person's supplemental plan account to the teachers retirement association to purchase service credit under sections 354.53, 354.533, 354.534, 354.535, 354.536, 354.537, and 354.538 or to the teachers retirement fund association to purchase service credit under sections 354A.097, 354A.098, 354A.099, 354A.101, 354A.102, 354A.103, and 354A.104. Upon receipt of a valid request, the board shall execute the transfer. The transfer must be a fund-to-fund transfer, and in no event shall the participant directly receive any of the funds while still employed by the board. In no event may the board transfer more than the participant's account balance. The board, in cooperation with the executive director of the teachers retirement association, shall develop the forms for requesting a transfer and the procedures for executing the requested transfers.

**[EFFECTIVE DATE.]** This section is effective for estates of decedents dying after December 31, 2002.

Sec. 21. Laws 2001, First Special Session chapter 5, article 9, section 12, the effective date, is amended to read:

**[EFFECTIVE DATE.]** This section is effective for assignment of refunds filed with the commissioner after December 31, 2001. ~~The time period for filing assignments expires December 31, 2003, but assignments filed on or before that date remain in effect until satisfied or canceled.~~

## Sec. 22. [REPEALER.]

(a) Minnesota Statutes 2002, sections 290.0671, subdivision 3; and 290.0675, subdivision 5, are repealed effective for tax years beginning after December 31, 2002.

(b) Minnesota Rules, parts 8007.0300, subpart 3; 8009.7100; 8009.7200; 8009.7300; 8009.7400; and 8092.1000, are repealed effective the day following final enactment.

## ARTICLE 7

## FEDERAL UPDATE

Section 1. Minnesota Statutes 2002, 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 ~~March 15~~ December 31, 2002.

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

Sec. 2. Minnesota Statutes 2002, 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 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, the provisions of section 4003 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, and the provisions of section 318 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

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

The provisions of sections 202(a) and (b), 221(a), 225, 312, 313, 913(a), 934, 962, 1004, 1005, 1052, 1063, 1084(a) and (c), 1089, 1112, 1171, 1204, 1271(a) and (b), 1305(a), 1306, 1307, 1308, 1309, 1501(b), 1502(b), 1504(a), 1505, 1527, 1528, 1530, 1601(d), (e), (f), and (i) and 1602(a), (b), (c), and (e) of the Taxpayer Relief Act of 1997, Public Law Number 105-34, the provisions of sections 6004, 6005, 6012, 6013, 6015, 6016, 7002, and 7003 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 3001 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, the provisions of section 3001 of the Miscellaneous Trade and Technical Corrections Act of 1999, Public Law Number 106-36, and the provisions of section 316 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

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

The provisions of sections 5002, 6009, 6011, and 7001 of the Internal Revenue Service Restructuring and Reform Act of 1998, Public Law Number 105-206, the provisions of section 9010 of the Transportation Equity Act for the 21st Century, Public Law Number 105-178, the provisions of sections 1004, 4002, and 5301 of the Omnibus Consolidation and Emergency Supplemental Appropriations Act, 1999, Public Law Number 105-277, the provision of section 303 of the Ricky Ray Hemophilia Relief Fund Act of 1998, Public Law Number 105-369, the provisions of sections 532, 534, 536, 537, and 538 of the Ticket to Work and Work Incentives Improvement Act of 1999, Public Law Number 106-170, the provisions of the Installment Tax Correction Act of 2000, Public Law Number 106-573, and the provisions of section 309 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, shall become effective at the time they become effective for federal purposes.

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

The provisions of the FSC Repeal and Extraterritorial Income Exclusion Act of 2000, Public Law Number 106-519, and the provision of section 412 of the Job Creation and Worker Assistance Act of 2002, Public Law Number 107-147, shall become effective at the time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 1999, shall be in effect for taxable years beginning after December 31, 1999. The provisions of sections 306 and 401 of the Consolidated Appropriation Act of 2001, Public Law Number 106-554, and the provision of section 632(b)(2)(A) of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law Number 107-16, and provisions of sections 101 and 402 of the Job Creation and Worker Assistance Act of 2002, Public Law Number 107-147, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 2000, shall be in effect for taxable years beginning after December 31, 2000. The provisions of sections 659a and 671 of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law Number 107-16, the provisions of sections 104, 105, and 111 of the Victims of Terrorism Tax Relief Act of 2001, Public Law Number 107-134, and the provisions of sections 201, 403, 413, and 606 of the Job Creation and Worker Assistance Act of 2002, Public Law Number 107-147, shall become effective at the same time it became effective for federal purposes.

The Internal Revenue Code of 1986, as amended through March 15, 2002, shall be in effect for taxable years beginning after December 31, 2001.

The provisions of sections 101 and 102 of the Victims of Terrorism Tax Relief Act of 2001, Public Law Number 107-134, shall become effective at the same time it becomes effective for federal purposes.

The Internal Revenue Code of 1986, as amended through December 31, 2002, shall be in effect for taxable years beginning after December 31, 2002.

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

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

Sec. 3. Minnesota Statutes 2002, 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 ~~March 15~~ December 31, 2002.

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

Sec. 4. Minnesota Statutes 2002, 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 ~~March 15~~ December 31, 2002.

[EFFECTIVE DATE.] This section is effective for refunds payable for rents paid in 2003 and thereafter and property taxes payable in 2004 and thereafter.

#### ARTICLE 8

#### DEPARTMENT PROPERTY TAX INITIATIVES

Section 1. Minnesota Statutes 2002, section 270.06, is amended to read:

#### 270.06 [POWERS AND DUTIES.]

The commissioner of revenue shall:

(1) have and exercise general supervision over the administration of the assessment and taxation laws of the state, over assessors, town, county, and city boards of review and equalization, and all other assessing officers in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state;

(2) confer with, advise, and give the necessary instructions and directions to local assessors and local boards of review throughout the state as to their duties under the laws of the state;

(3) direct proceedings, actions, and prosecutions to be instituted to enforce the laws relating to the liability and punishment of public officers and officers and agents of corporations for failure or negligence to comply with the provisions of the laws of this state governing returns of assessment and taxation of property, and cause complaints to be made against local assessors, members of boards of equalization, members of boards of review, or any other assessing or taxing officer, to the proper authority, for their removal from office for misconduct or negligence of duty;

(4) require county attorneys to assist in the commencement of prosecutions in actions or proceedings for removal, forfeiture and punishment for violation of the laws of this state in respect to the assessment and taxation of property in their respective districts or counties;

(5) require town, city, county, and other public officers to report information as to the assessment of property, collection of taxes received from licenses and other sources, and such other information as may be needful in the work of the department of revenue, in such form and upon such blanks as the commissioner may prescribe;

(6) require individuals, copartnerships, companies, associations, and corporations to furnish information concerning their capital, funded or other debt, current assets and liabilities, earnings, operating expenses, taxes, as well as all other statements now required by law for taxation purposes;

(7) subpoena witnesses, at a time and place reasonable under the circumstances, to appear and give testimony, and to produce books, records, papers and documents for inspection and copying relating to any matter which the commissioner may have authority to investigate or determine;

(8) issue a subpoena which does not identify the person or persons with respect to whose liability the subpoena is issued, but only if (a) the subpoena relates to the investigation of a particular person or ascertainable group or class of persons, (b) there is a reasonable basis for believing that such person or group or class of persons may fail or may have failed to comply with any law administered by the commissioner, (c) the information sought to be obtained from the examination of the records (and the identity of the person or persons with respect to whose liability the subpoena is issued) is not readily available from other sources, (d) the subpoena is clear and specific as to the information sought to be obtained, and (e) the information sought to be obtained is limited solely to the scope of the investigation. Provided further that the party served with a subpoena which does not identify the person or persons with respect to whose tax liability the subpoena is issued shall have the right, within 20 days after service of the subpoena, to petition

the district court for the judicial district in which lies the county in which that party is located for a determination as to whether the commissioner of revenue has complied with all the requirements in (a) to (e), and thus, whether the subpoena is enforceable. If no such petition is made by the party served within the time prescribed, the subpoena shall have the force and effect of a court order;

(9) cause the deposition of witnesses residing within or without the state, or absent therefrom, to be taken, upon notice to the interested party, if any, in like manner that depositions of witnesses are taken in civil actions in the district court, in any matter which the commissioner may have authority to investigate or determine;

(10) investigate the tax laws of other states and countries and to formulate and submit to the legislature such legislation as the commissioner may deem expedient to prevent evasions of assessment and taxing laws, and secure just and equal taxation and improvement in the system of assessment and taxation in this state;

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

(12) transmit to the governor, on or before the third Monday in December of each even-numbered year, and to each member of the legislature, on or before November 15 of each even-numbered year, the report of the department of revenue for the preceding years, showing all the taxable property in the state and the value of the same, in tabulated form;

(13) inquire into the methods of assessment and taxation and ascertain whether the assessors faithfully discharge their duties, particularly as to their compliance with the laws requiring the assessment of all property not exempt from taxation;

(14) administer and enforce the assessment and collection of state taxes and fees, including the use of any remedy available to nongovernmental creditors, and, from time to time, make, publish, and distribute rules for the administration and enforcement of ~~assessments and fees~~ laws administered by the commissioner and state tax laws. The rules have the force of law;

(15) prepare blank forms for the returns required by state tax law and distribute them throughout the state, furnishing them subject to charge on application;

(16) prescribe rules governing the qualification and practice of agents, attorneys, or other persons representing taxpayers before the commissioner. The rules may require that those persons, agents, and attorneys show that they are of good character and in good repute, have the necessary qualifications to give taxpayers valuable services, and are otherwise competent to advise and assist taxpayers in the presentation of their case before being recognized as representatives of taxpayers. After due notice and opportunity for hearing, the commissioner may suspend and bar from further practice before the commissioner any person, agent, or attorney who is shown to be incompetent or disreputable, who refuses to comply with the rules, or who with intent to defraud, willfully or knowingly deceives, misleads, or threatens a taxpayer or prospective taxpayer, by words, circular, letter, or by advertisement. This clause does not curtail the rights of individuals to appear in their own behalf or partners or corporations' officers to appear in behalf of their respective partnerships or corporations;

(17) appoint agents as the commissioner considers necessary to make examinations and determinations. The agents have the rights and powers conferred on the commissioner to subpoena, examine, and copy books, records, papers, or memoranda, subpoena witnesses, administer oaths and affirmations, and take testimony. In addition to administrative subpoenas of the commissioner and the agents, upon demand of the commissioner or an agent, the court administrator of any district court shall issue a subpoena for the attendance of a witness or the production of books, papers, records, or memoranda before the agent for inspection and copying. Disobedience of a court administrator's subpoena shall be punished by the district court of the district in which the subpoena is issued, or in the case of a subpoena issued by the commissioner or an agent, by the district court of the district in which the party served with the subpoena is located, in the same manner as contempt of the district court;

(18) appoint and employ additional help, purchase supplies or materials, or incur other expenditures in the enforcement of state tax laws as considered necessary. The salaries of all agents and employees provided for in this chapter shall be fixed by the appointing authority, subject to the approval of the commissioner of administration;

(19) execute and administer any agreement with the secretary of the treasury of the United States or a representative of another state regarding the exchange of information and administration of the tax laws;

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

(21) exercise other powers and perform other duties required of or imposed upon the commissioner of revenue by law.

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

Sec. 2. Minnesota Statutes 2002, section 270.10, subdivision 1a, is amended to read:

Subd. 1a. **[NOTIFICATION TO TAXPAYER.]** At the same time that notice of the assessment, determination, or order of the commissioner is given to a taxpayer, the taxpayer must be notified in writing of the right to appeal to the tax court, and if applicable, to the small claims division. Except in the case of mathematical or clerical errors, the notice must contain a description of the basis for, including applicable law and other factors considered in the determination, and a listing of the amounts of tax due, interest, additions to tax, and penalties. Failure to provide all the required information does not invalidate the notice for purposes of satisfying statutory notice requirements if the notice contains sufficient information to advise the taxpayer that an assessment, order, or other determination has been made. The taxpayer may request further clarification within the time provided for appealing the determination. ~~In any notice of assessment, determination, or order dealing with property valuation or assessment for property tax purposes by the commissioner of revenue or a local unit of government, the taxpayer must be notified in writing that a taxpayer must appeal to the town or city board of equalization and to the county board of equalization before appealing to the small claims division of the tax court, except for those taxpayers whose original assessments are determined by the commissioner of revenue.~~

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

Sec. 3. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 56. **[COMPREHENSIVE HEALTH ASSOCIATION.]** All property owned by the comprehensive health association is exempt to the extent provided in section 62E.10, subdivision 1.

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

Sec. 4. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 57. **[PRIVATE CEMETERIES.]** All property owned by private cemeteries is exempt to the extent provided in section 307.09.

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

Sec. 5. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 58. **[WESTERN LAKE SUPERIOR SANITARY BOARD.]** All property owned, leased, controlled, used, or occupied for public, governmental, and municipal purposes by the Western Lake Superior Sanitary Board is exempt to the extent provided in section 458D.23.

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

Sec. 6. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 59. [UNFINISHED SALE OR RENTAL PROJECTS.] Unfinished sale or rental projects are exempt to the extent provided in section 469.155, subdivision 17.

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

Sec. 7. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 60. [SKYWAYS.] The pedestrian skyway system, underground pedestrian concourse, the people mover system, and publicly owned parking structures are exempt to the extent provided in section 469.127.

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

Sec. 8. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 61. [MUNICIPAL RECREATION FACILITIES.] All property acquired and used by a city is exempt to the extent provided in section 471.191, subdivision 4.

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

Sec. 9. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 62. [WATER AND WASTEWATER TREATMENT FACILITIES.] Related facilities owned by water and wastewater treatment providers who have contracted with a municipality to provide capital intensive public services to the municipality are exempt to the extent provided in section 471A.05.

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

Sec. 10. Minnesota Statutes 2002, section 272.12, is amended to read:

272.12 [CONVEYANCES, TAXES PAID BEFORE RECORDING.]

When:

- (a) a deed or other instrument conveying land,
- (b) a plat of any town site or addition thereto,
- (c) a survey required pursuant to section 508.47,
- (d) a condominium plat subject to chapter 515 or 515A or a declaration that contains such a plat, or
- (e) a common interest community plat subject to chapter 515B or a declaration that contains such a plat,

is presented to the county auditor for transfer, the auditor shall ascertain from the records if there be taxes delinquent upon the land described therein, or if it has been sold for taxes. An assignment of a sheriff's or referee's certificate of sale, when the certificate of sale describes real estate, and certificates of redemption from mortgage or lien foreclosure sales, when the certificate of redemption encompasses real estate and is issued to a junior creditor, are considered instruments conveying land for the purposes of this section and section 272.121. If there are taxes delinquent, the auditor shall certify to the same; and upon payment of such taxes, or in case no taxes are delinquent, shall transfer the land upon the books of the auditor's office, and note upon the instrument, over official signature, the words, "no delinquent taxes and transfer entered," or, if the land described has been sold or assigned to an actual purchaser for taxes, the words "paid by sale of land described within;" and, unless such statement is made upon such instrument, the county recorder or the registrar of titles shall refuse to receive or record the same; provided, that sheriff's or referees' certificates of sale on execution or foreclosure of a lien or mortgage, certificates of redemption from mortgage or lien foreclosure sales issued to the redeeming mortgagor or lienee,

deeds of distribution made by a personal representative in probate proceedings, decrees and judgments, receivers receipts, patents, and copies of town or statutory city plats, in case the original plat filed in the office of the county recorder has been lost or destroyed, and the instruments releasing, removing and discharging reversionary and forfeiture provisions affecting title to land and instruments releasing, removing or discharging easement rights in land or building or other restrictions, may be recorded without such certificate; and, provided that instruments conveying land and, as appurtenant thereto an easement over adjacent tract or tracts of land, may be recorded without such certificate as to the land covered by such easement; and provided further, that any instrument granting an easement made in favor of any public utility or pipe line for conveying gas, liquids or solids in suspension, in the nature of a right-of-way over, along, across or under a tract of land may be recorded without such certificate as to the land covered by such easement. ~~Any instrument amending or restating the declarations, bylaws, plats, or other enabling Documents governing homeowners associations of condominiums, townhouses, common interest ownership communities, and other planned unit developments may be recorded without the auditor's certificate to the extent provided in section 515B.1-116(f).~~

A deed of distribution made by a personal representative in a probate proceeding, a decree, or a judgment that conveys land shall be presented to the county auditor, who shall transfer the land upon the books of the auditor's office and note upon the instrument, over official signature, the words, "transfer entered", and the instrument may then be recorded. A decree or judgment that affects title to land but does not convey land may be recorded without presentation to the auditor.

A violation of this section by the county recorder or the registrar of titles shall be a gross misdemeanor, and, in addition to the punishment therefor, the recorder or registrar shall be liable to the grantee of any instrument so recorded for the amount of any damages sustained.

When, as a condition to permitting the recording of deed or other instrument affecting the title to real estate previously forfeited to the state under the provisions of sections 281.16 to 281.25, county officials, after such real estate has been purchased or repurchased, have required the payment of taxes erroneously assumed to have accrued against such real estate after forfeiture and before the date of purchase or repurchase, the sum required to be so paid shall be refunded to the persons entitled thereto out of moneys in the funds in which the sum so paid was placed. Delinquent taxes are those taxes deemed delinquent under section 279.02.

**[EFFECTIVE DATE.]** This section is effective for deeds or instruments accepted for recording or registration on or after July 1, 2003.

Sec. 11. Minnesota Statutes 2002, section 273.05, subdivision 1, is amended to read:

Subdivision 1. **[APPOINTMENT OF TOWN AND CITY ASSESSORS.]** Notwithstanding any other provision of law all town assessors shall be appointed by the town board, and notwithstanding any charter provisions to the contrary, all city assessors shall be appointed by the city council or other appointing authority as provided by law or charter. ~~Such assessors shall be residents of the state but need not be a resident of the town or city for which they are appointed.~~ They shall be selected and appointed because of their knowledge and training in the field of property taxation. All town and statutory city assessors shall be appointed for indefinite terms. A town or statutory city assessor who is an employee may be dismissed by the appointing authority for cause. The term of the town or city assessors may be terminated at any time by the town board or city council on charges by the commissioner of revenue of inefficiency or neglect of duty. Vacancies in the office of town or city assessor shall be filled within 90 days by appointment of the respective appointing authority indicated above. If the vacancy is not filled within 90 days, the office shall be terminated. When a vacancy in the office of town or city assessor is not filled by appointment, and it is imperative that the office of assessor be filled, the county auditor shall appoint some resident of the county as assessor for such town or city. The county auditor may appoint the county assessor as assessor for such town or city, in which case the town or city shall pay to the county treasurer the amount determined by the county auditor to be due for the services performed and expenses incurred by the county assessor in acting as assessor for such town or city. The term of any town or statutory city assessor in a county electing in accordance with section 273.052 shall be terminated as provided in section 273.055.



The commissioner of revenue may recommend to the state board of assessors the nonrenewal, suspension, or revocation of an assessor's license as provided in sections 270.41 to 270.53.

[EFFECTIVE DATE.] This section is effective the day following final enactment and applies to every town or city assessor whether that assessor was appointed before, on, or after the effective date.

Sec. 12. Minnesota Statutes 2002, section 273.061, is amended by adding a subdivision to read:

Subd. 1a. [COMPATIBLE OFFICES.] A person appointed as the county assessor also may serve as the county auditor, county treasurer, or county auditor-treasurer if those offices are appointive, provided that the person in the combined appointed office must not serve on the county board of appeal and equalization under section 274.13. In a county in which the functions of the county assessor are combined with those of the county auditor or county auditor-treasurer, the county board may not delegate any authority, power, or responsibility under section 375.192, subdivision 4.

Sec. 13. Minnesota Statutes 2002, section 273.061, is amended by adding a subdivision to read:

Subd. 1b. [COMPATIBLE OFFICES IN COUNTIES CHANGING TO APPOINTED AUDITOR.] In a county in which the office of auditor, treasurer, or auditor-treasurer is an elective position, a person appointed as the county assessor also may serve as the county auditor, county treasurer, or county auditor-treasurer if a proposal to make the affected office appointive has been approved as required by other law and will be effective within five years.

Sec. 14. Minnesota Statutes 2002, section 273.061, is amended by adding a subdivision to read:

Subd. 1c. [INCOMPATIBLE OFFICES.] The person appointed as the county assessor must not also be the county attorney, a county board member, an elected county auditor, an elected county treasurer, an elected county auditor-treasurer, a town board supervisor for a town in the same county, or a city mayor or council member for a city in the same county. The person appointed as the city assessor must not also be a city council member or mayor for the same city. A person appointed as the town assessor must not also be a town board supervisor for the same town. Except as provided in subdivision 1b, an assessor who accepts a position that is incompatible with the office of assessor is deemed to have resigned from the assessor position.

Sec. 15. Minnesota Statutes 2002, section 273.11, subdivision 1a, is amended to read:

Subd. 1a. [LIMITED MARKET VALUE.] In the case of all property classified as agricultural homestead or nonhomestead, residential homestead or nonhomestead, timber, or noncommercial seasonal residential recreational residential, the assessor shall compare the value with the taxable portion of the value determined in the preceding assessment.

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

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

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

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

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

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

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

For purposes of the assessment/sales ratio study conducted under section 127A.48, and the computation of state aids paid under chapters 122A, 123A, 123B, 124D, 125A, 126C, 127A, and 477A, market values and net tax capacities determined under this subdivision and subdivision 16, shall be used.

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

Sec. 16. Minnesota Statutes 2002, 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 held by a trustee under a trust is eligible for homestead classification if the requirements under this chapter are satisfied.

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

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

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

(c) Residential real estate that is occupied and used for purposes of a homestead by a relative of the owner is a homestead but only to the extent of the homestead treatment that would be provided if the related owner occupied the property. For purposes of this paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild, grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship may be by blood or marriage. Property that has been classified as seasonal residential 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 residential recreational residential property at the time when the residence was constructed. Neither the

related occupant nor the owner of the property may claim a property tax refund under chapter 290A for a homestead occupied by a relative. In the case of a residence located on agricultural land, only the house, garage, and immediately surrounding one acre of land shall be classified as a homestead under this paragraph, except as provided in paragraph (d).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 17. Minnesota Statutes 2002, section 273.13, subdivision 25, is amended to read:

Subd. 25. [CLASS 4.] (a) Class 4a is residential real estate containing four or more units and used or held for use by the owner or by the tenants or lessees of the owner as a residence for rental periods of 30 days or more. Class 4a also includes hospitals licensed under sections 144.50 to 144.56, other than hospitals exempt under section 272.02, and contiguous property used for hospital purposes, without regard to whether the property has been platted or subdivided. The market value of class 4a property has a class rate of 1.8 percent for taxes payable in 2002, 1.5 percent for taxes payable in 2003, and 1.25 percent for taxes payable in 2004 and thereafter, except that class 4a property consisting of a structure for which construction commenced after June 30, 2001, has a class rate of 1.25 percent of market value for taxes payable in 2003 and subsequent years.

(b) Class 4b includes:

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

(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; and

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

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

(c) Class 4bb includes:

(1) nonhomestead residential real estate containing one unit, other than seasonal residential, ~~and recreational~~ property; 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 property has the same class rates as class 1a property under subdivision 22.

Property that has been classified as seasonal ~~recreational~~ residential recreational 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 residential 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;

(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;

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

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

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

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

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

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

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

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

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

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

Class 4c property has a class rate of 1.5 percent of market value, except that (i) each parcel of seasonal residential recreational property not used for commercial purposes has the same class rates as class 4bb property, (ii) manufactured home parks assessed under clause (5) have the same class rate as class 4b property, (iii) commercial-use seasonal residential recreational property has a class rate of one percent for the first \$500,000 of market value, which includes any market value receiving the one percent rate under subdivision 22, and 1.25 percent for the remaining market value, (iv) the market value of property described in clause (4) has a class rate of one percent, (v) the market value of property described in clauses (2) and (6) has a class rate of 1.25 percent, and (vi) that portion of the market value of property in clause (8) qualifying for class 4c property has a class rate of 1.25 percent.

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

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

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

Sec. 18. Minnesota Statutes 2002, section 273.1398, subdivision 4b, is amended to read:

Subd. 4b. [COURT EXPENDITURES; MAINTENANCE OF EFFORT.] (a) Until the costs of court administration as defined under section 480.183, subdivision 3, in a county have been transferred to the state, each county in a judicial district transferring court administration costs to state funding after July 1, 2001, shall budget for the funding of these costs an amount at least equal to the certified budget amount for calendar year 2001, increased by six percent for each year from 2001 to 2003 and by eight percent from 2004 to the year of the transfer. The county shall budget, fund, and authorize expenditures not less than the amount calculated under this paragraph ~~plus the temporary aid amount under subdivision 4c for maintenance of effort of administrative costs.~~

(b) By July 15, 2001, the court shall certify to each county in the judicial district its cost of court administration as defined under section 480.183, subdivision 3, based on 2001 budgets. In making that determination, the court shall exclude the budget costs of the county for the following categories:

- (1) rent;
- (2) examiner of titles;
- (3) civil court appointed attorneys for civil matters;
- (4) hospitalization costs; and
- (5) cost of maintaining vital statistics.

The amount of funding provided by a county for courts that is increased by the maintenance of effort requirement may not be used by a county to pay the costs described in clauses (1) to (5).

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

Sec. 19. Minnesota Statutes 2002, section 273.1398, subdivision 4d, is amended to read:

Subd. 4d. [AID OFFSET FOR OUT-OF-HOME PLACEMENT COSTS.] For aid payable in 2004, each county's aid under subdivision 2 shall be permanently reduced by an amount equal to the county's 2004 reimbursement for nonfederal expenditures for out-of-home placements, as provided in section 245.775, provided that payments will be made under section 477A.0123 in calendar year 2004. The counties shall provide all information requested by the commissioner of human services necessary to allow the commissioner to certify the previous three years' average nonfederal costs to the commissioner of revenue by July 15, ~~2004~~ 1, 2003. The aid reduction under this subdivision must not exceed the difference between (1) the amount of aid calculated for the county for calendar year 2004 under subdivision 2, including any addition under section 477A.07, and (2) the amount of any aid reductions for the state takeover of courts contained in Laws 2001, First Special Session chapter 5, article 5.

**[EFFECTIVE DATE.]** This section is effective for aids payable in 2004 and thereafter.

Sec. 20. Minnesota Statutes 2002, section 273.372, is amended to read:

273.372 [PROCEEDINGS AND APPEALS; UTILITY OR RAILROAD VALUATIONS.]

An appeal by a utility or railroad company concerning the exemption, valuation, or classification ~~on~~ of property for which the commissioner of revenue has provided the city or county assessor with ~~commissioner's orders~~ valuations by order, or for which the commissioner has recommended values to the city or county assessor, 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~~ from an order of the commissioner, it must be brought under chapter 271. If the appeal is from the exemption, valuation, classification, or tax that results from implementation of the commissioner's order or recommendation, it must be brought under chapter 278, and the procedures provisions in that

chapter apply, except that service shall be on the commissioner only and not on the county officials specified in section 278.01, subdivision 1. This provision applies to the property ~~contained under~~ described in sections 273.33, 273.35, 273.36, and 273.37, but only if the appealed values have remained unchanged from those provided to the city or county by the commissioner. If the exemption, valuation, or classification being appealed has been changed by the city or county, then the action must be brought under chapter 278 in the county where the property is located and proper service must be made upon the county officials as specified in section 278.01, subdivision 1.

Upon filing of any appeal by a utility company or railroad 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 270.82 or 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 271.06 for appealing an order of the commissioner in tax court or the deadline in section 278.01 for bringing an action filing a property tax claim or objection in tax court or district court.

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

Sec. 21. Minnesota Statutes 2002, section 273.42, subdivision 2, is amended to read:

Subd. 2. Owners of land that is an agricultural or nonagricultural homestead, nonhomestead agricultural land, rental residential property, and both commercial and noncommercial seasonal residential recreational property, as those terms are defined in section 273.13 listed on records of the county auditor or county treasurer over which runs a high voltage transmission line as defined in section 116C.52, subdivision 3 with a capacity of 200 kilovolts or more, except a high voltage transmission line the construction of which was commenced prior to July 1, 1974, shall receive a property tax credit in an amount determined by multiplying a fraction, the numerator of which is the length of high voltage transmission line which runs over that parcel and the denominator of which is the total length of that particular line running over all property within the city or township by ten percent of the transmission line tax revenue derived from the tax on that portion of the line within the city or township pursuant to section 273.36. In the case of property owners in unorganized townships, the property tax credit shall be determined by multiplying a fraction, the numerator of which is the length of the qualifying high voltage transmission line which runs over the parcel and the denominator of which is the total length of the qualifying high voltage transmission line running over all property within all the unorganized townships within the county, by the total utility property tax credit fund amount available within the county for that year pursuant to subdivision 1. Where a right-of-way width is shared by more than one property owner, the numerator shall be adjusted by multiplying the length of line on the parcel by the proportion of the total width on the parcel owned by that property owner. The amount of credit for which the property qualifies shall not exceed 20 percent of the total gross tax on the parcel prior to deduction of the state paid agricultural credit and the state paid homestead credit, provided that, if the property containing the right-of-way is included in a parcel which exceeds 40 acres, the total gross tax on the parcel shall be multiplied by a fraction, the numerator of which is the sum of the number of acres in each quarter-quarter section or portion thereof which contains a right-of-way and the denominator of which is the total number of acres in the parcel set forth on the tax statement, and the maximum credit shall be 20 percent of the product of that computation, prior to deduction of those credits. The auditor of the county in which the affected parcel is located shall calculate the amount of the credit due for each parcel and transmit that information to the county treasurer. The county auditor, in computing the credit received pursuant to section 273.135, shall reduce the gross tax by the amount of the credit received pursuant to this section, unless the amount of the credit would be less than \$10.

If, after the county auditor has computed the credit to those qualifying property owners in unorganized townships, there is money remaining in the utility property tax credit fund, then that excess amount in the fund shall be returned to the general school fund of the county.



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

Sec. 22. Minnesota Statutes 2002, section 274.01, subdivision 1, is amended to read:

Subdivision 1. [ORDINARY BOARD; MEETINGS, DEADLINES, GRIEVANCES.] (a) The town board of a town, or the council or other governing body of a city, is the board of appeal and equalization except (1) in cities whose charters provide for a board of equalization or (2) in any city or town that has transferred its local board of review power and duties to the county board as provided in subdivision 3. The county assessor shall fix a day and time when the board or the board of equalization shall meet in the assessment districts of the county. Notwithstanding any law or city charter to the contrary, a city board of equalization shall be referred to as a board of appeal and equalization. On or before February 15 of each year the assessor shall give written notice of the time to the city or town clerk. Notwithstanding the provisions of any charter to the contrary, the meetings must be held between April 1 and May 31 each year. The clerk shall give published and posted notice of the meeting at least ten days before the date of the meeting.

The board shall meet at the office of the clerk to review the assessment and classification of property in the town or city. No changes in valuation or classification which are intended to correct errors in judgment by the county assessor may be made by the county assessor after the board has adjourned in those cities or towns that hold a local board of review; however, corrections of errors that are merely clerical in nature or changes that extend homestead treatment to property are permitted after adjournment until the tax extension date for that assessment year. The changes must be fully documented and maintained in the assessor's office and must be available for review by any person. A copy of the changes made during this period in those cities or towns that hold a local board of review must be sent to the county board no later than December 31 of the assessment year.

(b) The board shall determine whether the taxable property in the town or city has been properly placed on the list and properly valued by the assessor. If real or personal property has been omitted, the board shall place it on the list with its market value, and correct the assessment so that each tract or lot of real property, and each article, parcel, or class of personal property, is entered on the assessment list at its market value. No assessment of the property of any person may be raised unless the person has been duly notified of the intent of the board to do so. On application of any person feeling aggrieved, the board shall review the assessment or classification, or both, and correct it as appears just. The board may not make an individual market value adjustment or classification change that would benefit the property in cases where the owner or other person having control over the property will not permit the assessor to inspect the property and the interior of any buildings or structures.

(c) A local board may reduce assessments upon petition of the taxpayer but the total reductions must not reduce the aggregate assessment made by the county assessor by more than one percent. If the total reductions would lower the aggregate assessments made by the county assessor by more than one percent, none of the adjustments may be made. The assessor shall correct any clerical errors or double assessments discovered by the board without regard to the one percent limitation.

(d) A local board does not have authority to grant an exemption or to order property removed from the tax rolls.

(e) A majority of the members may act at the meeting, and adjourn from day to day until they finish hearing the cases presented. The assessor shall attend, with the assessment books and papers, and take part in the proceedings, but must not vote. The county assessor, or an assistant delegated by the county assessor shall attend the meetings. The board shall list separately, on a form appended to the assessment book, all omitted property added to the list by the board and all items of property increased or decreased, with the market value of each item of property, added or changed by the board, placed opposite the item. The county assessor shall enter all changes made by the board in the assessment book.

(e) (f) Except as provided in subdivision 3, if a person fails to appear in person, by counsel, or by written communication before the board after being duly notified of the board's intent to raise

the assessment of the property, or if a person feeling aggrieved by an assessment or classification fails to apply for a review of the assessment or classification, the person may not appear before the county board of appeal and equalization for a review of the assessment or classification. This paragraph does not apply if an assessment was made after the local board meeting, as provided in section 273.01, or if the person can establish not having received notice of market value at least five days before the local board meeting.

(f) (g) The local board must complete its work and adjourn within 20 days from the time of convening stated in the notice of the clerk, unless a longer period is approved by the commissioner of revenue. No action taken after that date is valid. All complaints about an assessment or classification made after the meeting of the board must be heard and determined by the county board of equalization. A nonresident may, at any time, before the meeting of the board file written objections to an assessment or classification with the county assessor. The objections must be presented to the board at its meeting by the county assessor for its consideration.

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

Sec. 23. Minnesota Statutes 2002, section 274.13, subdivision 1, is amended to read:

Subdivision 1. **[MEMBERS; MEETINGS; RULES FOR EQUALIZING ASSESSMENTS.]** The county commissioners, or a majority of them, with the county auditor, or, if the auditor cannot be present, the deputy county auditor, or, if there is no deputy, the court administrator of the district court, shall form a board for the equalization of the assessment of the property of the county, including the property of all cities whose charters provide for a board of equalization. This board shall be referred to as the county board of appeal and equalization. The board shall meet annually, on the date specified in section 274.14, at the office of the auditor. Each member shall take an oath to fairly and impartially perform duties as a member. The board shall examine and compare the returns of the assessment of property of the towns or districts, and equalize them so that each tract or lot of real property and each article or class of personal property is entered on the assessment list at its market value, subject to the following rules:

(1) The board shall raise the valuation of each tract or lot of real property which in its opinion is returned below its market value to the sum believed to be its market value. The board must first give notice of intention to raise the valuation to the person in whose name it is assessed, if the person is a resident of the county. The notice must fix a time and place for a hearing.

(2) The board shall reduce the valuation of each tract or lot which in its opinion is returned above its market value to the sum believed to be its market value.

(3) The board shall raise the valuation of each class of personal property which in its opinion is returned below its market value to the sum believed to be its market value. It shall raise the aggregate value of the personal property of individuals, firms, or corporations, when it believes that the aggregate valuation, as returned, is less than the market value of the taxable personal property possessed by the individuals, firms, or corporations, to the sum it believes to be the market value. The board must first give notice to the persons of intention to do so. The notice must set a time and place for a hearing.

(4) The board shall reduce the valuation of each class of personal property that is returned above its market value to the sum it believes to be its market value. Upon complaint of a party aggrieved, the board shall reduce the aggregate valuation of the individual's personal property, or of any class of personal property for which the individual is assessed, which in its opinion has been assessed at too large a sum, to the sum it believes was the market value of the individual's personal property of that class.

(5) The board must not reduce the aggregate value of all the property of its county, as submitted to the county board of equalization, with the additions made by the auditor under this chapter, by more than one percent of its whole valuation. The board may raise the aggregate valuation of real property, and of each class of personal property, of the county, or of any town or district of the county, when it believes it is below the market value of the property, or class of property, to the aggregate amount it believes to be its market value.

(6) The board shall change the classification of any property which in its opinion is not properly classified.

(7) The board does not have the authority to grant an exemption or to order property removed from the tax rolls.

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

Sec. 24. Minnesota Statutes 2002, section 275.025, subdivision 1, is amended to read:

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

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004 and thereafter, except that the change from "seasonal recreational property" to "seasonal residential recreational property" is effective the day following final enactment.

Sec. 25. Minnesota Statutes 2002, section 275.025, subdivision 3, is amended to read:

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

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

Sec. 26. Minnesota Statutes 2002, section 275.025, subdivision 4, is amended to read:

Subd. 4. **[APPORTIONMENT AND LEVY OF STATE GENERAL TAX.]** The state general tax must be distributed among the counties by applying a uniform rate to each county's commercial-industrial tax capacity and its seasonal residential recreational tax capacity. Within each county, the tax must be levied by applying a uniform rate against commercial-industrial tax capacity and seasonal residential recreational tax capacity. By On or before November 1 each year, the commissioner of revenue shall certify the a preliminary state general levy rate to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy rate to each county auditor that shall be used in spreading taxes.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004 and thereafter, except that the change from "seasonal recreational tax capacity" to "seasonal residential recreational tax capacity" is effective the day following final enactment.

Sec. 27. Minnesota Statutes 2002, section 276.10, is amended to read:

276.10 **[APPORTIONMENT AND DISTRIBUTION OF FUNDS.]**

On the settlement day determined in section 276.09 for each year, the county auditor and county treasurer shall distribute all undistributed funds in the treasury. The funds must be apportioned as provided by law, and credited to the state, town, city, school district, special district and each county fund. Within 20 days after the distribution is completed, the county auditor shall report to the state auditor in the form prescribed by the state auditor. The county auditor shall issue a warrant for the payment of money in the county treasury to the credit of the state, town, city, school district, or special districts on application of the persons entitled to receive the payment. The county auditor may apply the local tax rate from the year before the year of distribution when apportioning and distributing delinquent tax proceeds, if the composition of the previous year's local tax rate between taxing districts is not significantly different from the local tax rate that existed for the year of the delinquency.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004 and thereafter.

Sec. 28. Minnesota Statutes 2002, section 276.11, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] As soon as practical after the settlement day determined in section 276.09, the county treasurer shall pay to the state treasurer or the treasurer of a town, city, school district, or special district, on the warrant of the county auditor, all receipts of taxes levied by the taxing district and deliver up all orders and other evidences of indebtedness of the taxing district, taking triplicate receipts for them. The treasurer shall file one of the receipts with the county auditor, and shall return one by mail on the day of its receipt to the clerk of the town, city, school district, or special district to which payment was made. The clerk shall keep the receipt in the clerk's office. Upon written request of the taxing district, to the extent practicable, the county treasurer shall make partial payments of amounts collected periodically in advance of the next settlement and distribution. A statement prepared by the county treasurer must accompany each payment. It must state the years for which taxes included in the payment were collected and, for each year, the amount of the taxes and any penalties on the tax. Upon written request of a taxing district, except school districts, the county treasurer shall pay at least 70 percent of the estimated collection within 30 days after the settlement date determined in section 276.09. Within seven business days after the due date, or 28 calendar days after the postmark date on the envelopes containing real or personal property tax statements, whichever is latest, the county treasurer shall pay to the treasurer of the school districts 50 percent of the estimated collections arising from taxes levied by and belonging to the school district, unless the school district elects to receive 50 percent of the estimated collections arising from taxes levied by and belonging to the school district after making a proportionate reduction to reflect any loss in collections as the result of any delay in mailing tax statements. In that case, 50 percent of those adjusted, estimated collections shall be paid by the county treasurer to the treasurer of the school district within seven business days of the due date. The remaining 50 percent of the estimated collections must be paid to the treasurer of the school district within the next seven business days of the later of the dates in the preceding sentence, unless the school district elects to receive the remainder of its estimated collections after a proportionate reduction has been made to reflect any loss in collections as the result of any delay in mailing tax statements. In that case, the remaining 50 percent of those adjusted, estimated collections shall be paid by the county treasurer to the treasurer of the school district within 14 days of the due date. The treasurer shall pay the balance of the amounts collected to the state before June 30, or to a municipal corporation or other body within 60 days after the settlement date determined in section 276.09. After 45 days interest at an annual rate of eight percent accrues and must be paid to the taxing district. Interest must be paid upon appropriation from the general revenue fund of the county. If not paid, it may be recovered by the taxing district, in a civil action.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004 and thereafter.

Sec. 29. [276.112] [STATE PROPERTY TAXES; COUNTY TREASURER.]

On or before January 25 each year, for the period ending December 31 of the prior year, and on or before June 29 each year, for the period ending on the most recent settlement day determined in section 276.09, and on or before December 2 each year, for the period ending ten business days after November 15, the county treasurer must make full settlement with the county auditor

according to sections 276.09, 276.10, and 276.111 for all receipts of state property taxes levied under section 275.025, and must transmit those receipts to the commissioner of revenue by electronic means.

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

Sec. 30. Minnesota Statutes 2002, section 277.20, subdivision 2, is amended to read:

Subd. 2. **[FILING OF LIEN FOR ENFORCEABILITY.]** The lien imposed by subdivision 1 is not enforceable against any purchaser, mortgagee, pledgee, holder of a Uniform Commercial Code security interest, mechanic's lienor, or judgment lien creditor until a notice of lien has been filed by the county treasurer in the office of the county recorder of the county in which the property is situated, or, in the case of personal property ~~belonging to an individual who is not a resident of this state, or that is a corporation, partnership, or other organization,~~ in the office of the secretary of state. Priority of a lien created under Laws 1991, chapter 291, article 15, shall be determined in accordance with the provisions of section 507.34. Liens filed in the office of the county recorder shall be filed with the state tax liens filed pursuant to section 270.69, and the index shall indicate the name of the county for which the lien was filed. If the land is registered, the notice of lien shall be filed in the office of the registrar of titles of the county in which the property is registered. Notwithstanding any other law to the contrary, the county treasurer is exempt from the payment of fees when the lien is offered for filing or recording; the fee for filing or recording the lien must be paid at the time the release of lien is offered for filing or recording. Notwithstanding any law to the contrary, the fee for filing or recording the lien or the release of lien is \$15.

**[EFFECTIVE DATE.]** This section is effective for liens filed on or after the day following final enactment.

Sec. 31. Minnesota Statutes 2002, section 279.06, subdivision 1, is amended to read:

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

State of Minnesota )  
 ) ss.  
County of..... )

District Court  
..... Judicial District.

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

The list of taxes and penalties on real property for the county of ..... remaining delinquent on the first Monday in January, ....., has been filed in the office of the court administrator of the district court of said county, of which that hereto attached is a copy. Therefore, you, and each of you, are hereby required to file in the office of said court administrator, on or before the 20th day after the publication of this notice and list, your answer, in writing, setting forth any objection or defense you may have to the taxes, or any part thereof, upon any parcel of land described in the list, in, to, or on which you have or claim any estate, right, title, interest, claim, or lien, and, in default thereof, judgment will be entered against such parcel of land for the taxes on such list appearing against it, and for all penalties, interest, and costs. Based upon said judgment, the land shall be sold to the state of Minnesota on the second Monday in May, .....

The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is within an incorporated area unless it is:

- (a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22;
- (b) homesteaded agricultural land as defined in section 273.13, subdivision 23, paragraph (a);

(c) seasonal residential recreational land as defined in section 273.13, subdivisions 22, paragraph (c), and 25, paragraph (e) (d), clause (5) (1), in which event the period of redemption is five years from the date of sale to the state of Minnesota;

(d) abandoned property and pursuant to section 281.173 a court order has been entered shortening the redemption period to five weeks; or

(e) vacant property as described under section 281.174, subdivision 2, and for which a court order is entered shortening the redemption period under section 281.174.

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

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

(Signed).....,
Court Administrator of the District Court of the County
of.....
(Here insert list.)

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

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

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

Names (and
Current Filed
Addresses) for
the Taxpayers
and Fee Owners
and in Addition
Those Parties
Who Have Filed
Their Addresses
Pursuant to
section 276.041

Subdivision of
Section

Tax
Parcel Total Tax
Section Number and Penalty
\$ cts.

John Jones S.E. 1/4 of S.W. 1/4
(825 Fremont
Fairfield, MN
55000)

10 23101 2.20

Bruce Smith That part of N.E. 1/4
(2059 Hand
Fairfield,
MN 55000)
and
Fairfield
State Bank
(100 Main
Street
Fairfield,
MN 55000)

of S.W. 1/4 desc. as
follows: Beg. at the
S.E. corner of said
N.E. 1/4 of S.W. 1/4;
thence N. along the E.
line of said N.E. 1/4
of S.W. 1/4 a distance
of 600 ft.; thence W.
parallel with the S.
line of said N.E. 1/4

of S.W. 1/4 a distance  
of 600 ft.; thence S.  
parallel with said E.  
line a distance of 600  
ft. to S. line of said  
N.E. 1/4 of S.W. 1/4;  
thence E. along said S.  
line a distance of 600  
ft. to the point of  
beg.....

21            33211            3.15

As to platted property, the form of heading shall conform to circumstances and be substantially in the following form:

City of (Smithtown)  
Brown's Addition, or Subdivision

Names (and  
Current Filed  
Addresses) for  
the Taxpayers  
and Fee Owners  
and in Addition  
Those Parties  
Who have Filed  
Their Addresses  
Pursuant to  
section 276.041

	Lot	Block	Tax Parcel Number	Total Tax and Penalty \$        cts.
John Jones (825 Fremont Fairfield, MN 55000)	15	9	58243	2.20
Bruce Smith (2059 Hand Fairfield, MN 55000) and Fairfield State Bank (100 Main Street Fairfield, MN 55000)	16	9	58244	3.15

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

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

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

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

Sec. 32. Minnesota Statutes 2002, section 281.17, is amended to read:

281.17 [PERIOD FOR REDEMPTION.]

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

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

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

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

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

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

Sec. 33. Minnesota Statutes 2002, section 282.01, subdivision 1b, is amended to read:

Subd. 1b. [CONVEYANCE; TARGETED NEIGHBORHOOD LANDS.] (a) Notwithstanding subdivision 1a, in the case of tax-forfeited lands located in a targeted neighborhood, as defined in section 469.201, subdivision 10, and section 473.121, subdivision 2, the commissioner of revenue shall convey by deed in the name of the state any tract of tax-forfeited land held in trust in favor of the taxing districts, to a political subdivision that submits an application to the commissioner of revenue and, in the case of targeted neighborhoods located outside of the metropolitan area as defined in section 473.121, the recommendation of the county board.

(b) The application under paragraph (a) must include a statement of facts as to the use to be made of the tract, the need therefor, and a resolution, adopted by the governing body of the political subdivision, finding that the conveyance of a tract of tax-forfeited land to the political subdivision is necessary to provide for the redevelopment of land as productive taxable property. Deeds of conveyance issued under paragraph (a) are not conditioned on continued use of the property for the use stated in the application.

**[EFFECTIVE DATE.]** This section is effective for deeds issued on or after July 1, 2003.

Sec. 34. Minnesota Statutes 2002, section 282.01, subdivision 7a, is amended to read:

Subd. 7a. [CITY SALES; ALTERNATE PROCEDURES.] Land located in a home rule charter or statutory city, or in a town which cannot be improved because of noncompliance with local ordinances regarding minimum area, shape, frontage or access may be sold by the county auditor



pursuant to this subdivision if the auditor determines that a nonpublic sale will encourage the approval of sale of the land by the city or town and promote its return to the tax rolls. If the physical characteristics of the land indicate that its highest and best use will be achieved by combining it with an adjoining parcel and the city or town has not adopted a local ordinance governing minimum area, shape, frontage, or access, the land may also be sold pursuant to this subdivision. If the property consists of an undivided interest in land or land and improvements, the property may also be sold to the other owners under this subdivision. The sale of land pursuant to this subdivision shall be subject to any conditions imposed by the county board pursuant to section 282.03. The governing body of the city or town may recommend to the county board conditions to be imposed on the sale. The county auditor may restrict the sale to owners of lands adjoining the land to be sold. The county auditor shall conduct the sale by sealed bid or may select another means of sale. The land shall be sold to the highest bidder but in no event shall the land be sold for less than its appraised value. All owners of land adjoining the land to be sold shall be given a written notice at least 30 days prior to the sale.

This subdivision shall be liberally construed to encourage the sale and utilization of tax-forfeited land, to eliminate nuisances and dangerous conditions and to increase compliance with land use ordinances.

**[EFFECTIVE DATE.]** This section is effective for sales occurring on or after the day following final enactment.

Sec. 35. Minnesota Statutes 2002, section 282.08, is amended to read:

282.08 [APPORTIONMENT OF PROCEEDS TO TAXING DISTRICTS.]

The net proceeds from the sale or rental of any parcel of forfeited land, or from the sale of products from the forfeited land, must be apportioned by the county auditor to the taxing districts interested in the land, as follows:

(1) the amounts necessary to pay the state general tax levy against the parcel for taxes payable in the year for which the tax judgment was entered, and for each subsequent payable year up to and including the year of forfeiture, must be apportioned to the state;

(2) the portion required to pay any amounts included in the appraised value under section 282.01, subdivision 3, as representing increased value due to any public improvement made after forfeiture of the parcel to the state, but not exceeding the amount certified by the clerk of the municipality must be apportioned to the municipal subdivision entitled to it;

~~(2)~~ (3) the portion required to pay any amount included in the appraised value under section 282.019, subdivision 5, representing increased value due to response actions taken after forfeiture of the parcel to the state, but not exceeding the amount of expenses certified by the pollution control agency or the commissioner of agriculture, must be apportioned to the agency or the commissioner of agriculture and deposited in the fund from which the expenses were paid;

~~(3)~~ (4) the portion of the remainder required to discharge any special assessment chargeable against the parcel for drainage or other purpose whether due or deferred at the time of forfeiture, must be apportioned to the municipal subdivision entitled to it; and

(4) ~~(5)~~ any balance must be apportioned as follows:

(i) The county board may annually by resolution set aside no more than 30 percent of the receipts remaining to be used for timber development on tax-forfeited land and dedicated memorial forests, to be expended under the supervision of the county board. It must be expended only on projects approved by the commissioner of natural resources.

(ii) The county board may annually by resolution set aside no more than 20 percent of the receipts remaining to be used for the acquisition and maintenance of county parks or recreational areas as defined in sections 398.31 to 398.36, to be expended under the supervision of the county board.

(iii) Any balance remaining must be apportioned as follows: county, 40 percent; town or city, 20 percent; and school district, 40 percent, provided, however, that in unorganized territory that portion which would have accrued to the township must be administered by the county board of commissioners.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004 and thereafter.

Sec. 36. Minnesota Statutes 2002, section 290C.02, subdivision 3, is amended to read:

Subd. 3. [CLAIMANT.] "Claimant" means a person, as that term is defined in section 290.01, subdivision 2, who owns forest land in Minnesota and files an application authorized by the Sustainable Forest Incentive Act. For purposes of section 290C.11, claimant also includes any person bound by the covenant required in section 290C.04. No more than one claimant is entitled to a payment under this chapter with respect to any tract, parcel, or piece of land enrolled under this chapter that has been assigned the same parcel identification number. When enrolled forest land is owned by two or more persons, the owners must determine between them which person may claim the payments provided under sections 290C.01 to 290C.11.

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

Sec. 37. Minnesota Statutes 2002, section 290C.02, subdivision 7, is amended to read:

Subd. 7. [FOREST MANAGEMENT PLAN.] "Forest management plan" means a written document providing a framework for site-specific healthy, productive, and sustainable forest resources. A forest management plan must include at least the following: (i) owner-specific forest management goals for the ~~property~~ land; (ii) a reliable field inventory of the individual forest cover types, their age, and density; (iii) a description of the soil type and quality; (iv) an aerial photo and/or map of the vegetation and other natural features of the ~~property~~ land clearly indicating the boundaries of the ~~property~~ land and of the forest land; (v) the proposed future conditions of the ~~property~~ land; (vi) prescriptions to meet proposed future conditions of the ~~property~~ land; (vii) a recommended timetable for implementing the prescribed activities; and (viii) a legal description of the ~~parcels~~ land encompassing the parcels included in the plan. All management activities prescribed in a plan must be in accordance with the recommended timber harvesting and forest management guidelines. The commissioner of natural resources shall provide a framework for plan content and updating and revising plans.

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

Sec. 38. Minnesota Statutes 2002, section 290C.03, is amended to read:

290C.03 [ELIGIBILITY REQUIREMENTS.]

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

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

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

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

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

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

(6) claimants enrolling more than 1,920 acres in the sustainable forest incentive program must allow year-round, nonmotorized access to fish and wildlife resources on enrolled land except within one-fourth mile of a permanent dwelling or during periods of high fire hazard as determined by the commissioner of natural resources.

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

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

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

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

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

Sec. 39. Minnesota Statutes 2002, section 290C.07, is amended to read:

290C.07 [CALCULATION OF INCENTIVE PAYMENT.]

An approved claimant under the sustainable forest incentive program is eligible to receive an annual payment. The payment shall equal the greater of:

(1) the difference between the property tax that would be paid on the ~~property~~ land using the previous year's statewide average total township tax rate and the class rate for class 2b timberland under section 273.13, subdivision 23, paragraph (b), if the ~~property~~ land were valued at (i) the average statewide timberland market value per acre calculated under section 290C.06, and (ii) the average statewide timberland current use value per acre calculated under section 290C.02, subdivision 5;

(2) two-thirds of the property tax amount determined by using the previous year's statewide average total township tax rate, the estimated market value per acre as calculated in section 290C.06, and the class rate for 2b timberland under section 273.13, subdivision 23, paragraph (b); or

(3) \$1.50 per acre for each acre enrolled in the sustainable forest incentive program.

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

Sec. 40. Minnesota Statutes 2002, section 290C.09, is amended to read:

290C.09 [REMOVAL FOR PROPERTY TAX DELINQUENCY.]

The commissioner shall immediately remove any ~~property~~ land enrolled in the sustainable forest incentive program for which taxes are determined to be delinquent as provided in chapter 279 and shall notify the claimant of such action. Lands terminated from the sustainable forest incentive program under this section are not entitled to any payments provided in this chapter and are subject to removal penalties prescribed in section 290C.11. The claimant has 60 days from the receipt of notice from the commissioner under this section to pay the delinquent taxes. If the delinquent taxes are paid within this 60-day period, the lands shall be reinstated in the program as if they had not been withdrawn and without the payment of a penalty.

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

Sec. 41. Minnesota Statutes 2002, section 290C.10, is amended to read:

290C.10 [WITHDRAWAL PROCEDURES.]

An approved claimant under the sustainable forest incentive program for a minimum of four years may notify the commissioner of the intent to terminate enrollment. Within 90 days of receipt of notice to terminate enrollment, the commissioner shall inform the claimant in writing, acknowledging receipt of this notice and indicating the effective date of termination from the sustainable forest incentive program. Termination of enrollment in the sustainable forest incentive program occurs on January 1 of the fifth calendar year that begins after receipt by the commissioner of the termination notice. After the commissioner issues an effective date of termination, a claimant wishing to continue the ~~property's~~ land's enrollment in the sustainable

forest incentive program beyond the termination date must apply for enrollment as prescribed in section 290C.04. A claimant who withdraws a parcel of land from this program may not reenroll the parcel for a period of three years. Within 90 days after the termination date, the commissioner shall execute and acknowledge a document releasing the land from the covenant required under this chapter. The document must be mailed to the claimant and is entitled to be recorded. The commissioner may allow early withdrawal from the Sustainable Forest Incentive Act without penalty in cases of condemnation for a public purpose notwithstanding the provisions of this section.

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

Sec. 42. Minnesota Statutes 2002, section 290C.11, is amended to read:

290C.11 [PENALTIES FOR REMOVAL.]

(a) If the commissioner determines that property land enrolled in the sustainable forest incentive program is in violation of the conditions for enrollment as specified in section 290C.03, the commissioner shall notify the claimant of the intent to remove all enrolled land from the sustainable forest incentive program. The claimant has 60 days to appeal this determination. The appeal must be made in writing to the commissioner, who shall, within 60 days, notify the claimant as to the outcome of the appeal. Within 60 days after the commissioner denies an appeal, or within 120 days after the commissioner received a written appeal if the commissioner has not made a determination in that time, the owner may appeal to tax court under chapter 271 as if the appeal is from an order of the commissioner.

(b) If the commissioner determines the property land is to be removed from the sustainable forest incentive program, the claimant is liable for payment to the commissioner in the amount equal to the payments received under this chapter for the previous four-year period, plus interest. The claimant has 90 days to satisfy the payment for removal of land from the sustainable forest incentive program under this section. If the penalty is not paid within the 90-day period under this paragraph, the commissioner shall certify the amount to the county auditor for collection as a part of the general ad valorem real property taxes on the land in the following taxes payable year.

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

Sec. 43. [290C.12] [DEATH OF CLAIMANT.]

Within one year after the death of the claimant, the claimant's heir, devisee, or estate must either:

(1) notify the commissioner of election to terminate enrollment in the sustainable forest incentive program; or

(2) make an application under this chapter to continue enrollment of the land in the program.

Upon notification under clause (1), the commissioner shall terminate the enrollment and issue a document releasing the land from the covenant as provided in section 290C.04, paragraph (c). Penalties under section 290C.11 shall not apply. If the application under clause (2) is approved, the land is enrolled in the program without a break. If the commissioner does not receive notification within one year after the date of death, enrollment in the program shall be terminated and penalties under section 290C.11 shall not apply.

**[EFFECTIVE DATE.]** This section is effective the day following final enactment, except in the case of claimants dying prior to the day following final enactment, heirs, devisees, or estates may make the election either six months after the effective date of this provision or one year after the death of the claimant, whichever is later.

Sec. 44. Minnesota Statutes 2002, section 469.1792, subdivision 3, is amended to read:

Subd. 3. [ACTIONS AUTHORIZED.] (a) An authority with a district qualifying under this section may take either or both of the following actions for any or all of its preexisting districts:

(1) the authority may elect that the original local tax rate under section 469.177, subdivision 1a, does not apply to the district; and

(2) the authority may elect the fiscal disparities contribution will be computed under section 469.177, subdivision 3, paragraph (a), regardless of the election that was made for the district.

(b) The authority may take action under this subdivision only after the municipality approves the action, by resolution, after notice and public hearing in the manner provided under section 469.175, subdivision 2. To be effective for taxes payable in the following year, the resolution must be adopted and the county auditor must be notified of the adoption on or before July 1.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004 and thereafter.

Sec. 45. Minnesota Statutes 2002, section 473F.07, subdivision 4, is amended to read:

Subd. 4. [DISTRIBUTION NET TAX CAPACITY.] The administrative auditor shall determine the proportion which the index of each municipality bears to the sum of the indices of all municipalities and shall then multiply this proportion in the case of each municipality, by the areawide net tax capacity, ~~provided that if the distribution net tax capacity for a municipality is less than 95 percent of the municipality's previous year distribution net tax capacity, and more than ten percent of the municipality's fiscal capacity consists of manufactured home property, the municipality's distribution net tax capacity will be increased to 95 percent of the previous year net tax capacity and the distribution net tax capacity of other municipalities in the area will be proportionately reduced.~~

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004 and subsequent years.

Sec. 46. Minnesota Statutes 2002, section 477A.011, subdivision 30, is amended to read:

Subd. 30. [PRE-1940 HOUSING PERCENTAGE.] "Pre-1940 housing percentage" for a city is 100 times the ~~most recent~~ 1990 federal census count of all housing units in the city built before 1940, divided by the total number of all housing units in the city. Housing units includes both occupied and vacant housing units as defined by the federal census.

**[EFFECTIVE DATE.]** This section is effective for aids payable in 2003 and thereafter.

Sec. 47. Minnesota Statutes 2002, section 515B.1-116, is amended to read:

515B.1-116 [RECORDING.]

(a) A declaration, bylaws, any amendment to a declaration or bylaws, and any other instrument affecting a common interest community shall be entitled to be recorded. In those counties which have a tract index, the county recorder shall enter the declaration in the tract index for each unit affected. The registrar of titles shall file the declaration in accordance with section 508.351 or 508A.351.

(b) The recording officer shall upon request promptly assign a number (CIC number) to a common interest community to be formed or to a common interest community resulting from the merger of two or more common interest communities.

(c) Documents recorded pursuant to this chapter shall in the case of registered land be filed, and references to the recording of documents shall mean filed in the case of registered land.

(d) Subject to any specific requirements of this chapter, if a recorded document relating to a common interest community purports to require a certain vote or signatures approving any restatement or amendment of the document by a certain number or percentage of unit owners or secured parties, and if the amendment or restatement is to be recorded pursuant to this chapter, an affidavit of the president or secretary of the association stating that the required vote or signatures have been obtained shall be attached to the document to be recorded and shall constitute prima facie evidence of the representations contained therein.

(e) If a common interest community is located on registered land, the recording fee for any document affecting two or more units shall be the then-current fee for registering the document on the certificates of title for the first ten affected certificates and one-third of the then-current fee for each additional affected certificate. This provision shall not apply to recording fees for deeds of conveyance, with the exception of deeds given pursuant to sections 515B.2-119 and 515B.3-112.

(f) Except as permitted under this subsection, a recording officer shall not file or record a declaration creating a new common interest community, unless the county treasurer has certified that the property taxes payable in the current year for the real estate included in the proposed common interest community have been paid. This certification is in addition to the certification for delinquent taxes required by section 272.12. In the case of preexisting common interest communities, the recording officer shall accept, file, and record the following instruments, without requiring a certification as to the current or delinquent taxes on any of the units in the common interest community: (i) a declaration subjecting the common interest community to this chapter; (ii) a declaration changing the form of a common interest community pursuant to section 515B.2-123; or (iii) an amendment to or restatement of the declaration, bylaws, or CIC plat. In order for the instruments an instrument to be accepted and recorded under the preceding sentence, the assessor must certify or otherwise inform the recording officer that, for taxes payable in the current year, the assessor has allocated taxable values to each unit or has separately assessed each unit instrument must not create or change unit or common area boundaries.

**[EFFECTIVE DATE.]** This section is effective for deeds or instruments accepted for recording or registration on or after July 1, 2003.

Sec. 48. Laws 2001, First Special Session chapter 5, article 3, section 61, the effective date, is amended to read:

**[EFFECTIVE DATE.]** This section is effective August 1, 2001, for deeds issued on or after August 1, 2001. This section is effective August 1, 2006, for deeds issued before August 1, 2001.

Sec. 49. Laws 2001, First Special Session chapter 5, article 3, section 63, the effective date, is amended to read:

**[EFFECTIVE DATE.]** This section is effective August 1, 2001, for deeds issued on or after August 1, 2001. This section is effective August 1, 2006, for deeds issued before August 1, 2001.

Sec. 50. Laws 2002, chapter 377, article 6, section 4, the effective date, is amended to read:

**[EFFECTIVE DATE.]** This section is effective for aids payable in 2004 May 16, 2002, and thereafter.

Sec. 51. [REPEALER.]

(a) Minnesota Statutes 2002, section 274.04, is repealed.

(b) Minnesota Statutes 2002, section 477A.065, is repealed effective for aid payable in 2004 and thereafter.

(c) Minnesota Rules, parts 8106.0100, subparts 11, 15, and 16; and 8106.0200, are repealed effective the day following final enactment.

## ARTICLE 9

### DEPARTMENT SALES AND USE TAX INITIATIVES

Section 1. Minnesota Statutes 2002, section 289A.50, subdivision 2a, is amended to read:

Subd. 2a. [REFUND OF SALES TAX TO PURCHASERS.] (a) If a vendor has collected from a purchaser a tax on a transaction that is not subject to the tax imposed by chapter 297A, the purchaser may apply directly to the commissioner for a refund under this section if:

(a) (1) the purchaser is currently registered or was registered during the period of the claim, to collect and remit the sales tax or to remit the use tax; and

(2) either

(b) (i) the amount of the refund to be applied for exceeds \$500, or

(ii) the amount of the refund to be applied for does not exceed \$500, but the purchaser also applies for a capital equipment claim at the same time, and the total of the two refunds exceeds \$500.

(b) The purchaser may not file more than two applications for refund under this subdivision in a calendar year.

**[EFFECTIVE DATE.]** This section is effective for claims filed on or after the day following final enactment.

Sec. 2. Minnesota Statutes 2002, section 289A.60, is amended by adding a subdivision to read:

Subd. 25. **[PENALTY FOR FAILURE TO PROPERLY COMPLETE SALES TAX RETURN.]** A person who fails to report local sales tax on a sales tax return or who fails to report local sales tax on separate tax lines on the sales tax return is subject to a penalty of five percent of the amount of tax not properly reported on the return. A person who files a consolidated tax return but fails to report location information is subject to a \$500 penalty for each return not containing location information. In addition, the commissioner may revoke the privilege for a taxpayer to file consolidated returns and may require the taxpayer to separately register each location and to file a tax return for each location.

**[EFFECTIVE DATE.]** This section is effective for returns filed after June 30, 2003.

Sec. 3. Minnesota Statutes 2002, section 297A.61, subdivision 3, is amended to read:

Subd. 3. **[SALE AND PURCHASE.]** (a) "Sale" and "purchase" include, but are not limited to, each of the transactions listed in this subdivision.

(b) Sale and purchase include:

(1) any transfer of title or possession, or both, of tangible personal property, whether absolutely or conditionally, for a consideration in money or by exchange or barter; and

(2) the leasing of or the granting of a license to use or consume, for a consideration in money or by exchange or barter, tangible personal property, other than a manufactured home used for residential purposes for a continuous period of 30 days or more.

(c) Sale and purchase include the production, fabrication, printing, or processing of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the production, fabrication, printing, or processing.

(d) Sale and purchase include the preparing for a consideration of food. Notwithstanding section 297A.67, subdivision 2, taxable food includes, but is not limited to, the following:

(1) prepared food sold by the retailer;

(2) soft drinks;

(3) candy; and

(4) all food sold through vending machines.

(e) A sale and a purchase includes the furnishing for a consideration of electricity, gas, water, or steam for use or consumption within this state.

(f) A sale and a purchase includes the transfer for a consideration of computer software.

(g) A sale and a purchase includes the furnishing for a consideration of the following services:

(1) the privilege of admission to places of amusement, recreational areas, or athletic events, and the making available of amusement devices, tanning facilities, reducing salons, steam baths, turkish baths, health clubs, and spas or athletic facilities;

(2) lodging and related services by a hotel, rooming house, resort, campground, motel, or trailer camp and the granting of any similar license to use real property other than the renting or leasing of it for a continuous period of 30 days or more;

(3) nonresidential parking services, whether on a contractual, hourly, or other periodic basis, except for parking at a meter;

(4) the granting of membership in a club, association, or other organization if:

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

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

Granting of membership means both onetime 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;

(5) delivery of aggregate materials and concrete block by a third party if the delivery would be subject to the sales tax if provided by the seller of the aggregate material or concrete block; and

(6) services as provided in this clause:

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

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

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

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

(v) pet grooming services;

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

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

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



In applying the provisions of this chapter, the terms "tangible personal property" and "sales at retail" include taxable services listed in clause (6), items (i) to (vi) and (viii) and the provision of these taxable services, unless specifically provided otherwise. Services performed by an employee for an employer are not taxable. Services performed by a partnership or association for another partnership or association are not taxable if one of the entities owns or controls more than 80 percent of the voting power of the equity interest in the other entity. Services performed between members of an affiliated group of corporations are not taxable. For purposes of ~~this section~~ the preceding sentence, "affiliated group of corporations" includes those entities that would be classified as members of an affiliated group under United States Code, title 26, section 1504, and that are eligible to file a consolidated tax return for federal income tax purposes.

(h) A sale and a purchase includes the furnishing for a consideration of tangible personal property or taxable services by the United States or any of its agencies or instrumentalities, or the state of Minnesota, its agencies, instrumentalities, or political subdivisions.

(i) A sale and a purchase includes the furnishing for a consideration of telecommunications services, including cable television services and direct satellite services. Telecommunications services are taxed to the extent allowed under federal law if those services:

(1) either (i) originate and terminate in this state; or (ii) originate in this state and terminate outside the state and the service is charged to a ~~telephone number~~ telecommunications customer located in this state or to the account of any transmission instrument in this state; or (iii) originate outside this state and terminate in this state and the service is charged to a ~~telephone number~~ telecommunications customer located in this state or to the account of any transmission instrument in this state; or

(2) are rendered by providing a private communications service for which the customer has one or more locations within Minnesota connected to the service and the service is charged to a ~~telephone number~~ telecommunications customer located in this state or to the account of any transmission instrument in this state.

All charges for mobile telecommunications services, as defined in United States Code, title 4, section 124, are deemed to be provided by the customer's home service provider and sourced to the customer's place of primary use and are subject to tax based upon the customer's place of primary use in accordance with the Mobile Telecommunications Sourcing Act, United States Code, title 4, sections 116 to 126. All other definitions and provisions of the Mobile Telecommunications Sourcing Act as provided in United States Code, title 4, are hereby adopted.

(j) A sale and a purchase includes the furnishing for a consideration of installation if the installation charges would be subject to the sales tax if the installation were provided by the seller of the item being installed.

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

Sec. 4. Minnesota Statutes 2002, section 297A.61, subdivision 12, is amended to read:

Subd. 12. [FARM MACHINERY.] (a) "Farm machinery" means new or used machinery, equipment, implements, accessories, and contrivances used directly and principally in the agricultural production for sale, but not including the processing, of livestock, dairy animals, dairy products, poultry and poultry products, fruits, vegetables, trees and shrubs, plants, forage, grains, and bees and apiary products.

(b) Farm machinery includes including, but not limited to:

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

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

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

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

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

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

~~(7) aquaculture production equipment as defined in subdivision 13; and~~

~~(8) equipment used for maple syrup harvesting.~~

~~(e) (b) Farm machinery does not include:~~

~~(1) repair or replacement parts;~~

~~(2) tools, shop equipment, grain bins, fencing material except fencing material covered by paragraph (b), clause (5), communication equipment, and other farm supplies;~~

~~(3) motor vehicles taxed under chapter 297B;~~

~~(4) snowmobiles or snow blowers; or~~

~~(5) lawn mowers except those used in the production of sod for sale, or garden-type tractors or garden tillers; or~~

~~(6) machinery, equipment, implements, accessories, and contrivances used directly in the production of horses not raised for slaughter, fur-bearing animals, or research animals.~~

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made after June 30, 2003.

Sec. 5. Minnesota Statutes 2002, section 297A.61, subdivision 34, is amended to read:

Subd. 34. [FOOD SOLD THROUGH VENDING MACHINES.] "Food sold through vending machines" means food dispensed from a machine or other mechanical device that accepts payment including honor payments.

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made on or after the day following final enactment.

Sec. 6. Minnesota Statutes 2002, section 297A.61, is amended by adding a subdivision to read:

Subd. 35. [AGRICULTURAL PRODUCTION.] "Agricultural production" includes, but is not limited to, horticulture, floriculture, maple syrup harvesting, and the raising of pets, livestock as defined in section 17A.03, subdivision 5, poultry, dairy and poultry products, bees and apiary products, the raising and harvesting of agricultural crops, sod, fur-bearing animals, research animals, and horses.

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made after June 30, 2003.

Sec. 7. Minnesota Statutes 2002, section 297A.665, is amended to read:

297A.665 [PRESUMPTION OF TAX; BURDEN OF PROOF.]

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

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

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

(b) The burden of proving that a sale is not a taxable retail sale is on the seller. However, the seller may take from the purchaser at the time of the sale an a fully completed exemption certificate claiming that the property purchased is for resale or that the sale is otherwise exempt from the tax imposed by this chapter which conclusively relieves the seller from collecting and remitting the tax. This relief from liability does not apply to a seller who fraudulently fails to collect the tax or solicits purchasers to participate in the unlawful claim of an exemption. If a seller claiming that certain sales are exempt, who does is not possess in possession of the required exemption certificates, must acquire the certificates within 60 days after receiving written notice from the commissioner that the certificates are required, deductions claimed by the seller that required delivery of the certificates must be disallowed. If the certificates are not obtained delivered to the commissioner within the 60-day period, the sales are considered taxable sales under this chapter. commissioner may verify the reason or basis for the exemption claimed in the certificates before allowing any deductions. A deduction must not be granted on the basis of certificates delivered to the commissioner after the 60-day period.

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

[EFFECTIVE DATE.] This section is effective for exemption certificates received for sales occurring after June 30, 2003.

Sec. 8. Minnesota Statutes 2002, section 297A.67, subdivision 2, is amended to read:

Subd. 2. [FOOD AND FOOD INGREDIENTS.] Food and food ingredients are exempt. For purposes of this subdivision, "food" and "food ingredients" mean substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. Food and food ingredients exempt under this subdivision do not include candy, soft drinks, food sold through vending machines, and prepared foods. Food and food ingredients do not include alcoholic beverages, dietary supplements, and tobacco. For purposes of this subdivision, "alcoholic beverages" means beverages that are suitable for human consumption and contain one-half of one percent or more of alcohol by volume. For purposes of this subdivision, "tobacco" means cigarettes, cigars, chewing or pipe tobacco, or any other item that contains tobacco. For purposes of this subdivision, "dietary supplements" means any product, other than tobacco, intended to supplement the diet that:

(1) contains one or more of the following dietary ingredients:

(i) a vitamin;

(ii) a mineral;

(iii) an herb or other botanical;

(iv) an amino acid;

(v) a dietary substance for use by humans to supplement the diet by increasing the total dietary intake; and

(vi) a concentrate, metabolite, constituent, extract, or combination of any ingredient described in items (i) to (v);

(2) is intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form, or if not intended for ingestion in such form, is not represented as conventional food and is not represented for use as a sole item of a meal or of the diet; and

(3) is required to be labeled as a dietary supplement, identifiable by the supplement facts box found on the label and as required pursuant to Code of Federal Regulations, title 21, section 101.36.

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

Sec. 9. Minnesota Statutes 2002, section 297A.68, subdivision 5, is amended to read:

Subd. 5. [CAPITAL EQUIPMENT.] (a) Capital equipment is exempt. The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used to electronically transmit results retrieved by a customer of an online computerized data retrieval system.

(b) Capital equipment includes, but is not limited to:

- (1) machinery and equipment used to operate, control, or regulate the production equipment;
- (2) machinery and equipment used for research and development, design, quality control, and testing activities;
- (3) environmental control devices that are used to maintain conditions such as temperature, humidity, light, or air pressure when those conditions are essential to and are part of the production process;
- (4) materials and supplies used to construct and install machinery or equipment;
- (5) repair and replacement parts, including accessories, whether purchased as spare parts, repair parts, or as upgrades or modifications to machinery or equipment;
- (6) materials used for foundations that support machinery or equipment;
- (7) materials used to construct and install special purpose buildings used in the production process; and
- (8) ready-mixed concrete ~~trucks~~ equipment in which the ready-mixed concrete is mixed as part of the delivery process regardless if mounted on a chassis and leases of ready-mixed concrete trucks.

(c) Capital equipment does not include the following:

- (1) motor vehicles taxed under chapter 297B;
- (2) machinery or equipment used to receive or store raw materials;
- (3) building materials, except for materials included in paragraph (b), clauses (6) and (7);
- (4) machinery or equipment used for nonproduction purposes, including, but not limited to, the following: plant security, fire prevention, first aid, and hospital stations; support operations or administration; pollution control; and plant cleaning, disposal of scrap and waste, plant communications, space heating, cooling, lighting, or safety;
- (5) farm machinery and aquaculture production equipment as defined by section 297A.61, subdivisions 12 and 13;
- (6) machinery or equipment purchased and installed by a contractor as part of an improvement to real property; or

(7) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials from inventory and ends when the last process prior to loading for shipment has been completed; (ii) fabricating begins with the removal from storage or inventory of the property to be assembled, processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.

(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

(4) (5) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(5) (6) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(6) (7) "Mining" means the extraction of minerals, ores, stone, or peat.

(7) (8) "Online data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(8) (9) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(9) (10) "Refining" means the process of converting a natural resource to a an intermediate or finished product, including the treatment of water to be sold at retail.

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made after December 31, 2003.

Sec. 10. Minnesota Statutes 2002, section 297A.68, is amended by adding a subdivision to read:

Subd. 39. [PREEXISTING BIDS OR CONTRACTS.] (a) The sale of tangible personal property or services is exempt from tax for a period of six months from the effective date of the law change that results in the imposition of the tax under this chapter if:

(1) the act imposing the tax does not have transitional effective date language for existing construction contracts and construction bids; and

(2) the requirements of paragraph (b) are met.

(b) A sale is tax exempt under paragraph (a) if it meets the requirements of either clause (1) or (2):

(1) For a construction contract:

(i) the goods or services sold must be used for the performance of a bona fide written lump sum or fixed price construction contract;

(ii) the contract must be entered into before the date the goods or services become subject to the sales tax;

(iii) the contract must not provide for allocation of future taxes; and

(iv) for each qualifying contract the contractor must give the seller documentation of the contract on which an exemption is to be claimed.

(2) For a bid:

(i) the goods or services sold must be used pursuant to an obligation of a bid or bids;

(ii) the bid or bids must be submitted and accepted before the date the goods or services became subject to the sales tax;

(iii) the bid or bids must not be able to be withdrawn, modified, or changed without forfeiting a bond; and

(iv) for each qualifying bid, the contractor must give the seller documentation of the bid on which an exemption is to be claimed.

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

Sec. 11. Minnesota Statutes 2002, section 297A.69, subdivision 2, is amended to read:

Subd. 2. [MATERIALS CONSUMED IN AGRICULTURAL PRODUCTION.] (a) Materials stored, used, or consumed in agricultural production of personal property intended to be sold ultimately at retail are exempt, whether or not the item becomes an ingredient or constituent part of the property produced. Materials that qualify for this exemption include, but are not limited to, the following:

(1) feeds, seeds, trees, fertilizers, and herbicides, including when purchased for use by farmers in a federal or state farm or conservation program;

(2) materials sold to a veterinarian to be used or consumed in the care, medication, and treatment of agricultural production animals and horses;

(3) chemicals, including chemicals used for cleaning food processing machinery and equipment;

(4) materials, including chemicals, fuels, and electricity purchased by persons engaged in agricultural production to treat waste generated as a result of the production process;

(5) fuels, electricity, gas, and steam used or consumed in the production process, except that electricity, gas, or steam used for space heating, cooling, or lighting is exempt if (i) it is in excess of the average climate control or lighting for the production area, and (ii) it is necessary to produce that particular product;

(6) petroleum products and lubricants;

(7) packaging materials, including returnable containers used in packaging food and beverage products; and

(8) accessory tools and equipment that are separate detachable units with an ordinary useful life of less than 12 months used in producing a direct effect upon the product.

Machinery, equipment, implements, tools, accessories, appliances, contrivances, and furniture and fixtures, except those listed in this clause are not included within this exemption.

~~(b) For purposes of this subdivision, "agricultural production" includes, but is not limited to, horticulture, floriculture, maple syrup harvesting, and the raising of pets, fur-bearing animals, research animals, horses, farmed cervidae as defined in section 17.451, subdivision 2, llamas as defined in section 17.455, subdivision 2, and ratitae as defined in section 17.453, subdivision 3.~~

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made after December 31, 2003.

Sec. 12. Minnesota Statutes 2002, section 297A.69, subdivision 3, is amended to read:

Subd. 3. ~~[FARM MACHINERY REPAIR AND REPLACEMENT PARTS.]~~ Repair and replacement parts, except tires, used for maintenance or repair of farm machinery, logging equipment, and aquaculture production equipment are exempt, if the part replaces a farm machinery part assigned a specific or generic part number by the manufacturer of the farm machinery.

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made after June 30, 2003.

Sec. 13. Minnesota Statutes 2002, section 297A.69, subdivision 4, is amended to read:

Subd. 4. ~~[FARM MACHINERY, EQUIPMENT, AND FENCING.]~~ The following machinery, equipment, and fencing is exempt:

- (1) farm machinery is exempt;
- (2) logging equipment, including chain saws used for commercial logging;
- (3) fencing used for the containment of farmed cervidae, as defined in section 17.451, subdivision 2;
- (4) primary and backup generator units used to generate electricity for the purpose of operating farm machinery, aquacultural production equipment, or logging equipment, or providing light or space heating necessary for the production of livestock, dairy animals, dairy products, or poultry and poultry products; and
- (5) aquaculture production equipment.

**[EFFECTIVE DATE.]** This section is effective for sales and purchases made after June 30, 2003.

Sec. 14. Minnesota Statutes 2002, section 297B.025, subdivision 1, is amended to read:

Subdivision 1. ~~[NONCOLLECTOR VEHICLE.]~~ Purchase or use of a passenger automobile as defined in section 168.011, subdivision 7, shall be taxed pursuant to section 297B.02, subdivision 2, if the passenger automobile is (1) is in the tenth or subsequent year of vehicle life, and (2) is not an above-market automobile as designated by the registrar of motor vehicles does not have a resale value of \$3,000 or more, as determined using nationally recognized sources of information on automobile resale values, as designated by the registrar of motor vehicles.

~~The registrar of motor vehicles shall prepare, and distribute to all deputy motor vehicle registrars by July 15, 1985, a listing by make, model, and year of above-market automobiles. Except as provided by subdivision 2, the registrar must include in the list all automobiles with a resale value of \$3,000 or more, as determined using nationally recognized sources of information on automobile resale values. The registrar shall revise the list by February 1 of each year. The initial list and all subsequent revisions must include only those automobiles which are in the tenth or subsequent year of vehicle life.~~

**[EFFECTIVE DATE.]** This section is effective for vehicles purchased after June 30, 2003.

Sec. 15. Minnesota Statutes 2002, section 297B.025, subdivision 2, is amended to read:

Subd. 2. [COLLECTOR VEHICLE.] A passenger automobile that is registered under section 168.10, subdivision 1a, 1b, 1c, 1d, or 1h, or a fire truck registered under section 168.10, subdivision 1c, shall be taxed under section 297B.02, subdivision 3, ~~and the registrar shall not designate as an above-market automobile a passenger automobile or a fire truck registered under those subdivisions.~~ If the vehicle is subsequently registered in another class not under section 168.10, subdivision 1a, 1b, 1c, 1d, or 1h, within one year of the date of registration under those subdivisions, it shall be subject to the full excise tax imposed under subdivision 1.

**[EFFECTIVE DATE.]** This section is effective for vehicles purchased after December 31, 2003.

Sec. 16. Minnesota Statutes 2002, section 297B.035, subdivision 1, is amended to read:

Subdivision 1. [ORDINARY COURSE OF BUSINESS.] Except as provided in this section, motor vehicles purchased for resale in the ordinary course of business ~~or used by any motor vehicle dealer, as defined in section 168.011, subdivision 21, who is licensed under section 168.27, subdivision 2 or 3, which bear dealer plates as authorized by section 168.27, subdivision 16,~~ shall be exempt from the provisions of this chapter.

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

Sec. 17. [REPEALER.]

(a) Minnesota Statutes 2002, section 297A.72, subdivision 1, is repealed effective for exemption certificates received for sales occurring after June 30, 2003.

(b) Minnesota Statutes 2002, section 297A.97, is repealed effective for sales and purchases occurring after December 31, 2003.

(c) Minnesota Rules, parts 8130.0800, subparts 5 and 12; 8130.1300; 8130.1600, subpart 5; 8130.1700, subparts 3 and 4; 8130.4800, subpart 2; 8130.7500, subpart 5; 8130.8000; and 8130.8300, are repealed effective the day following final enactment.

## ARTICLE 10

### DEPARTMENT SPECIAL TAXES INITIATIVES

Section 1. Minnesota Statutes 2002, section 115B.24, subdivision 8, is amended to read:

Subd. 8. [PENALTIES; ENFORCEMENT.] The audit, penalty and enforcement provisions applicable to corporate franchise taxes imposed under chapter 290 apply to the taxes imposed under section 115B.22 and those provisions shall be administered by the commissioner.

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

Sec. 2. Minnesota Statutes 2002, 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;
  - (3) services provided by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0690;
  - (4) services provided by community support programs and family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760;
  - (5) services provided by community mental health centers as defined in section 245.62, subdivision 2;
  - (6) services provided by assisted living programs and congregate housing programs; and
  - (7) hospice care services.

**[EFFECTIVE DATE.]** This section is effective for gross revenues received after December 31, 2002.

Sec. 3. Minnesota Statutes 2002, 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~~ 295.59:

- (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), (13), or ~~(20)~~ (17);
- (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), (13), or ~~(20)~~ (17);
- (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 otherwise exempt under this chapter;

(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) (14) government payments received by a regional treatment center;~~

~~(16) payments received for hospice care services;~~

~~(17) (15) payments received by a health care provider for hearing aids and related equipment or prescription eyewear delivered outside of Minnesota;~~

~~(18) (16) 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; and~~

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

~~(20) (17) 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 gross revenues received after December 31, 2002.

Sec. 4. Minnesota Statutes 2002, section 297F.01, subdivision 21a, is amended to read:

Subd. 21a. [UNLICENSED SELLER.] "Unlicensed seller" means anyone who is not licensed under section 297F.03 ~~or 461.12~~ to sell the particular product to the purchaser or possessor of the product.

**[EFFECTIVE DATE.]** This section is effective July 1, 2003.

Sec. 5. Minnesota Statutes 2002, section 297F.01, subdivision 23, is amended to read:

Subd. 23. **[WHOLESALE SALES PRICE.]** "Wholesale sales price" means the established price stated on the price list in effect at the time of sale for which a manufacturer or person sells a tobacco product to a distributor, exclusive of any discount, promotional offer, or other reduction. For purposes of this subdivision, "price list" means the manufacturer's price at which tobacco products are made available for sale to all distributors on an ongoing basis.

**[EFFECTIVE DATE.]** This section is effective July 1, 2003.

Sec. 6. Minnesota Statutes 2002, section 297F.06, subdivision 4, is amended to read:

Subd. 4. **[TOBACCO PRODUCTS USE TAX.]** The tobacco products use tax does not apply to the possession, use, or storage of tobacco products in quantities of: that have an aggregate cost in any calendar month to the consumer of \$100 or less.

(1) ~~not more than 50 cigars;~~

(2) ~~not more than ten ounces snuff or snuff powder;~~

(3) ~~not more than one pound smoking or chewing tobacco or any other tobacco product in the possession of any one consumer.~~

**[EFFECTIVE DATE.]** This section is effective July 1, 2003.

Sec. 7. Minnesota Statutes 2002, section 297F.20, subdivision 1, is amended to read:

Subdivision 1. **[PENALTIES FOR FAILURE TO FILE OR PAY.]** (a) A person or consumer required to file a return, report, or other document with the commissioner who fails to do so is guilty of a misdemeanor.

(b) A person or consumer required to pay or to collect and remit a tax under this chapter, who fails to do so when required, is guilty of a misdemeanor.

**[EFFECTIVE DATE.]** This section is effective for acts committed on or after July 1, 2003.

Sec. 8. Minnesota Statutes 2002, section 297F.20, subdivision 2, is amended to read:

Subd. 2. **[PENALTIES FOR KNOWING FAILURE TO FILE OR PAY.]** (a) A person or consumer required to file a return, report, or other document with the commissioner, who knowingly, rather than accidentally, inadvertently, or negligently, fails to file it when required, is guilty of a gross misdemeanor.

(b) A person or consumer required to pay or to collect and remit a tax under this chapter, who knowingly, rather than accidentally, inadvertently, or negligently, fails to file it when required, is guilty of a gross misdemeanor.

**[EFFECTIVE DATE.]** This section is effective for acts committed on or after July 1, 2003.

Sec. 9. Minnesota Statutes 2002, section 297F.20, subdivision 3, is amended to read:

Subd. 3. **[FALSE OR FRAUDULENT RETURNS; PENALTIES.]** (a) A person or consumer who files with the commissioner a return, report, or other document, or who maintains or provides invoices subject to review by the commissioner under this chapter, known by the person or consumer to be fraudulent or false concerning a material matter, is guilty of a felony.

(b) A person or consumer who knowingly aids or assists in, or advises in the preparation or presentation of a return, report, invoice, or other document that is fraudulent or false concerning a material matter, whether or not the falsity or fraud is committed with the knowledge or consent of the person or consumer authorized or required to present the return, report, invoice, or other document, is guilty of a felony.

**[EFFECTIVE DATE.]** This section is effective for acts committed on or after July 1, 2003.

Sec. 10. Minnesota Statutes 2002, section 297F.20, subdivision 6, is amended to read:

Subd. 6. [UNSTAMPED CIGARETTES; UNTAXED TOBACCO PRODUCTS.] (a) A person, other than a licensed distributor or a consumer, who possesses, receives, or transports ~~more than 200 but~~ fewer than 5,000 unstamped cigarettes, or up to ~~\$100~~ \$350 worth of untaxed tobacco products is guilty of a misdemeanor.

(b) A person, other than a licensed distributor or a consumer, who possesses, receives, or transports 5,000 or more, but fewer than 20,001 unstamped cigarettes, or ~~up to \$500~~ more than \$350 but less than \$1,400 worth of untaxed tobacco products is guilty of a gross misdemeanor.

(c) A person, other than a licensed distributor or a consumer, who possesses, receives, or transports more than 20,000 unstamped cigarettes, or ~~\$500~~ \$1,400 or more worth of untaxed tobacco products is guilty of a felony.

(d) For purposes of this subdivision, an individual in possession of more than 4,999 unstamped cigarettes, or more than \$350 worth of untaxed tobacco products, is presumed not to be a consumer.

**[EFFECTIVE DATE.]** This section is effective for acts committed on or after July 1, 2003.

Sec. 11. Minnesota Statutes 2002, section 297F.20, subdivision 9, is amended to read:

Subd. 9. [PURCHASES FROM UNLICENSED SELLERS.] (a) No retailer or subjobber shall purchase cigarettes or tobacco products from any person who is not licensed under section 297F.03 as a licensed distributor or subjobber.

(b) A retailer, or subjobber, ~~or consumer~~ who purchases from an unlicensed seller ~~more than 200 but~~ fewer than 5,000 cigarettes or up to ~~\$100~~ \$350 worth of tobacco products is guilty of a misdemeanor.

~~(b)~~ (c) A retailer, or subjobber, ~~or consumer~~ who purchases from an unlicensed seller 5,000 or more, but fewer than 20,001 cigarettes or ~~up to \$500~~ more than \$350 but less than \$1,400 worth of ~~untaxed~~ tobacco products is guilty of a gross misdemeanor.

~~(e)~~ (d) A retailer, or subjobber, ~~or consumer~~ who purchases from an unlicensed seller more than 20,000 cigarettes or ~~\$500~~ \$1,400 or more worth of tobacco products is guilty of a felony.

**[EFFECTIVE DATE.]** This section is effective for acts committed on or after July 1, 2003.

Sec. 12. Minnesota Statutes 2002, section 297I.01, subdivision 9, is amended to read:

Subd. 9. [GROSS PREMIUMS.] "Gross premiums" means total premiums paid by policyholders and applicants of policies, whether received in the form of money or other valuable consideration, on property, persons, lives, interests and other risks located, resident, or to be performed in this state, but excluding consideration and premiums for reinsurance assumed from other insurance companies. The term "gross premiums" includes the total consideration paid to bail bond agents for bail bonds. For title insurance companies, "gross premiums" means the charge for title insurance made by a title insurance company or its agents according to the company's rate filing approved by the commissioner of commerce without a deduction for commissions paid to or retained by the agent. Gross premiums of a title insurance company does not include any other charge or fee for abstracting, searching, or examining the title, or escrow, closing, or other related services. The term "gross premiums" includes any workers' compensation special compensation fund premium surcharge pursuant to section 176.129.

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

Sec. 13. Minnesota Statutes 2002, section 297I.20, is amended to read:

297I.20 [GUARANTY ASSOCIATION ASSESSMENT OFFSET OFFSETS AGAINST PREMIUM TAXES.]

Subdivision 1. [GUARANTY ASSOCIATION ASSESSMENT OFFSETS.] (a) An insurance company may offset against its premium tax liability to this state any amount paid for assessments made for insolvencies which occur after July 31, 1994, under sections 60C.01 to 60C.22; and any amount paid for assessments made after July 31, 1994, under Minnesota Statutes 1992, sections 61B.01 to 61B.16, or under sections 61B.18 to 61B.32 as follows:

(1) Each such assessment shall give rise to an amount of offset equal to 20 percent of the amount of the assessment for each of the five calendar years following the year in which the assessment was paid.

(2) The amount of offset initially determined for each taxable year is the sum of the amounts determined under clause (1) for that taxable year.

(b)(1) Each year the commissioner shall compare total guaranty association assessments levied over the preceding five calendar years to the sum of all premium tax and corporate franchise tax revenues collected from insurance companies, without reduction for any guaranty association assessment offset in the preceding calendar year, referred to in this subdivision as "preceding year insurance tax revenues."

(2) If total guaranty association assessments levied over the preceding five years exceed the preceding year insurance tax revenues, insurance companies must be allowed only a proportionate part of the premium tax offset calculated under paragraph (a) for the current calendar year.

(3) The proportionate part of the premium tax offset allowed in the current calendar year is determined by multiplying the amount calculated under paragraph (a) by a fraction. The numerator of the fraction equals the preceding year insurance tax revenues, and its denominator equals total guaranty association assessments levied over the preceding five-year period.

(4) The proportionate part of the premium tax offset that is not allowed must be carried forward to subsequent tax years and added to the amount of premium tax offset calculated under paragraph (a) prior to application of the limitation imposed by this paragraph.

(5) Any amount carried forward from prior years must be allowed before allowance of the offset for the current year calculated under paragraph (a).

(6) The premium tax offset limitation must be calculated separately for (i) insurance companies subject to assessment under sections 60C.01 to 60C.22, and (ii) insurance companies subject to assessment under Minnesota Statutes 1992, sections 61B.01 to 61B.16, or 61B.18 to 61B.32.

(7) When the premium tax offset is limited by this provision, the commissioner shall notify affected insurance companies on a timely basis for purposes of completing premium and corporate franchise tax returns.

(8) The guaranty associations created under sections 60C.01 to 60C.22, Minnesota Statutes 1992, sections 61B.01 to 61B.16, and 61B.18 to 61B.32, shall provide the commissioner with the necessary information on guaranty association assessments.

(c)(1) If the offset determined by the application of paragraphs (a) and (b) exceeds the insurance company's premium tax liability under this section prior to allowance of the credit for premium taxes, then the insurance company may carry forward the excess, referred to in this subdivision as the "carryforward credit" to subsequent taxable years.

(2) The carryforward credit is allowed as an offset against premium tax liability for the first succeeding year to the extent that the premium tax liability for that year exceeds the amount of the allowable offset for the year determined under paragraphs (a) and (b).

(3) The carryforward credit must be reduced, but not below zero, by the amount of the carryforward credit allowed as an offset against the premium tax under this paragraph. The remainder, if any, of the carryforward credit must be carried forward to succeeding taxable years until the entire carryforward credit has been credited against the insurance company's liability for premium tax under this chapter if applicable for that taxable year.

(d) When an insurer has offset against taxes its payment of an assessment of the Minnesota life and health guaranty association, and the association pays the insurer a refund with respect to the assessment under Minnesota Statutes 1992, section 61B.07, subdivision 6, or 61B.24, subdivision 6, then the refund reduces the insurer's carryforward credit under paragraph (c). If the refund exceeds the amount of the carryforward credit, the excess amount must be repaid to the state by the insurers to the extent of the offset in the manner the commissioner requires.

Subd. 2. [JOINT UNDERWRITING ASSOCIATION OFFSET.] An assessment made pursuant to section 62I.06, subdivision 6, shall be deductible by the member from past or future premium taxes due the state.

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

Sec. 14. [REVISOR'S INSTRUCTION.]

In the next edition of Minnesota Rules, the revisor shall delete any references to the sections repealed in section 15, paragraph (a).

Sec. 15. [REPEALER.]

(a) Minnesota Statutes 2002, sections 294.01; 294.02; 294.021; 294.03; 294.06; 294.07; 294.08; 294.09; 294.10; 294.11; and 294.12, are repealed effective the day following final enactment.

(b) Minnesota Rules, parts 8125.1000; 8125.1300, subpart 1; and 8125.1400, are repealed effective the day following final enactment.

#### ARTICLE 11

##### DEPARTMENT COLLECTIONS AND COMPLIANCE INITIATIVES

Section 1. [270.278] [PENALTY FOR FILING CERTAIN DOCUMENTS AGAINST DEPARTMENT OF REVENUE EMPLOYEES.]

Subdivision 1. [DEFINITIONS.] (a) "Recording office" means a county recorder, registrar of titles, or secretary of state in this state or another state.

(b) "Filing party" means the person or persons requesting or causing another person to request that the recording office accept documents or instruments for recording or filing.

Subd. 2. [INVALID DOCUMENTS NAMING THE COMMISSIONER OR DEPARTMENT OF REVENUE EMPLOYEES.] Filing a document, including a nonconsensual common law lien under section 514.99, that purports to create a claim against the commissioner of revenue or an employee of the department of revenue based on performance or nonperformance of duties by the commissioner or employee is invalid unless accompanied by a specific order from a court of competent jurisdiction authorizing the filing of the document or unless a specific statute authorizes the filing of the document.

Subd. 3. [CIVIL PENALTY.] If a filing party causes a document described in subdivision 2 to be recorded in a recording office, the commissioner may assess a penalty against the filing party of \$1,000 per document filed, payable to the general fund. An order assessing a penalty under this section is reviewable administratively under section 289A.65 and is appealable to tax court under chapter 271. The penalty is collected and paid in the same manner as income tax. The penalty is in addition to any other remedy available to the commissioner of revenue or to an employee of the department of revenue against whom the document has been filed.

**[EFFECTIVE DATE.]** This section is effective for documents filed on or after July 1, 2003.

Sec. 2. Minnesota Statutes 2002, section 270.69, is amended by adding a subdivision to read:

Subd. 16. [ATTACHMENT TO PROCEEDS OF PROPERTY.] Any lien imposed under this section attaches to the proceeds of property with the same priority that the lien has with respect to the property itself. "Proceeds of property" means proceeds from the sale, lease, license, exchange,

or other disposition of the property, including insurance proceeds arising from the loss or destruction of the property.

**[EFFECTIVE DATE.]** This section is effective for all liens, whether imposed prior to, on, or after the day following final enactment.

Sec. 3. Minnesota Statutes 2002, section 270.701, subdivision 2, is amended to read:

Subd. 2. [NOTICE OF SALE.] The commissioner shall as soon as practicable after the seizure of the property give notice of sale of the property to the owner, in the manner of service prescribed in subdivision 1. In the case of personal property, the notice shall be served at least 10 days prior to the sale. In the case of real property, the notice shall be served at least four weeks prior to the sale. The commissioner shall also cause public notice of each sale to be made. In the case of personal property, notice shall be posted at least 10 days prior to the sale at the county courthouse for the county where the seizure is made, and in not less than two other public places. For purposes of this requirement, the Internet is a public place for posting the information. In the case of real property, six weeks' published notice shall be given prior to the sale, in a newspaper published or generally circulated in the county. The notice of sale provided in this subdivision shall specify the property to be sold, and the time, place, manner and conditions of the sale. Whenever levy is made without regard to the 30-day period provided in section 270.70, subdivision 2, public notice of sale of the property seized shall not be made within the 30-day period unless section 270.702 (relating to sale of perishable goods) is applicable.

**[EFFECTIVE DATE.]** This section is effective for notices of sales posted on or after the day following final enactment.

Sec. 4. Minnesota Statutes 2002, section 270.701, is amended by adding a subdivision to read:

Subd. 7. [SALE OF SEIZED SECURITIES.] (a) At the time of levy on securities, the commissioner shall provide notice to the taxpayer that the securities may be sold after ten days from the date of seizure.

(b) If the commissioner levies upon nonexempt publicly traded securities and the value of the securities is less than or equal to the total obligation for which the levy is done, after ten days the person who possesses or controls the securities shall liquidate the securities in a commercially reasonable manner. After liquidation, the person shall transfer the proceeds to the commissioner, less any applicable commissions or fees, or both, which are charged in the normal course of business.

(c) If the commissioner levies upon nonexempt publicly traded securities and the value of the securities exceeds the total amount of the levy, the owner of the securities may, within seven days after receipt of the department's notice of levy given pursuant to subdivision 1, instruct the person who possesses or controls the securities which securities are to be sold to satisfy the obligation. If the owner does not provide instructions for liquidation, the person who possesses or controls the securities shall liquidate the securities in an amount sufficient to pay the obligation, plus any applicable commissions or fees, or both, which are charged in the normal course of business, beginning with the nonexempt securities purchased most recently. After liquidation, the person who possesses or controls the securities shall transfer to the commissioner the amount of money needed to satisfy the levy.

**[EFFECTIVE DATE.]** This section is effective for sales of securities seized on or after the day following final enactment.

Sec. 5. Minnesota Statutes 2002, section 270.72, subdivision 2, is amended to read:

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

(a) "Taxes" are mean all taxes payable to the commissioner including penalties and interest due on the taxes.

(b) "Delinquent taxes" do not include a tax liability if (i) an administrative or court action which contests the amount or validity of the liability has been filed or served, (ii) the appeal period to contest the tax liability has not expired, or (iii) the applicant has entered into a payment agreement and is current with the payments.

(c) "Applicant" means an individual if the license is issued to or in the name of an individual or the corporation or partnership if the license is issued to or in the name of a corporation or partnership. "Applicant" also means an officer of a corporation, a member of a partnership, or an individual who is liable for delinquent taxes, either for the entity for which the license is at issue or for another entity for which the liability was incurred, or personally as a licensee. In the case of a license transfer, "applicant" also means both the transferor and the transferee of the license. "Applicant" also means any holder of a license.

(d) "License" ~~includes~~ means any permit, registration, certification, or other form of approval authorized by statute or rule to be issued by the state or a political subdivision of the state as a condition of doing business or conducting a trade, profession, or occupation in Minnesota, specifically including, but not limited to, a contract for space rental at the Minnesota state fair and authorization to operate concessions or rides at county and local fairs, festivals, or events.

(e) "Licensing authority" includes the Minnesota state fair board and county and local boards or governing bodies.

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

Sec. 6. Minnesota Statutes 2002, 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, a private nonprofit hospital that leases its building from the county in which it is located, 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, and the Minnesota collection enterprise as defined in section 16D.02, subdivision 8, for the purpose of collecting the costs imposed under section 16D.11.

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

Sec. 7. Minnesota Statutes 2002, section 289A.31, subdivision 3, is amended to read:

Subd. 3. [TRANSFEREES AND FIDUCIARIES.] The amounts of the following liabilities are, except as otherwise provided in section 289A.38, subdivision 13, assessed, collected, and paid in the same manner and subject to the same provisions and limitations as a deficiency in a tax imposed by chapter 290, including any provisions of law for the collection of taxes:

(1) the liability, at law or in equity, of a transferee of property of a taxpayer for tax or overpayment of a refund, including interest, additional amounts, and additions to the tax or overpayment provided by law, imposed upon the taxpayer by chapter 290 or provided for in chapter 290A; and

(2) the liability of a fiduciary under subdivision 4 for the payment of tax from the estate of the taxpayer. The liability may reflect the amount of tax shown on the return or any deficiency in tax.

**[EFFECTIVE DATE.]** This section is effective for refunds paid on or after the day following final enactment.

Sec. 8. Minnesota Statutes 2002, section 289A.31, subdivision 4, is amended to read:

Subd. 4. [TAX AS A PERSONAL DEBT OF A FIDUCIARY.] The A tax imposed by chapter 290 and an overpayment of a refund provided for in chapter 290A, and interest and penalties, is a



personal debt of the taxpayer from the time the liability arises, regardless of when the time for discharging the liability by payment occurs. The debt is, in the case of the personal representative of the estate of a decedent and in the case of any fiduciary, that of the individual in the individual's official or fiduciary capacity only, unless the individual has voluntarily distributed the assets held in that capacity without reserving sufficient assets to pay the tax, interest, and penalties, in which event the individual is personally liable for the deficiency.

**[EFFECTIVE DATE.]** This section is effective for taxes imposed and property tax refunds claimed on or after the day following final enactment.

Sec. 9. Minnesota Statutes 2002, section 289A.36, subdivision 7, is amended to read:

Subd. 7. [APPLICATION TO COURT FOR ENFORCEMENT OF SUBPOENA.] (a) Disobedience of subpoenas issued under this section shall be punished by the district court of the district in which the party served with the subpoena is located, in the same manner as contempt of the district court.

(b) Disobedience of a subpoena issued under subdivision 9 shall be punished by the district court for Ramsey county in the same manner as contempt of the district court. In addition to contempt remedies, the court may issue any order the court deems reasonably necessary to enforce compliance with the subpoena.

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

Sec. 10. Minnesota Statutes 2002, section 289A.36, is amended by adding a subdivision to read:

Subd. 9. [ACCESS TO RECORDS IN CONNECTION WITH EXAMINATION OF BUSINESSES LOCATED OUTSIDE THE STATE.] (a) In order to determine whether a business located outside the state of Minnesota is required to file a return under this chapter, the commissioner may examine the relevant records and files of the business.

(b) To the full extent permitted by the Minnesota and United States constitutions, the commissioner may compel production of those relevant records and files by subpoena. The subpoena may be served on the secretary of state along with the address to which service of the subpoena is to be sent and a fee of \$50. The secretary of state shall forward a copy of the subpoena to the business using the procedures for service of process in section 5.25, subdivision 6.

(c) The commissioner shall pay the reasonable cost of producing records subject to subpoena under this subdivision if:

(1) the subpoenaed party cannot produce the records without undue burden; and

(2) the examination made pursuant to paragraph (a) shows that the subpoenaed party is not required to file a return under this chapter.

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

Sec. 11. Minnesota Statutes 2002, section 289A.36, is amended by adding a subdivision to read:

Subd. 10. [PENALTY.] In addition to sanctions imposed under subdivision 7, a penalty of \$250 per day is imposed on any business that is in violation of a court order to comply with a subpoena that is seeking information necessary for the commissioner to be able to determine whether the business is required to file a return or pay a tax. The maximum penalty is \$25,000. Upon the request of the commissioner, the court shall determine the amount of the penalty and enter it as a judgment in favor of the commissioner. The penalty is not payable until the judgment is entered.

**[EFFECTIVE DATE.]** This section is effective for violations of court orders to enforce subpoenas issued on or after the day following final enactment.

Sec. 12. Minnesota Statutes 2002, section 297A.85, is amended to read:

## 297A.85 [CANCELLATION OF PERMITS.]

The commissioner may cancel a permit if one of the following conditions occurs:

- (1) the permit holder has not filed a sales or use tax return for at least one year;
- (2) the permit holder has not reported any sales or use tax liability on the permit holder's returns for at least two years; ~~or~~
- (3) the permit holder requests cancellation of the permit; or
- (4) the permit is subject to cancellation pursuant to section 297A.86, subdivision 2, paragraph (a).

**[EFFECTIVE DATE.]** This section is effective for cancellations of permits done on or after the day following final enactment.

## Sec. 13. [REPEALER.]

Minnesota Statutes 2002, section 270.691, subdivision 8, is repealed effective the day following final enactment.

ARTICLE 12  
MISCELLANEOUS

Section 1. Minnesota Statutes 2002, section 256.969, is amended by adding a subdivision to read:

Subd. 9c. [COUNTY BILLING.] (a) Minnesota hospitals located in the metropolitan area defined in section 473.121, subdivision 2, that have a disproportionate population adjustment greater than ten percent are eligible for a special payment for uncompensated care. These hospitals may bill a county for services provided to a resident of that county provided that:

- (1) the patient is a resident of a county other than the county in which the hospital is located. For purposes of this section, residence is defined in section 256G.02, subdivision 8; and
- (2) the patient was uninsured at the time of service and has an income below 250 percent of the federal poverty guidelines.

(b) Counties that are billed under this subdivision must pay eligible hospitals at a rate equal to the cost of the care provided. The cost of care shall be established using the hospital's stated charges, adjusted to cost using the cost-to-charge ratio established by the state. For purposes of prompt payment, section 471.425, subdivisions 2 and 4, shall apply. In the event of nonpayment, the hospital shall have a cause of action against the county and shall be entitled to collection expenses incurred, including attorney fees.

(c) The county of residence shall be the payer of last resort. If third-party payments are received by a participating hospital for services rendered after payment has been made by the county of residence, the participating hospital shall reimburse the county of residence for payments made to the hospital for covered services, at the rates originally paid by the county of residence.

Sec. 2. Minnesota Statutes 2002, section 270.60, subdivision 4, is amended to read:

Subd. 4. [PAYMENTS TO COUNTIES.] (a) The commissioner shall pay to a county in which an Indian gaming casino is located:

- (1) ten percent of the state share of all taxes generated from activities on reservations and collected under a tax agreement under this section with the tribal government for the reservation located in the county; or

(2) five percent of excise taxes collected by the state that are determined by the department of revenue to have been generated from activities on a reservation located in the county, the tribal government of which has not entered into a tax agreement under this section.

If the tribe has casinos located in more than one county, the payment must be divided equally among the counties in which the casinos are located.

(b) The commissioner shall make the payments required under this subdivision by February 28 of the year following the year the taxes are collected.

(c) An amount sufficient to make the payments authorized by this subdivision is annually appropriated from the general fund to the commissioner.

**[EFFECTIVE DATE.]** This section is effective for taxes collected after June 30, 2003.

Sec. 3. [280A.01] [DEFINITIONS.]

Subdivision 1. [APPLICATION.] For purposes of this chapter, the following terms have the meanings given.

Subd. 2. [FACE AMOUNT.] The "face amount of the tax lien" or "face amount" means the sum of the following amounts:

(1) the unpaid real property taxes and assessments;

(2) penalties;

(3) fees and costs, including the allocable costs of any publications made and notices given by the joint powers agency under section 280A.04, subdivision 2; and

(4) interest accrued on amounts listed in clauses (1) to (3) at the applicable statutory rate through the date of sale of the tax lien.

Subd. 3. [TAXING AUTHORITY.] "Taxing authority" is a county or joint powers agency with a population of 500,000 or more.

Subd. 4. [TREASURER.] "Treasurer" means the county treasurer or the equivalent officer of another taxing authority or a designee of the treasurer or other officer.

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

Sec. 4. [280A.02] [AUTHORITY TO SELL TAX LIENS.]

Subdivision 1. [GENERAL AUTHORITY.] (a) As provided in this chapter, a taxing authority may sell its allocable portion of tax liens securing delinquent real property taxes and assessments or other charges that are made a lien on real property for the benefit of the taxing authority. The allocable portion of a tax lien is for all purposes itself a "tax lien" for purposes of this chapter. A taxing authority may not sell any tax lien for which the taxes secured by the tax lien are subject to a proceeding under chapter 278 that has not been dismissed or otherwise terminated.

Subd. 2. [COUNTY ACTION; EFFECT.] A county may sell the tax liens of all of the taxing authorities having a tax lien on a property. In such case, whenever this chapter requires or permits a taxing authority to take action, the taking of that action by the county is deemed to be the taking of that action by and on behalf of each of the participating taxing authorities.

Subd. 3. [AMOUNT OF LIEN; PARTIAL PAYMENTS.] (a) The amount of a tax lien sold under this chapter equals the face amount of the tax lien.

(b) Any partial payments received on a tax lien are applied first to accrued interest and then to the face amount of the tax lien.

Subd. 4. [NOT A BORROWING.] A sale of a tax lien or tax liens by a taxing authority under this chapter is a sale and is not a borrowing by the taxing authority.

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

Sec. 5. [280A.03] [PROCEDURES FOR SALE OF TAX LIENS.]

Subdivision 1. [SALE TO JOINT POWER AGENCY.] A taxing authority may, from time to time, sell all or a portion of its then delinquent tax liens through a negotiated sale under the procedures provided in this chapter to a joint powers agency organized by two or more counties under section 471.59. A taxing authority selling tax liens to a joint powers agency need not be a member of the joint powers agency. A joint powers agency formed to purchase and sell tax liens under this chapter is deemed to be exercising common powers of its member counties for purposes of section 471.59.

Subd. 2. [TERMS OF AGREEMENT.] A taxing authority may enter into a purchase and sale agreement with a joint powers agency for the sale of tax liens by the taxing authority to the joint powers agency. The taxing authority may include in the agreement the terms, provisions, conditions, representations, and warranties that it determines are necessary or desirable and are consistent with the provisions of this chapter. The agreement must specify the purchase price of the tax liens to be paid to the taxing authority and any other amounts that may be made available to the taxing authority on a contingent basis under the terms of the agreement. The purchase price may be more or less than the face amount of the tax liens purchased by the joint powers agency.

Subd. 3. [NOTICE OF SALE.] Ninety days before a taxing authority sells a tax lien to a joint powers agency, the taxing authority shall notify all owners of record of the property that is subject to the lien, that the authority intends to sell the lien. The notice must advise the property owner the amount of the taxes, penalties, interest, and any other amounts owed on the tax lien; how the property owner can pay the delinquent taxes to the taxing authority; that the taxing authority intends to sell the lien; the consequences to the property owner if the lien is sold; and a statement of the rights, obligations, and remedies of the property owner.

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

Sec. 6. [280A.04] [SALES OF TAX LIENS BY JOINT POWERS AGENCY.]

Subdivision 1. [BULK SALE.] A joint powers agency organized for the purposes of this chapter may sell tax liens in bulk through a negotiated sale under the procedures provided in this section. The joint powers agency shall establish the terms and conditions of a sale of tax liens. No provision of law that requires competitive bidding relating to the letting of government contracts applies to the sale of tax liens by a joint powers agency.

Subd. 2. [NOTICE OF SALE.] The joint powers agency shall publish a notice of its intention to sell a tax lien or tax liens through a negotiated sale. The notice must advise that a request for statements of interest is available at the office of the joint powers agency, and may require the submission of any information or documents that the joint powers agency deems appropriate. The notice must identify separately the tax liens intended to be sold, the number and aggregate amount of the tax liens and state that a copy of a list of the tax liens may be obtained from the office of the joint powers agency upon request. The notice must be published in a newspaper of general circulation in the taxing authority not less than 30 days prior to the date designated by the joint powers agency for the receipt of statements of interest.

Subd. 3. [AWARD OF SALE.] Notwithstanding any other law to the contrary, in order to determine whether or not to award a sale of tax liens and to determine to whom to award a sale of tax liens, the joint powers agency may consider all factors that the governing body of the joint powers agency deems relevant to the best interests of the taxing authorities from which the tax liens are to be purchased, including but not limited to the price at which the tax liens are offered to be purchased, as well as the terms and conditions of the purchase and sale agreements proposed by the prospective purchasers. The joint powers agency may negotiate with one or more prospective purchasers to determine the terms and conditions under which tax liens are proposed to be purchased.

Subd. 4. [TERMS OF AGREEMENT.] The joint powers agency may enter into one or more

purchase and sale agreements for the sale of tax liens by the joint powers agency. The agency may include in the agreements the terms, provisions, conditions, representations, and warranties it determines are necessary or desirable and are consistent with the provisions of this chapter. Each agreement must specify the purchase price to be paid to the joint powers agency and any other amounts that may be made available to the joint powers agency on a contingent basis under the terms of the agreement. The purchase price may be more or less than the face amount of the tax liens purchased by the tax lien purchaser and may include noncash consideration. In connection with the sale of the tax liens under the agreement, the joint powers agency may assign to the tax lien purchaser all of its right, title, and interest in and to the purchase and sale agreement or agreements between the joint powers agency and the counties from which the tax liens were purchased by the joint powers agency.

Subd. 5. [AUTHORITY TO CANCEL.] The joint powers agency may postpone or cancel any proposed sale of tax liens for which notice has been published. The joint powers agency is not liable for any damages as a result of cancellation or postponement of a proposed sale of tax liens, nor does any cause of action arise from a cancellation or postponement.

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

Sec. 7. [280A.05] [TAX LIEN CERTIFICATES.]

Subdivision 1. [OPERATION.] (a) Upon the sale by a taxing authority of a tax lien to a joint powers agency, the county auditor or the treasurer shall deliver to the joint powers agency a tax lien certificate evidencing the sale and the transfer of the tax lien by the taxing authority to the joint powers agency.

(b) A tax lien certificate operates to transfer and assign the tax lien upon the property described in the certificate for:

(1) the unpaid real property taxes and assessments;

(2) other fees and costs, including the costs of any publications made and notices given under section 280A.04, subdivision 2;

(3) all interest and penalties accrued on the tax lien through the date of sale; and

(4) accrued interest on all unpaid amounts from the date of sale to the date of payment.

(c) The county auditor or treasurer shall keep a record of all tax liens transferred as provided by this section.

Subd. 2. [CONTENTS.] (a) A tax lien certificate must contain:

(1) a transfer and assignment by the taxing authority of the tax lien sold to the joint powers agency;

(2) the date of the sale;

(3) the aggregate amount of the tax lien transferred and the items of unpaid real property taxes and assessments and other charges;

(4) the costs of any publications made and notices given under this chapter;

(5) all interest and penalties accrued on the tax lien through the date of sale comprising the tax lien;

(6) a statement that the tax lien certificate will bear interest at the rate specified in section 279.03, subdivision 1a; and

(7) a description of the property by block and lot or by such other identification sufficient to identify the property subject to the tax lien.

(b) The treasurer shall, by manual or facsimile signature:

(1) execute a tax lien certificate; and

(2) acknowledge the certificate in the manner in which a deed must be acknowledged to be recorded.

(c) A tax lien certificate may evidence the transfer of more than one tax lien on more than one property.

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

Sec. 8. [280A.06] [LOST TAX LIEN CERTIFICATE.]

If any tax lien certificate is lost, the treasurer may, upon satisfactory proof of the loss, direct the execution and delivery of a duplicate certificate to the person or persons who appear entitled to the certificate. The treasurer may require a bond of indemnity to the taxing authority as a condition of executing a duplicate certificate.

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

Sec. 9. [280A.07] [RECORDING OF TAX LIEN CERTIFICATES.]

A tax lien certificate and any assignment or discharge of a certificate, duly acknowledged, are deemed conveyances within the meaning of section 507.01 and may be recorded (in the case of unregistered real estate) in the office of the county recorder of the county where the property is located or registered (in the case of registered real estate) in the office of the registrar of titles of the county where the property is located under section 508.55. Tax lien certificates and all assignments and discharges of certificates must be recorded by the county recorder or registered by the registrar of titles in the same manner as mortgages and assignments and discharges of mortgages. Notwithstanding section 272.12, the county recorder or the registrar of titles shall not refuse to receive or record a tax lien certificate and any assignment or discharge of a certificate because of any outstanding delinquent taxes due on the related property. Notwithstanding section 507.34, neither the tax lien nor the rights transferred or created by a tax lien certificate is impaired by the failure of the county recorder or registrar of titles to record or register a tax lien certificate made by the county through the treasurer.

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

Sec. 10. [280A.08] [RIGHTS OF HOLDER OF TAX LIEN CERTIFICATE; DISCHARGE OF TAX LIEN.]

Subdivision 1. [RIGHTS OF LIENHOLDER.] A holder of a tax lien under a tax lien certificate has the right to receive all amounts collected by the county or the taxing authority in payment of amounts due on the tax lien, including all payments of the unpaid real property taxes, assessments, penalties, and costs, plus interest accrued on those amounts to the date of payment of the tax lien in full. The treasurer of the county in which any property encumbered by a tax lien transferred under this chapter and recorded as provided in section 280A.07 shall pay to the holder of the tax lien certificate or its designee designated in writing promptly upon receipt any payments made on a tax lien. Any person having a legal or beneficial interest in the property affected by a tax lien certificate may satisfy it at any time upon payment of the amounts then due, including all accrued interest on the lien. Upon satisfaction of the tax lien, the holder shall issue to the person that satisfied the tax lien a certificate of discharge, certifying that the tax lien has been paid or has been otherwise satisfied, in a recordable or registrable form approved by the county recorder of the county where the property is located.

Subd. 2. [DISCHARGE OF LIEN.] A tax lien sold under this chapter may be discharged by presenting the certificate of discharge issued by the holder of the tax lien under subdivision 1 to the county recorder or registrar of titles of the county where the property is located.

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

Sec. 11. [280A.09] [EXEMPTION FROM TAXATION.]

Notwithstanding any other law to the contrary, tax liens and tax lien certificates are exempt from taxation by the state or any political subdivision of the state, including the mortgage registry taxes imposed by chapter 287 but excluding the recording fees imposed by chapter 357. This section does not exempt the real property affected by any tax lien, or the interest paid on the tax lien, from taxation.

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

Sec. 12. [280A.10] [FORECLOSURE OF TAX LIENS.]

(a) If the amount of any tax lien transferred by a tax lien certificate is not paid by the later of the date of expiration of the applicable redemption period specified in chapter 281 or the expiration of a confession of judgment entered into under section 279.37, the tax lien may be foreclosed by advertisement in the same manner as a mortgage as provided in chapter 580, except that the following rules apply:

(1) the property owner is deemed to be the mortgagor, the tax lien certificate holder is deemed to be the mortgagee, and the tax lien certificate is deemed to be the mortgage note and mortgage;

(2) the tax lien certificate is deemed to contain a power of sale and the failure of the property owner to redeem the tax lien is deemed to be a default by which the power of sale has become operative; and

(3) notwithstanding section 582.01 or any other law to the contrary, the tax lien certificate holder may recover from the proceeds of foreclosure reasonable attorney fees and disbursements relating to the foreclosure, together with the expenses of the sale.

(b) In any conflict between this chapter and any other law relating to the foreclosure of mortgages, this chapter has precedence over the other law.

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

Sec. 13. [280A.11] [REDEMPTION.]

Subdivision 1. [NOTICE OF EXPIRATION OF REDEMPTION PERIOD.] The provisions of chapter 281 relating to the redemption of tax liens sold under this chapter continue to apply to tax liens sold under this chapter. The county auditor shall give notice of the expiration of the applicable redemption period of any tax lien sold under this chapter in the same manner as provided for tax-forfeited property under chapter 281.

Subd. 2. [LIMITATIONS ON ADVERSE CLAIMS.] No cause of action or defense claiming that any tax lien certificate or tax lien is invalid may be asserted or maintained upon any claim adverse to the holder of the tax lien certificate or the holder's successors in interest, including but not limited to any claim based upon any failure, omission, error, or defect described in section 284.28, subdivision 1, unless the cause of action or defense is asserted in an action commenced before the expiration of the time for redemption, as provided by section 281.21, or by any other law hereafter enacted providing for notice of expiration of time for redemption and the filing thereof.

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

Sec. 14. [280A.12] [PRIORITY AND PAYMENT OF TAX LIENS; EFFECT OF FORFEITURE TO STATE.]

Notwithstanding section 280.39 or any other law to the contrary, if more than one tax lien is entitled to foreclosure under this chapter on a parcel of real property, all the tax liens rank on a parity. After the payment of all legal fees and costs, allowances, and disbursements relating to the foreclosure, the holders of all the tax liens must be paid from the proceeds of the sale, so far as the proceeds suffice to pay the same, the amounts of their respective tax liens in the ratio to which the

amount of the tax lien of each holder bears to the aggregate of all the amounts. All tax liens foreclosed upon in a foreclosure sale have priority over any other lien on the property sold in foreclosure regardless as to when the other lien became a lien on the property.

**[EFFECTIVE DATE.]** This section is effective the day following final enactment. Sections 2 through 13 expire on June 30, 2005.

Sec. 15. Minnesota Statutes 2002, section 287.12, is amended to read:

287.12 [TAXES, HOW APPORTIONED.]

(a) All taxes paid to the county treasurer under the provisions of sections 287.01 to 287.12 must be apportioned, 97 percent to the general fund of the state, and three percent to the county revenue fund.

(b) On or before the 20th day of each month the county treasurer shall determine and pay to the commissioner of revenue for deposit in the state treasury and credit to the general fund the state's portion of the receipts from the mortgage registry tax during the preceding month subject to the electronic payment requirements of section 270.771. The county treasurer shall provide any related reports requested by the commissioner of revenue.

(c) Counties must remit 81 percent of the state's portion of the June receipts collected through June 25 and the estimated state's portion of the receipts to be collected during the remainder of the month to the commissioner of revenue two business days before June 30 of each year. The remaining amount of the June receipts is due on August 20.

**[EFFECTIVE DATE.]** This section is effective January 1, 2004.

Sec. 16. Minnesota Statutes 2002, section 287.29, subdivision 1, is amended to read:

Subdivision 1. [APPOINTMENT AND PAYMENT OF TAX PROCEEDS.] (a) The proceeds of the taxes levied and collected under sections 287.21 to 287.39 must be apportioned, 97 percent to the general fund of the state, and three percent to the county revenue fund.

(b) On or before the 20th day of each month, the county treasurer shall determine and pay to the commissioner of revenue for deposit in the state treasury and credit to the general fund the state's portion of the receipts for deed tax from the preceding month subject to the electronic transfer requirements of section 270.771. The county treasurer shall provide any related reports requested by the commissioner of revenue.

(c) Counties must remit 81 percent of the state's portion of the June receipts collected through June 25 and the estimated state's portion of the receipts to be collected during the remainder of the month to the commissioner of revenue two business days before June 30 of each year. The remaining amount of the June receipts is due on August 20.

**[EFFECTIVE DATE.]** This section is effective January 1, 2004.

Sec. 17. Minnesota Statutes 2002, section 287.31, is amended by adding a subdivision to read:

Subd. 3. [UNDERPAYMENTS OF ACCELERATED PAYMENT OF JUNE TAX RECEIPTS.] If a county fails to timely remit the specified percentage of the state portion of the actual June tax receipts at the time required by section 287.12 or 287.29, the county shall pay a penalty equal to ten percent of the state portion of actual June receipts less the amount remitted to the commissioner of revenue in June. The penalty must not be imposed, however, if the amount remitted in June equals either:

(1) 75 percent of the state's portion of the preceding May's receipts; or

(2) 75 percent of the average monthly amount of the state's portion for the previous calendar year.

**[EFFECTIVE DATE.]** This section is effective January 1, 2004.



Sec. 18. Minnesota Statutes 2002, section 297F.08, is amended by adding a subdivision to read:

Subd. 12. [CIGARETTES IN INTERSTATE COMMERCE.] (a) A person may not transport or cause to be transported from this state cigarettes for sale in another state without first affixing to the cigarettes the stamp required by the state in which the cigarettes are to be sold or paying any other excise tax on the cigarettes imposed by the state in which the cigarettes are to be sold.

(b) A person may not affix to cigarettes the stamp required by another state or pay any other excise tax on the cigarettes imposed by another state if the other state prohibits stamps from being affixed to the cigarettes, prohibits the payment of any other excise tax on the cigarettes, or prohibits the sale of the cigarettes.

(c) Not later than 15 days after the end of each calendar quarter, a person who transports or causes to be transported from this state cigarettes for sale in another state shall submit to the commissioner a report identifying the quantity and style of each brand of the cigarettes transported or caused to be transported in the preceding calendar quarter, and the name and address of each recipient of the cigarettes.

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

Sec. 19. Minnesota Statutes 2002, section 297G.01, is amended by adding a subdivision to read:

Subd. 21. [LOW-ALCOHOL DAIRY COCKTAIL.] "Low-alcohol dairy cocktail" means a premixed cocktail, or any other product except liqueur-filled candy, that:

- (1) consists primarily of milk products;
- (2) contains distilled spirits;
- (3) is drinkable as a beverage or is promoted as an alcoholic product; and
- (4) contains less than 3.2 percent alcohol by volume.

**[EFFECTIVE DATE.]** This section is effective for sales made after June 30, 2003.

Sec. 20. Minnesota Statutes 2002, section 297G.03, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RATE; DISTILLED SPIRITS AND WINE.] The following excise tax is imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in this state:

	Standard	Metric
(a) Distilled spirits, liqueurs, cordials, and specialties regardless of alcohol content (excluding ethyl alcohol)	\$5.03 per gallon	\$1.33 per liter
(b) Wine containing 14 percent or less alcohol by volume (except cider as defined in section 297G.01, subdivision 3a)	\$ .30 per gallon	\$ .08 per liter
(c) Wine containing more than 14 percent but not more than 21 percent alcohol by volume	\$ .95 per gallon	\$ .25 per liter
(d) Wine containing more than 21 percent but not	\$1.82 per gallon	\$ .48 per liter

more than 24 percent alcohol by volume		
(e) Wine containing more than 24 percent alcohol by volume	\$3.52 per gallon	\$ .93 per liter
(f) Natural and artificial sparkling wines containing alcohol	\$1.82 per gallon	\$ .48 per liter
(g) Cider as defined in section 297G.01, subdivision 3a	\$ .15 per gallon	\$ .04 per liter
(h) <u>Low alcohol dairy cocktails</u>	<u>\$ .08 per gallon</u>	<u>\$ .02 per liter</u>

In computing the tax on a package of distilled spirits or wine, a proportional tax at a like rate on all fractional parts of a gallon or liter must be paid, except that the tax on a fractional part of a gallon less than 1/16 of a gallon is the same as for 1/16 of a gallon.

**[EFFECTIVE DATE.]** This section is effective for sales made after June 30, 2003.

Sec. 21. Minnesota Statutes 2002, section 473F.08, is amended by adding a subdivision to read:

Subd. 3c. [CHARITY CARE REIMBURSEMENT.] (a) As used in this subdivision, the following terms have the meanings given in this paragraph.

(1) "Charity care" means the amount that would have been charged by a facility for rendering free or discounted care to persons who cannot afford to pay and for which the facility did not expect payment. Charity care does not include any amount for which a hospital received a payment from a county under section 256.969, subdivision 9c.

(2) A "qualifying hospital" means a hospital in the area that is owned or operated by a local unit of government, or formerly owned by a university, has a licensed bed capacity greater than 400, and provides uncompensated care valued at more than 1.8 percent of its gross charges as stated in the Healthcare cost information system database, maintained by the Minnesota hospital association for the Minnesota department of health.

(b) A county that contains a qualifying hospital that provides charity care to residents of the area is eligible for reimbursement of the charity care amount that is above the statewide average for hospitals for charity care, adjusted to cost. By July 15, 2004, and each subsequent year, the county shall notify its county auditor, as well as the administrative auditor, of the amount of qualifying charity care provided, adjusted to cost using the hospital's cost-to-charge ratio, during the 12-month period ending on June 30 of the current year.

(c) The areawide levy of each governmental unit calculated in subdivision 3, paragraph (a), must be reduced in an amount equal to the reimbursement multiplied by the proportion of the areawide levy of each governmental unit to the total areawide levy of all governmental units.

(d) The administrative auditor shall pay one-half of the reimbursement to the county auditor of the county that contains the qualifying hospital on or before June 15 and the remaining one-half of the reimbursement on or before November 15. The county auditor receiving the payment shall disburse the reimbursement to the qualifying hospital within 15 days of receipt of the reimbursement.

(e) Prior to the reporting specified in paragraph (b) above, all qualifying hospitals that participate in this program shall agree upon and implement a common standard for reporting charity care, and a common standard for determining eligibility for charity care for all participating hospitals.

**[EFFECTIVE DATE.]** This section is effective for fiscal disparities contribution and distribution tax capacities for taxes payable in 2005 and subsequent years.

Sec. 22. [REPEALER.]

Laws 1984, chapter 652, section 2, is repealed.

[EFFECTIVE DATE.] This section is effective for Benton county the day after the governing body of Benton county and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

This section is effective for Stearns county the day after the governing body of Stearns county and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3."

Delete the title and insert:

"A bill for an act relating to taxation; making changes to income, estate, franchise, sales and use, property, motor vehicle sales tax and registration, cigarette and tobacco, liquor, aggregate and minerals taxes; creating and modifying certain sales tax exemptions; extending sunset dates for certain sales and property tax exemptions; providing for the disposition of local sales taxes for the cities of Duluth, St. Paul, Hermantown, Rochester, and Proctor; authorizing local sales taxes in the cities of Beaver Bay, Bemidji, Cloquet, Hopkins, Medford, and Park Rapids; authorizing lodging taxes in the city of Newport and Itasca county; providing property tax exemptions and exclusions from property valuations; modifying truth-in-taxation provisions; providing for the creation of housing districts; authorizing or modifying the authority of tax increment financing districts in Detroit Lakes, Duluth, Monticello, New Hope, Richfield, Roseville, and St. Michael; authorizing the creation of and modifying the authority of local districts and economic development authorities; granting bonding authority to the state agricultural society and other political subdivisions; allowing bonding for computer systems and other purposes; authorizing cities to establish a program for issuance of capital improvement bonds; limiting challenges to tax increment financing actions; establishing the corporate status of an entity; updating to federal provisions; modifying payment, penalty, interest, and enforcement provisions; distributing payments to counties; allowing counties to sell tax liens; authorizing billing of counties for certain medical exams; changing requirements for purchases of recycled materials; making technical changes; imposing penalties; amending Minnesota Statutes 2002, sections 16B.121; 115B.24, subdivision 8; 168.012, subdivision 1; 168A.03; 216B.2424, subdivision 5; 256.969, by adding a subdivision; 270.06; 270.10, subdivision 1a; 270.60, subdivision 4; 270.69, by adding a subdivision; 270.701, subdivision 2, by adding a subdivision; 270.72, subdivision 2; 270A.03, subdivision 2; 270B.12, by adding a subdivision; 272.02, subdivisions 26, 31, 47, 53, by adding subdivisions; 272.12; 273.01; 273.05, subdivision 1; 273.061, by adding subdivisions; 273.08; 273.11, subdivision 1a, by adding subdivisions; 273.124, subdivision 1; 273.13, subdivisions 22, 25; 273.1315; 273.1398, subdivisions 4b, 4d; 273.372; 273.42, subdivision 2; 274.01, subdivision 1; 274.13, subdivision 1; 275.025, subdivisions 1, 3, 4; 275.065, subdivisions 1, 1a, 3; 276.04, subdivision 2; 276.10; 276.11, subdivision 1; 277.20, subdivision 2; 278.03, subdivision 1; 278.05, subdivision 6; 279.01, subdivision 1, by adding a subdivision; 279.06, subdivision 1; 281.17; 282.01, subdivisions 1b, 7a; 282.08; 287.12; 287.29, subdivision 1; 287.31, by adding a subdivision; 289A.02, subdivision 7; 289A.10, subdivision 1; 289A.19, subdivision 4; 289A.31, subdivisions 3, 4, by adding a subdivision; 289A.36, subdivision 7, by adding subdivisions; 289A.50, subdivision 2a; 289A.56, subdivision 3; 289A.60, subdivision 7, by adding a subdivision; 290.01, subdivisions 19, 19b, 19d, 31; 290.06, subdivision 2c; 290.0671, subdivision 1; 290.0675, subdivisions 2, 3; 290.0679, subdivision 2; 290.0802, subdivision 1; 290A.03, subdivisions 8, 15; 290C.02, subdivisions 3, 7; 290C.03; 290C.07; 290C.09; 290C.10; 290C.11; 291.005, subdivision 1; 291.03, subdivision 1; 295.50, subdivision 9b; 295.53, subdivision 1; 297A.61, subdivisions 3, 12, 34, by adding subdivisions; 297A.62, subdivision 3; 297A.665; 297A.67, subdivisions 2, 18, by adding subdivisions; 297A.68, subdivisions 5, 36, by adding a subdivision; 297A.69, subdivisions 2, 3, 4; 297A.70, subdivisions 8, 16; 297A.71, subdivision 10, by adding subdivisions; 297A.85; 297B.025, subdivisions 1, 2; 297B.03; 297B.035, subdivision 1, by adding a subdivision; 297F.01, subdivisions 21a, 23; 297F.06, subdivision 4; 297F.08, by adding a subdivision; 297F.20, subdivisions 1, 2, 3, 6, 9; 297G.01, by adding a subdivision;

297G.03, subdivision 1; 297I.01, subdivision 9; 297I.20; 352.15, subdivision 1; 353.15, subdivision 1; 354.10, subdivision 1; 354B.30; 354C.165; 373.01, subdivision 3; 373.45, subdivision 1; 373.47, subdivision 1; 376.009; 376.55, subdivision 3, by adding a subdivision; 376.56, subdivision 3; 383B.77, subdivisions 1, 2; 410.32; 412.301; 469.169, by adding a subdivision; 469.1731, subdivision 3; 469.174, subdivision 10, by adding subdivisions; 469.175, subdivision 3, by adding a subdivision; 469.176, subdivision 7; 469.1761, by adding a subdivision; 469.1763, subdivision 2; 469.177, subdivision 1; 469.1792, subdivision 3; 473.39, by adding a subdivision; 473F.07, subdivision 4; 473F.08, by adding a subdivision; 475.58, subdivision 3b; 477A.011, subdivision 30; 515B.1-116; Laws 1967, chapter 558, section 1, subdivision 5, as amended; Laws 1978, chapter 464, section 1; Laws 1980, chapter 511, section 1, subdivision 2, as amended; Laws 1980, chapter 511, section 2, as amended; Laws 1989, chapter 211, section 8, subdivision 2, as amended; Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended; Laws 1996, chapter 471, article 2, section 29; Laws 1998, chapter 389, article 8, section 43, subdivision 3; Laws 1998, chapter 389, article 8, section 43, subdivision 4; Laws 1999, chapter 243, article 4, section 18, subdivision 1; Laws 1999, chapter 243, article 4, section 18, subdivision 3; Laws 1999, chapter 243, article 4, section 18, subdivision 4; Laws 1999, chapter 243, article 4, section 19, as amended; Laws 2001, First Special Session chapter 5, article 3, section 61, the effective date; Laws 2001 First Special Session chapter 5, article 3, section 63, the effective date; Laws 2001, First Special Session chapter 5, article 3, section 96; Laws 2001, First Special Session chapter 5, article 9, section 12, the effective date; Laws 2001, First Special Session chapter 5, article 12, section 67, the effective date; Laws 2002, chapter 377, article 3, section 15, the effective date; Laws 2002 chapter 377, article 6, section 4, the effective date; proposing coding for new law in Minnesota Statutes, chapters 37; 273; 275; 276; 290C; 410; 469; proposing coding for new law as Minnesota Statutes, chapter 280A; repealing Minnesota Statutes 2002, sections 270.691, subdivision 8; 274.04; 290.0671, subdivision 3; 290.0675, subdivision 5; 294.01; 294.02; 294.021; 294.03; 294.06; 294.07; 294.08; 294.09; 294.10; 294.11; 294.12; 297A.72, subdivision 1; 297A.97; 477A.065; 645.021, subdivisions 2, 2, 3, 3; Laws 1984, chapter 652, section 2; Laws 2002, chapter 377, article 9, section 12, the effective date; Minnesota Rules, parts 8007.0300, subpart 3; 8009.7100; 8009.7200; 8009.7300; 8009.7400; 8092.1000; 8106.0100, subparts 11, 15, 16; 8106.0200; 8125.1000; 8125.1300, subpart 1; 8125.1400; 8130.0800, subparts 5, 12; 8130.1300; 8130.1600, subpart 5; 8130.1700, subparts 3, 4; 8130.4800, subpart 2; 8130.7500, subpart 5; 8130.8000; 8130.8300."

And when so amended the bill do pass. Amendments adopted. Report adopted.

## SECOND READING OF SENATE BILLS

S.F. No. 1505 was read the second time.

## SECOND READING OF HOUSE BILLS

H.F. No. 294 was read the second time.

## MOTIONS AND RESOLUTIONS

Senator Betzold moved that S.F. No. 769 be withdrawn from the Committee on Agriculture, General Legislation, and Veterans Affairs and returned to its author. The motion prevailed.

**Senators Koering; Johnson, D.E.; Metzen; Hottinger and Day introduced--**

**Senate Resolution No. 69:** A Senate resolution recognizing William A. Wroolie as the elected National Commander of the Military Order of the Purple Heart.

Referred to the Committee on Rules and Administration.

Senator Day moved that his name be stricken as a co-author to S.F. No. 1248. The motion prevailed.

Senator Michel moved that S.F. No. 997, No. 99 on General Orders, be stricken re-referred to the Committee on Finance. The motion prevailed.

Senator Olson moved that her name be stricken as chief author, shown as a co-author, and the name of Senator Pariseau be shown as chief author to S.F. No. 842. The motion prevailed.

Senator Day moved that H.F. No. 646 be withdrawn from the Committee on Taxes and laid on the table.

### CALL OF THE SENATE

Senator Hottinger imposed a call of the Senate for the balance of the proceedings on H.F. No. 646. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the Day motion.

The roll was called, and there were yeas 29 and nays 37, as follows:

Those who voted in the affirmative were:

Bachmann	Johnson, D.J.	Larson	Nienow	Robling
Belanger	Jungbauer	Limmer	Olson	Rosen
Day	Kierlin	McGinn	Ortman	Ruud
Fischbach	Kleis	Metzen	Ourada	Senjem
Gaither	Knutson	Michel	Pariseau	Wergin
Hann	Koering	Neuville	Reiter	

Those who voted in the negative were:

Anderson	Foley	Langseth	Pogemiller	Solon
Bakk	Frederickson	LeClair	Ranum	Stumpf
Berglin	Higgins	Lourey	Rest	Tomassoni
Betzold	Hottinger	Marko	Sams	Vickerman
Chaudhary	Johnson, D.E.	Marty	Saxhaug	Wiger
Cohen	Kelley	Moua	Scheid	
Dibble	Kiscaden	Murphy	Skoe	
Dille	Kubly	Pappas	Skoglund	

The motion did not prevail.

### INTRODUCTION AND FIRST READING OF SENATE BILLS

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

**Senators Vickerman, Frederickson, Tomassoni, Sparks and Bakk introduced--**

**S.F. No. 1515:** A bill for an act relating to taxation; eliminating payment of market value homestead credit reimbursements to cities; reinstating authorization to levy for transit purposes;

providing for additional means of financing transit; reducing local government aid payable to cities; appropriating money; amending Minnesota Statutes 2002, sections 16A.88, subdivision 3; 273.1384, subdivision 4; 473.388, subdivisions 4, 7; 473.446, subdivision 1, by adding subdivisions; 477A.03, subdivision 2; repealing Minnesota Statutes 2002, sections 174.242; 477A.03, subdivision 4.

Referred to the Committee on Taxes.

**Senator Wergin introduced--**

**S.F. No. 1516:** A bill for an act relating to drivers' licenses; allowing government agencies to act as commercial driver training schools; abolishing exemptions; amending Minnesota Statutes 2002, section 171.33, subdivision 1; repealing Minnesota Statutes 2002, section 171.39.

Referred to the Committee on Finance.

**Senators Anderson and Ranum introduced--**

**S.F. No. 1517:** A bill for an act relating to state government; requiring certain contractors, as a condition of eligibility for receiving a state contract, to certify to the commissioner of administration that they have established equitable compensation relationships among its employees; proposing coding for new law in Minnesota Statutes, chapter 16C.

Referred to the Committee on State and Local Government Operations.

**Senator Ranum introduced--**

**S.F. No. 1518:** A bill for an act relating to economic development; authorizing the establishing of an airport impact tax free zone; providing tax exemptions for certain individuals and business entities in the zone; providing for repayment of tax benefits under certain circumstances; amending Minnesota Statutes 2002, sections 272.02, by adding a subdivision; 290.01, subdivisions 19b, 29; 290.06, subdivision 2c; 290.067, subdivision 1; 290.0671, subdivision 1; 290.091, subdivision 2; 290.0921, subdivision 3; 290.0922, subdivision 3; 297A.68, by adding a subdivision; 297B.03; proposing coding for new law in Minnesota Statutes, chapter 469.

Referred to the Committee on Taxes.

**Senator Kubly introduced--**

**S.F. No. 1519:** A bill for an act relating to state government; requiring certain purchases of, or on behalf of, the department of corrections to be made in the state; proposing coding for new law in Minnesota Statutes, chapter 16C.

Referred to the Committee on State and Local Government Operations.

**Senator Moua introduced--**

**S.F. No. 1520:** A bill for an act relating to taxation; changing the sales price of cigarettes and tobacco products for purposes of the sales tax; eliminating certain discounts relating to cigarettes and tobacco products taxes; providing for use of the proceeds to fund youth tobacco use prevention programs; appropriating money; amending Minnesota Statutes 2002, sections 297A.62, by adding a subdivision; 297A.94; 297F.05, subdivision 1; 297F.08, subdivision 7; 297F.09, subdivision 2; 297F.10; proposing coding for new law in Minnesota Statutes, chapter 144.

Referred to the Committee on Taxes.

**Senator Sams introduced--**

**S.F. No. 1521:** A bill for an act relating to human services; implementing county initiatives; amending Minnesota Statutes 2002, sections 119B.11, subdivision 1; 124D.23, subdivision 2; 245.4932, subdivision 1; 245.494, subdivision 1; 245A.10; 253B.05, subdivision 3; 256.935, subdivision 1; 256B.0625, subdivision 20; 256B.0911, subdivision 3; 256F.13, subdivisions 1, 2; 261.035; 393.07, subdivision 1; 518.167, subdivision 1; repealing Minnesota Statutes 2002, sections 119B.11, subdivision 4; 145A.17, subdivision 9; 245.478; 245.4888; 245.714; 256B.0945, subdivisions 6, 7, 8, 10; 256B.83; 256F.10, subdivision 7.

Referred to the Committee on Health and Family Security.

**Senator Pogemiller introduced--**

**S.F. No. 1522:** A bill for an act relating to taxation; tax increment financing; tax abatement; making technical and minor changes; amending Minnesota Statutes 2002, sections 469.174, subdivisions 3, 6, 10, 25, by adding a subdivision; 469.175, subdivisions 1, 3, 4, 6; 469.176, subdivisions 1c, 2, 3, 4d, 7; 469.1763, subdivisions 1, 2, 3, 4, 6; 469.177, subdivisions 1, 12; 469.1771, subdivision 4; 469.178, subdivision 7; 469.1791, subdivision 3; 469.1792, subdivisions 1, 2; 469.1815, subdivision 1; Laws 1997, chapter 231, article 10, section 25.

Referred to the Committee on Taxes.

**Senator Cohen, for the Committee on Finance, introduced--**

**S.F. No. 1523:** A bill for an act relating to state government; appropriating money for environmental, natural resources, agricultural, economic development, and housing purposes; establishing and modifying certain programs; providing for regulation of certain activities and practices; providing for accounts, assessments, and fees; amending Minnesota Statutes 2002, sections 16A.531, subdivision 1, by adding a subdivision; 16B.37, subdivision 1; 17.101, subdivision 1; 17.451; 17.452, subdivisions 8, 10, 11, 12, 13, by adding subdivisions; 17.4988; 21.81, subdivision 8, by adding subdivisions; 21.82; 21.83, subdivision 2; 21.84; 21.85, subdivisions 11, 13; 21.86; 21.88; 21.89, subdivisions 2, 4; 21.90, subdivisions 2, 3; 21.901; 28A.08, subdivision 3; 28A.085, subdivision 1; 28A.09, subdivision 1; 32.394, subdivisions 8, 8b, 8d; 35.155; 41A.036, subdivision 2; 41A.09, subdivisions 3a, 5a, by adding a subdivision; 84.027, subdivision 13; 84.029, subdivision 1; 84.085, subdivision 1; 84.091, subdivisions 2, 3; 84.0911; 84.788, subdivision 3; 84.798, subdivision 3; 84.922, subdivision 2; 84A.02; 84A.21; 84A.32, subdivision 1; 84A.55, subdivision 8; 84D.14; 85.04; 85.052, subdivision 3; 85.053, subdivision 1; 85A.02, subdivision 17; 86B.415, subdivision 8; 86B.870, subdivision 1; 97A.045, subdivision 7, by adding a subdivision; 97A.071, subdivision 2; 97A.075, subdivisions 1, 2, 4, by adding a subdivision; 97A.105, subdivision 1; 97A.401, subdivision 3; 97A.441, subdivision 7, by adding a subdivision; 97A.475, subdivisions 2, 4, 5, 10, 15, 26, 27, 28, 29, 30, 38, 39, 40, 42, by adding a subdivision; 97A.485, subdivision 6; 97A.505, by adding subdivisions; 97B.311; 103B.231, subdivision 3a; 103B.305, subdivision 3, by adding subdivisions; 103B.311, subdivisions 1, 2, 3, 4; 103B.315, subdivisions 4, 5, 6; 103B.321, subdivisions 1, 2; 103B.325, subdivision 1; 103B.331, subdivisions 1, 2, 3; 103B.3363, subdivision 3; 103B.3369, subdivisions 2, 4, 5, 6; 103B.355; 103D.405, subdivision 2; 103G.005, subdivision 10e; 103G.2242, by adding subdivisions; 103G.271, subdivisions 6, 6a; 103G.611, subdivision 1; 103G.615, subdivision 2; 115.01, by adding a subdivision; 115.03, by adding subdivisions; 115.073; 115.55, subdivision 1, by adding a subdivision; 115.56, subdivisions 2, 4; 115.72, by adding a subdivision; 115A.0716, subdivision 3; 115A.54, by adding a subdivision; 115A.908, subdivision 2; 115A.9651, subdivision 6; 115B.17, subdivisions 6, 7, 14, 16; 115B.19; 115B.20; 115B.22, subdivision 7; 115B.25, subdivisions 1a, 4; 115B.26; 115B.30; 115B.31, subdivisions 1, 3, 4; 115B.32, subdivision 1; 115B.33, subdivision 1; 115B.34; 115B.36; 115B.40, subdivision 4; 115B.41, subdivisions 1, 2, 3; 115B.42, subdivision 2; 115B.421; 115B.445; 115B.48, subdivision 2; 115B.49, subdivisions 1, 3; 115C.02, subdivision 14; 115C.08, subdivision 4; 115C.09, subdivision 3, by adding subdivisions; 115C.11, subdivision 1; 115C.13; 115D.12, subdivision 2; 116.03, subdivision 2; 116.07, subdivisions 4d, 4h; 116.073, subdivisions 1, 2; 116.23; 116.46, by adding subdivisions; 116.49, by adding subdivisions; 116.50; 116.994; 116C.834, subdivision 1; 116J.011; 116J.411, by adding a subdivision; 116J.415, subdivisions 1, 2, 4, 5, 7, 11; 116J.553,

subdivision 2; 116J.554, subdivision 2; 116J.64, subdivision 2; 116J.8731, subdivisions 1, 4, 5, 7; 116J.955, subdivision 2; 116J.966, subdivision 1; 116J.994, subdivision 4; 116J.995; 116L.02; 116L.04, subdivisions 1, 1a; 116M.14, subdivision 14; 116P.09, subdivision 5; 116P.13, subdivision 1; 116P.14, subdivision 1; 176.136, subdivision 1a; 216C.41, subdivision 1; 248.10; 268.022, subdivision 1; 268A.02, by adding a subdivision; 273.13, subdivision 23; 297A.94; 297F.10, subdivision 1; 297H.13, subdivisions 1, 2; 325E.10, subdivision 1; 327.23, subdivision 1; 469.175, subdivision 7; 473.843, subdivision 2; 473.844, subdivision 1; 473.845, subdivisions 1, 3, 7, 8; 473.846; 500.221, subdivision 2; 517.08, subdivisions 1b, 1c; Laws 2001, First Special Session chapter 4, article 2, section 31; Laws 2002, chapter 220, article 13, section 9, subdivision 2, as amended; proposing coding for new law in Minnesota Statutes, chapters 18G; 18H; 18J; 21; 84; 103B; 115; 115A; 115C; 116; 116J; 354B; repealing Minnesota Statutes 2002, sections 1.31; 1.32; 135.598, subdivision 2; 17.23; 18.012; 18.021; 18.022; 18.0223; 18.0225; 18.0227; 18.0228; 18.0229; 18.023; 18.024; 18.041; 18.051; 18.061; 18.071; 18.081; 18.091; 18.101; 18.111; 18.121; 18.131; 18.141; 18.151; 18.161; 18.331; 18.332; 18.333; 18.334; 18.335; 18.44; 18.45; 18.46; 18.47; 18.48; 18.49; 18.50; 18.51; 18.52; 18.525; 18.53; 18.54; 18.55; 18.56; 18.57; 18.59; 18.60; 18.61; 18.85; 21.85, subdivisions 1, 3, 4, 5, 6, 7, 8, 9; 21.90; 37.26; 41A.09, subdivisions 1, 6, 7, 8; 84.0887; 84.98; 84.99; 89.391; 103B.311, subdivisions 5, 6, 7; 103B.315, subdivisions 1, 2, 3, 7; 103B.321, subdivision 3; 103B.3369, subdivision 3; 115B.02, subdivision 1a; 115B.42, subdivision 1; 116J.411, subdivision 3; 116J.415, subdivisions 6, 9, 10; 116J.617; 116J.693; 116J.9665; 116L.03, subdivision 7; 297H.13, subdivisions 3, 4; 473.845, subdivision 4; Laws 2001, First Special Session chapter 4, article 3, section 1; Laws 2001, First Special Session chapter 4, article 3, section 2, subdivision 1; Laws 2002, chapter 220, article 12, section 13; Laws 2002, chapter 220, article 12, section 14; Laws 2002, chapter 220, article 12, section 16; Minnesota Rules, parts 1510.0281; 9300.0010; 9300.0020; 9300.0030; 9300.0040; 9300.0050; 9300.0060; 9300.0070; 9300.0080; 9300.0090; 9300.0100; 9300.0110; 9300.0120; 9300.0130; 9300.0140; 9300.0150; 9300.0160; 9300.0170; 9300.0180; 9300.0190; 9300.0200; 9300.0210.

Under the Rules of the Senate, laid over one day.

**Senator Cohen, for the Committee on Finance, introduced--**

**S.F. No. 1524:** A bill for an act relating to state government; appropriating money for the general legislative and administrative expenses of state government, criminal justice, and economic development; modifying provisions relating to state and local government operations; modifying certain fee and revenue provisions; modifying certain board and commission provisions; modifying certain public safety and judiciary provisions; amending Minnesota Statutes 2002, sections 3.885, subdivision 1; 3A.11, subdivision 1; 10A.02, by adding a subdivision; 10A.025, subdivision 2; 10A.04, by adding subdivisions; 10A.34, subdivision 1a, by adding a subdivision; 13.072, subdivisions 1, 2; 13.87, subdivision 3; 14.48, subdivision 3; 16A.11, subdivision 3; 16A.1285, subdivision 3; 16A.40; 16B.24, subdivision 5; 16B.465, subdivision 7; 16B.48, subdivision 2; 16B.54, by adding a subdivision; 16C.02, subdivision 6; 16C.05, subdivision 2, by adding a subdivision; 16C.06, subdivision 1; 16C.08, subdivisions 2, 3, 4, by adding a subdivision; 16D.08, subdivision 2; 16E.01, subdivision 3; 16E.07, subdivision 9; 43A.17, subdivision 9; 116J.8771; 154.18; 197.608; 239.101, subdivision 3, by adding a subdivision; 240.03; 240.10; 240.15, subdivision 6; 240.155, subdivision 1; 240A.03, subdivision 10; 240A.04; 240A.06, subdivision 1; 256B.435, subdivision 2a; 270.052; 270.44; 270A.07, subdivision 1; 271.06, subdivision 4; 289A.08, subdivision 16; 299C.10, subdivision 4, by adding a subdivision; 299C.48; 299F.46, subdivision 1, by adding subdivisions; 299M.03, by adding a subdivision; 303.14; 340A.301, by adding a subdivision; 349A.08, subdivision 5; 349A.15; 357.021, subdivisions 2, 7; 357.022; 357.08; 403.02, subdivision 10; 403.06; 403.07, subdivisions 1, 2, 3; 403.09, subdivision 1; 403.11; 403.113; 473.891, subdivision 10, by adding a subdivision; 473.898, subdivisions 1, 3; 473.901; 473.902, by adding a subdivision; 473.907, subdivision 1; 611A.72; 611A.73, subdivisions 2, 6; 611A.74; 624.22, subdivision 1; Laws 1998, chapter 366, section 80, as amended; Laws 2001, First Special Session chapter 8, article 4, section 2; proposing coding for new law in Minnesota Statutes, chapters 5; 15; 16C; 326; 473; repealing Minnesota Statutes 2002, sections 16B.50; 16C.07; 123B.73.

Under the Rules of the Senate, laid over one day.



**ADJOURNMENT**

Senator Hottinger moved that the Senate do now adjourn until 12:00 noon, Tuesday, April 29, 2003. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate



# INDEX TO DAILY JOURNAL

Monday, April 28, 2003

## EXECUTIVE AND OFFICIAL COMMUNICATIONS

Page 1388

## CHAPTER LAWS

S.F. Nos.	H.F. Nos.	Session Laws Chapter No.	Page
	51 .....	19 .....	1388
	266 .....	20 .....	1388

## MESSAGES FROM THE HOUSE AND FIRST READINGS OF HOUSE FILES

S.F. Nos.	Message Page	H.F. Nos.	Message Page	1st Reading Page
842 .....	1389	307 .....	1391	1391
907 .....	1388	317 .....	1391	1392
1064 .....	1388	321 .....	1391	1391
		361 .....	1391	1392
		428 .....	1391	1391
		503 .....	1391	1392
		646 .....	1391	1393
		719 .....	1391	1392
		923 .....	1391	1392
		1080 .....	1391	1392
		1145 .....	1391	1392
		1155 .....	1391	1392
		1167 .....	1391	1392
		1214 .....	1391	1393
		1426 .....	1391	1393

## CONCURRENCE AND REPASSAGE

S.F. Nos.	Page	H.F. Nos.	Page
842 .....	1389		

## REPORTS OF COMMITTEES AND SECOND READINGS

S.F. Nos.	Report Page	2nd Reading Page	H.F. Nos.	Report Page	2nd Reading Page
1505 .....	1394	1526	294 .....	1393	1526

**MOTIONS AND RESOLUTIONS**

S.F. Nos.	Page	H.F. Nos.	Page
769	.....1526	646	..... 1527
842	.....1527		
997	.....1527		
1248	.....1527		
Sen. Res. No . 69	.....1526		

**RECONSIDERATION**

S.F. Nos.	Page	H.F. Nos.	Page
842	.....1390		

**INTRODUCTION AND FIRST READING OF SENATE BILLS**

S.F. Nos. 1515 to 1524 ..... Pages 1527 to 1530